

2013

**REFERENCE  
DOCUMENT**





# 2013

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## REFERENCE DOCUMENT

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### INCORPORATION BY REFERENCE

Pursuant to Article 28 of European Regulation No. 809/2004 of April 29, 2004, this Reference Document incorporates by reference the following information:

- for the year ended December 31, 2012: Annual Report, Consolidated Accounts and the corresponding statutory auditors' report, included in chapters 9, 20.1 and 20.2, respectively, of the Reference Document registered with the AMF on April 5, 2013 under number D.13-0302;
- for the year ended December 31, 2011: Annual Report, Consolidated Accounts and the corresponding statutory auditors' report, included in chapters 9, 20.1 and 20.2, respectively, of the Reference Document registered with the AMF on April 4, 2012 under number D.12-0277.



This Reference Document was registered with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) on April 14, 2014, in accordance with the provisions of Article 212-13 of the AMF General Regulations. It may not be used in support of a financial transaction unless supplemented by an offering memorandum approved by the AMF. It has been prepared by the issuer and is binding on the signatories.

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# Notice

**The Company = SUEZ ENVIRONNEMENT COMPANY**

**The Group = The Company and its subsidiaries**

**The Reference Document serves as the Management Report (see Concordance Table)**

*This document is a free translation of the French language Reference Document that was registered with the Autorité des marchés financiers (the "AMF") on April 14, 2014. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of shareholders of SUEZ ENVIRONNEMENT COMPANY. No assurances are given as the accuracy or completeness of this translation, and SUEZ ENVIRONNEMENT COMPANY assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French Reference Document, the French version shall prevail.*

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# 1

## PERSONS RESPONSIBLE FOR INFORMATION

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### 1.1 Person responsible for the Reference Document

Mr. Jean-Louis Chaussade, Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY.

### 1.2 Declaration of the person responsible for the Reference Document

*"I hereby certify, after taking all reasonable measures to that effect, that the information contained in this Reference Document is, to the best of my knowledge, accurate and does not include any omission that would distort its substance.*

*I certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with applicable accounting standards and give a true and fair view of the assets, financial situation and results of the Company as well as of that of all the companies included in the consolidation, and that the management report enclosed presents a true and fair picture of the way in which business is developing, the results, and the financial situation of the Company and all the companies included in the consolidation, as well as a description of the main risks and uncertainties they face.*

*I have obtained an audit completion letter from the statutory auditors, in which they indicate that they have audited the information concerning the financial position and the financial statements presented in this Reference Document, and have read the entire document.*

*The consolidated financial statements for fiscal year ended December 31, 2013 presented in this document are the subject of a report by the statutory auditors in chapter 20.2, which contains an observation that does not put into question their opinion. This observation outlines the impact of new standards, amendments and interpretations adopted in 2013."*

Jean-Louis Chaussade  
Chief Executive Officer

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## PERSONS RESPONSIBLE FOR INFORMATION

Declaration of the person responsible for the Reference Document



# STATUTORY AUDITORS

## 2.1 Principal statutory auditors

### ■ Ernst & Young et Autres

1/2, place des Saisons

92400 Courbevoie Paris-La Défense 1 – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of December 21, 2007, and reappointed by the Shareholders' Meeting of May 24, 2012 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2018 to approve the financial statements for the fiscal year ending December 31, 2017. Represented by Charles-Emmanuel Chosson and Pascal Macioce <sup>(1)</sup>.

### ■ Mazars

61, rue Henri Regnault – Tour Exaltis

92400 Courbevoie – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of July 15, 2008 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the fiscal year ending December 31, 2013. Represented by Thierry Blanchetier and Isabelle Massa <sup>(2)</sup>.

A resolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened on May 22, 2014 to reappoint Mazars as principal statutory auditor for another six-year term, which will expire at the close of the Ordinary Shareholders' Meeting convened in 2020 to approve the financial statements for the fiscal year ending December 31, 2019.

## 2.2 Deputy statutory auditors

### ■ Auditex

1/2, place des Saisons

92400 Courbevoie Paris-La Défense 1 – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of December 21, 2007, and reappointed by the Shareholders' Meeting of May 24, 2012 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2018 to approve the financial statements for the fiscal year ending December 31, 2017.

### ■ CBA

61, rue Henri Regnault

92400 Courbevoie – FRANCE

Appointed by decision of the Combined Ordinary and Extraordinary Shareholders' Meeting of July 15, 2008 for a six-year term expiring at the close of the Ordinary Shareholders' Meeting convened in 2014 to approve the financial statements for the fiscal year ending December 31, 2013.

A resolution will be proposed at the Shareholders' Meeting convened on May 22, 2014 to reappoint CBA as deputy statutory auditor for another six-year term, which will expire at the close of the Ordinary Shareholders' Meeting convened in 2020 to approve the financial statements for the fiscal year ending December 31, 2019.

The fee schedule for the statutory auditors is found in Note 27 to the consolidated financial statements, in chapter 20.1 of this Reference Document.

<sup>(1)</sup> Ernst & Young et Autres is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

<sup>(2)</sup> Mazars is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.





## STATUTORY AUDITORS

Deputy statutory auditors

# 3

## SELECTED FINANCIAL INFORMATION

3

The tables below present excerpts from the consolidated income statements, statements of financial position and cash flow statements of the Group for the years ended December 31, 2013, December 31, 2012 and December 31, 2011.

The selected financial information below should be read in conjunction with the consolidated financial statements in chapter 20.1 of this Reference Document and with the financial review of the Group in chapter 9 of this Reference Document.

### Key data from the consolidated income statements

<i>In millions of euros</i>	2013	2012	2011
Revenues	14,643.8	15,101.6	14,829.6
EBITDA <sup>(a)</sup>	2,519.9	2,450.0	2,512.9
Current Operating Income	1,183.9	1,145.8	1,039.4
Net Income Group share	352.2	251.4	322.8

<sup>(a)</sup> The Group uses "Earnings Before Interest, Taxes, Depreciation and Amortization" (or EBITDA) to measure its operating performance and its ability to generate operating cash flows. EBITDA is not defined in IFRS and does not appear directly in the Group's consolidated income statement. The transition from current operating income to EBITDA is described in section 9.2.1 of this Reference Document.

### Key data from the consolidated statements of financial position

<i>In millions of euros</i>	2013	2012	2011
Non-current assets	18,550.4	18,881.4	18,700.1
Current assets	8,157.5	7,755.1	8,361.3
<b>TOTAL ASSETS</b>	<b>26,707.9</b>	<b>26,636.5</b>	<b>27,061.4</b>
Shareholders' equity, Group share	4,963.0	4,863.9	4,946.1
Non-controlling interests	1,946.6	1,995.3	1,871.1
Other liabilities	19,798.3	19,777.3	20,244.2
<b>TOTAL LIABILITIES</b>	<b>26,707.9</b>	<b>26,636.5</b>	<b>27,061.4</b>

### Key data from the consolidated cash flow statements

<i>In millions of euros</i>	2013	2012	2011
Cash flows from / (used in) operating activities	1,823.8	2,357.1	1,901.9
Cash flows from / (used in) investing activities	(987.4)	(1,283.3)	(1,561.4)
Cash flows from / (used in) financing activities	(497.9)	(1,375.2)	297.0
Impact of changes in foreign exchange rates and others	(79.8)	55.2	29.5
<b>TOTAL CASH FLOWS FOR THE PERIOD</b>	<b>258.7</b>	<b>(246.2)</b>	<b>667.0</b>

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# 4

## RISK FACTORS

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## 4.1 Main risks

*Given the broad range of its businesses, locations and products, the Group represents a portfolio of risks and opportunities of a financial, industrial and commercial nature. Its position as a key player in the environmental sector and its development goals also expose the Group to strategic risks, which are particularly contingent upon regulatory, economic and industry developments in the segments in which it is involved.*

*The Group operates in a rapidly changing environment, triggering numerous risks, including some beyond its control. The Group presents hereafter the significant risks to which it believes it is exposed. The occurrence of any one of these risks could have a significant negative effect on the Group's business, financial position, earnings, image, or outlook or on the Company's share price.*

### 4.1.1 Risks related to the Group's business sector

#### → A changing competitive environment

The Group's businesses are still subject to strong competitive pressure from major international operators and, in some markets, from "niche" players. New industrial (equipment manufacturers) and financial players (Asian conglomerates) invest in markets by adopting aggressive strategies. The Group also faces competition from public sector operators in some markets (for example, the semi-public companies in France or the *Stadtwerke* in Germany). Finally, for contracts previously awarded by public authorities, some local authorities may desire to retain or assume direct management of water and waste services (notably in the form of public control, "régie") instead of depending on private operators.

This strong competitive pressure, which could increase in a context of consolidation among private entities (which is already under way in the waste segment in Europe), may put pressure on the commercial development and prices of the services offered by the Group, which could have a negative impact on the activity, earnings and outlook of the Group.

The risk of pressure on prices is exacerbated in the waste treatment sector in some countries, where the Group may see the profitability of its facilities reduced due to a reduction in the utilization rate resulting from the development of overcapacity.

The risk of price pressure is aggravated in the water treatment engineering segment due to the continuing influx of new players facing difficulties in their own markets (e.g., Spanish companies), and due to the contraction of the European municipal market due to the worsening financial health of local authorities.

Moreover, in order to offer services that are comparable or better than those offered by its competitors, the Group may have to develop new technologies and services, enabling it to generate additional revenues but also creating substantial costs that could have a negative impact on the financial position and earnings of the Group.

Finally, certain technological choices made by the Group to remain competitive or conquer new markets may not produce the expected results and may have a negative impact on the Group's activity, earnings or outlook.

#### → Group's exposure to economic cycles

The 2013 fiscal year was characterized by a decline in revenues (-0.7% organic growth at year-end 2013). Due to its activities, the Group is sensitive to economic factors whose potential impacts are described below. The economic context that followed the 2008 crisis is persisting, causing a prolonged slowdown in the activities of the Group's major customers.

Some Group businesses, particularly services to industrial customers, both in the water and waste segments, are sensitive to economic cycles. Since the Group is mainly present in Europe, the United States, and Asia-Pacific region, a portion of its activity is sensitive to changes in the economic climate of these geographic regions. Any economic slowdown in a country where the Group is present lowers consumption as well as investments and industrial production and, therefore, negatively impacts demand for the services offered by the Group, which could in turn have a negative impact on the Group's operations, earnings, and outlook.

Due to a possible correlation of the slowdown in activity in Europe, the United States and the Asia-Pacific region, the wide geographical diversity of the Group's sectors only offers partial protection from this risk.

A persistent economic downturn could also result in payment difficulties for customers. To date, however, there is no relationship of dependency vis-à-vis major customers due to the size distribution of the customer base: the weight of the largest municipal customer represents annual revenues of €191 million or 1.3% of Group revenues (the top five customers represent €412 million or 2.8% of Group revenues). The weight of the largest industrial customer is €91 million or 0.6% of Group revenues (the top five customers represent €275 million or 1.8% of Group revenues). For the record, the weight of local authorities within our customer base represents 68% of Group revenues, against 32% for industrial customers.

At December 31, 2013, the amounts provisioned in the consolidated statement of financial position for bad debts represent, in aggregate, €228 million. The definitive losses do not represent a significant challenge for the Group.

### ➔ Group's exposure to changes in consumption trends

In the supply of drinking water in some developed countries, a decrease in volumes consumed is being observed, mainly due to social factors and the idea that water is a resource that needs to be preserved. For example, in France, the Group estimates that volumes of water billed have declined on average by roughly 1% a year over the last fifteen years.

The gain in productivity achieved by the Group and the fact that some contracts provide for a fee portion that is independent of volume consumed, as well as the development of higher value-added services, particularly supporting public authorities in their obligation to respond to changes in regulations, have allowed the Group to respond to this reduction in volume.

However, if these developments are insufficient in the future to offset the reduced volume, this could have a negative impact on the Group's operations, earnings, and outlook.

### ➔ Impact of climatic conditions on earnings from the Group's water operations

The Group's earnings in the water sector can be affected by significant weather changes.

In France, for example, exceptional rainfall caused a reduction in water consumption in 2007, while episodes of hot weather generated greater water consumption in 2003. Therefore, exceptional rainfall may have a negative impact on the Group's activity and earnings.

### ➔ Change in the environmental, health and safety regulatory context

The Group's businesses are subject to environmental protection, public health, and safety rules that are increasingly restrictive and differ from country to country. These rules apply, amongst other things, to water discharge, the quality of drinking water, waste treatment, soil and water-table contamination, air quality and greenhouse gas emissions (see chapter 6.7: Legal and regulatory framework).

Overall, regulatory changes offer new market opportunities for the Group's businesses. The Group strives to limit all of these risks by conducting a proactive environmental policy (see section 6.8.1: Environmental policy) and an extended insurance program (see section 4.2.6: Management and financing of insurable risks).

However, there are still many risks that result from the vagueness of some regulatory provisions or the fact that regulatory bodies can amend their enforcing instructions and that major developments in the legal framework may occur. In addition, the competent regulatory bodies have the power to institute administrative or legal proceedings against the Group, which could lead to the suspension or revocation of permits or authorizations the Group holds, or injunctions to cease or abandon certain activities or services, fines, or civil liabilities or criminal penalties, which could negatively and significantly affect the Group's public image, activity, financial position, earnings, and outlook.

Moreover, amending or strengthening regulatory provisions could engender additional costs or investments for the Group. As a result of such measures, the Group might have to reduce, temporarily interrupt, or even discontinue engaging in one or more activities with no guarantee that it will be able to compensate for the corresponding losses. Regulatory changes may also affect prices, margins, investments and operations, and consequently the Group's activity, earnings, and outlook.

The applicable regulations involve investment and operating costs not only for the Group but also for its customers, particularly the contracting local or regional public authorities, due notably to compliance obligations. Failure by the customer to meet its obligations could injure the Group as the operator and harm its reputation and capacity for growth.

Finally, even if the Group complies with applicable regulations, it cannot monitor water quality in all areas of its network. In France, the policy for the last few years has been to progressively lower authorized levels of lead in water for human consumption, with a target of 10µg/l by the end of 2013. The Group is offering to replace its customers' pipes to achieve these goals; these works have led to renegotiations of the contracts concerned. However, the Group cannot rule out the possibility that the 2013 target will not be met owing to the presence of lead in privately owned pipes, over which the Group has no control. Any overstepping of the regulatory standard for drinking water, whatever its origin, could have a negative impact on the Group's image.

Despite the monitoring systems implemented, it is impossible to predict all regulatory changes. However, the Group, by engaging in its businesses in several countries, each with its own regulatory system, diversifies this risk.

### ➔ Some of the Group's activities require administrative authorizations that can be difficult to obtain, or renew

Performing the Group's activities assumes that it holds various permits and authorizations, which often require a long, costly, and seemingly arbitrary procedure to obtain or renew.

Moreover, the Group may face opposition from local citizens or associations for installing and operating certain facilities (specifically landfills, incinerators, or wastewater treatment plants) citing nuisances, degradation of landscape, or, more generally, damage to the environment, making it more difficult for the Group to obtain construction or operating permits and authorizations or resulting in non-renewal or even legal challenges. In this respect, the Group could face legal actions from environmental organizations that could delay or impede its operations or the development of its activities despite the various initiatives and actions it has undertaken.

Finally, the conditions attached to authorizations and permits that the Group has obtained could be made substantially more stringent by the competent authorities.

The Group's failure to obtain, or a delay in obtaining, a permit or authorization, non-renewal of, or a challenge to, a permit or authorization, or significantly more stringent conditions associated with the authorizations and permits obtained by the Group, could have a negative impact on its activity, financial position, earnings, outlook, and development.

### ➔ Impact on the Group of measures to combat climate change

Following the Kyoto Protocol and subsequent agreements, the fight against climate change has become widespread, resulting in burgeoning environmental regulations and tax laws in France (Grenelle law II), in Europe (European Union Climate and Energy Package, Carbon Reduction Commitment in the United Kingdom) and internationally (Emissions Trading Scheme in Australia). This trend could have a very significant impact on the economic models based on the emerging risk of waste activities being included in some countries in regulations to reduce greenhouse gas emissions. In Australia, the carbon tax on CO<sub>2</sub> emissions, which took effect on July 1, 2012, also covered waste management activities, a world first. The Group's waste activities in Australia are thus directly affected by this tax. The abolition of this tax in July 2014 was announced by the new government.

On the other hand, incorporating CO<sub>2</sub> restrictions, together with provisions to support renewable energies and other regulatory and tax provisions, complicates the economic model in the waste business and places greater pressure than in the past on guiding treatment methods toward energy recovery for the production of renewable energies.

Over the medium term, efforts are focused on increasing the proportion of low-carbon energy sources (for example, fuel substitutes produced from waste), promoting the capture of biogas at landfills, taking into consideration energy produced from this biogas, and energy produced by sludge and bio-waste anaerobic digestion and energy from waste (incineration) as a source of renewable energy.

### ➔ Risks related to fluctuations in certain commodity and energy prices

The Group's activities consume significant quantities of raw materials and energy, more specifically oil and electricity, and therefore the Group, is vulnerable to fluctuations in their prices.

The Group's contracts generally provide for indexation mechanisms, particularly in long-term contracts. The Group cannot guarantee that these mechanisms will cover all of the additional costs generated by an increase in electricity and oil prices. In addition, some contracts entered into by the Group do not include indexing provisions. Accordingly, any major increase in the price of electricity or oil could have a negative impact on the Group's earnings and outlook.

"Oil risk" not covered by sales indexation clauses on diesel price fluctuations are covered by financial hedges put in place by the Group using derivatives (see section 4.2.4.6 Management of commodity and energy risks).

Moreover, the Group's waste activities lead to the production of plastic, wood, cardboard, metals, and electricity; a significant decrease in their price could affect the profitability of some investments or the economic balance of certain contracts and have a negative impact on the Group's activity, earnings, and outlook.

For projects that require large quantities of raw materials, which are the most sensitive to market fluctuations, the Group continually tries to consolidate its procurement sources and maintain a sufficient number of suppliers for strategically important equipment and raw materials. The objective is to obtain the best market conditions at all times.

## 4.1.2 Risks related to the Group's business activities

### ➔ Risks related to major projects

The Group's organic growth is in part based on various major projects involving the construction of industrial assets, including water production plants, water desalination plants, wastewater and waste treatment plants.

The profitability of these assets, whose life is several decades long, is particularly contingent on controlling costs and construction timeframes, operating performance and long-term trends within the competitive environment, any of which could reduce the profitability of certain assets or result in loss of revenues and asset impairment.

### ➔ Risks related to design and construction activities

In the water and waste sectors, the Group is involved in certain projects at the design and build phases of facilities, particularly in the water sector through its specialized subsidiaries Degrémont and Safege.

These risks are related to the completion of fixed-price turnkey contracts. Under the terms of such contracts, Degrémont agrees to engineer, design and build operation-ready plants for a fixed price.

The effective expenses resulting from executing a turnkey contract can vary substantially from initial projections for different reasons, such as:

- unforeseen increases in the cost of raw materials, equipment, or labor;
- unexpected construction conditions;
- delays due to weather and/or natural disasters (particularly earthquakes and floods);
- non-performance of suppliers or subcontractors.

The terms of a fixed-price turnkey contract do not necessarily give Degrémont the possibility of increasing prices to reflect elements that were difficult to predict when the bid was submitted. For these reasons, it is impossible to determine with certainty the final costs or margins on a contract at the time the bid was submitted, or even at the start of the contract's execution phase. If costs end up rising for one of these reasons, Degrémont might have to reduce its margins or even book a significant loss on a contract.

Degrémont's engineering, procurement and construction (EPC) projects may encounter problems that could entail a reduction in revenues, disputes or lawsuits. These projects are generally complex, and require major purchases of equipment and large-scale project management. Schedule shifts may occur, and Degrémont might encounter design, engineering, supply chain, construction or installation problems. These factors could impact Degrémont's ability to complete certain projects by the original deadline.

Certain terms of the contracts concluded by Degrémont require the client to provide particular design or engineering-related information, in addition to the materials or equipment to be used in the project. These contracts may also require the client to compensate Degrémont for additional work done or expenses incurred, if (i) the client changes its instructions, or (ii) the client is unable to provide Degrémont with adequate design or engineering information or materials or equipment for the project.

In such cases, Degrémont usually negotiates financial compensation with its clients for the additional time and money spent due to the client's failure to meet its contractual obligations. However, the Group cannot guarantee that Degrémont will receive sufficient compensation to offset the extra costs incurred, even if it takes the dispute to court or arbitration. In such a case, Degrémont's, or even the Group's earnings and financial position could be significantly affected.

Degrémont and, depending on the circumstances, the Company or other Group entities – as part of the guarantees given to cover their subsidiaries' commitments – may be required to pay financial compensation if the latter breaches contractual deadlines or other terms of the contract. For example, the new facility's performance may not comply with project specifications, a subsequent accident may invoke the Group's civil or criminal liability, or other problems may arise (now or in the future) in the performance of the contract that may also significantly impact Degrémont's or even the Group's operating income.

### ➔ Risks of dependency on certain suppliers

Group companies may depend on a limited number of suppliers for their construction, operation or delegated management activities. We distinguish three main groups of suppliers:

#### Suppliers of raw water, wholesale treated water, and primary energy

Some Group companies depend on raw water, treated water or primary energy suppliers for their distribution activities. Such dependency is usually imposed by local regulations or technical configurations, leading to situations of de facto monopoly of these suppliers. Failure of these suppliers is always possible for technical reasons (e.g., breakdowns), pollution or other causes, creating a risk of service interruption. The Group seeks to limit this risk by diversifying sources of supply and by interconnecting networks wherever possible and ensuring that contracts provide for adequate liability disclaimers in case of insufficient amounts of water or electricity delivered to the contract owner.

#### Builders

Some Group companies depend on "Builders" – suppliers or subcontractors in civil engineering, combustion and energy recovery systems, etc. – for their design and construction activities. An occasional or total failure of one of these suppliers or subcontractors would lead to unforeseen delays in the construction schedule with the consequent late penalties provided for in the contract. This risk is limited because it is managed from within the project and is in any case dispersed within the portfolio due to the great number of suppliers. Furthermore, special provisions may be adopted when designing projects to reduce dependence on certain suppliers.

Other Group companies also depend on "Builders" suppliers or subcontractors in the course of their concession or service delegation activities. Failure of one of these "Builders" resulting in delays in the commissioning of concession facilities could have an impact on the contractual rate increases and consequences on the overall profitability of the investment. The Group manages this risk through a careful selection process and by monitoring its "Builders". This risk is also not critical as it is dispersed within the supplier portfolio.

#### Other suppliers

The Group companies also use a range of suppliers and subcontractors to carry out their businesses and activities: service suppliers (temporary workforce agencies, research firms, transport companies, etc.), and providers of energy, fuel, equipment, chemical products, etc.

A failure of any of these suppliers could have an impact on the continuity of service that is the critical performance indicator in the public service activities of Group companies, in both the Waste and Water sectors.



The Group believes this risk to be appropriately covered, due to measures put in place, including careful selection of suppliers, backup equipment, availability of generators, crisis management plans, stockpiling chemicals, diversification of suppliers.

### **Weight of the largest suppliers in the Group's procurement processes**

Out of total purchases of nearly €6.0 billion in 2013, the largest supplier represents €0.24 billion, the top five, €0.5 billion, and the top ten, €0.6 billion. The Group considers that currently there are no relationships of dependency on its main suppliers.

### **➔ Non-performance risks of long-term contracts**

The Group carries out most of its business activities under long-term contracts with terms of up to 50 years or more. The conditions for performing these long-term contracts may be different from those that existed or that were anticipated at the time the contract was entered into and may change the balance of the contract, particularly the financial balance.

The Group makes every effort to obtain contractual mechanisms that allow it to adjust the balance of the contract in response to changes in certain significant economic, social, technical, or regulatory conditions. However, not all long-term contracts entered into by the Group have such mechanisms. Moreover, when the contracts entered into by the Group contain such adjustment mechanisms, the Group cannot guarantee that its contractual partner will agree to implement them or that they will be effective in re-establishing the initial financial balance of the contract.

The absence or potential ineffectiveness of the adjustment mechanisms provided for by the Group in its contracts or the refusal of a co-contracting partner to implement them could have a negative impact on the Group's financial situation, earnings, and outlook.

### **➔ Risks of unilateral cancellation, non-renewal or amendment of contracts with public authorities**

The contracts entered into by the Group with public authorities make up a significant share of its revenues. However, in most of the countries in which the Group has a presence, including France, local public entities have the right, in certain circumstances, to amend or even terminate the contract unilaterally, subject to compensation. If a contract is unilaterally cancelled or amended by the contracting public authority, the Group may not be able to obtain compensation that fully offsets the resulting loss of earnings.

Moreover, the Group does not always own the assets that it uses in its operations under a public service delegation contract (primarily through public service concessions or leases). The Group cannot guarantee that the contracting authority will renew each of its existing public service delegation contracts, or that the financial conditions of the renewal will be the same as the initial delegation. This situation could negatively impact the Group's operations, financial position, earnings, and outlook.

### **➔ Risks related to external growth operations**

The Group's development strategy prioritizes organic growth, but may be accompanied by external development or growth operations through the acquisition of assets or companies and interests or alliances in the waste and water businesses and geographic areas in which the Group wishes to expand. The Group may be unable, given the competitive environment, to successfully complete development or external growth operations that it is planning based on its investment criteria.

Moreover, external growth operations may involve a certain number of risks related to the integration of the acquired businesses or staff, the difficulty in generating the synergies and/or savings expected, an increase in the Group's debt and the emergence of unexpected liabilities or costs. The occurrence of one or more of these risks could have a negative impact on the activity, financial position, earnings, or outlook of the Group.

### **➔ Risks related to presence in certain emerging countries**

Although the Group's business activities are concentrated mainly in Europe, the United States and Australia, the Group also conducts business in other markets, notably in certain emerging countries. The Group's activities in these countries involve a certain number of risks that are higher than in developed countries, such as GDP volatility, relative economic and governmental instability, sometimes major amendments to, or imperfect application of, regulations, the nationalization and expropriation of private property, payment collection difficulties, social problems, substantial fluctuations in interest and exchange rates, claims by local authorities that call into question the initial tax framework or the application of contractual provisions, currency control measures, and other unfavorable interventions or restrictions imposed by governments.

Although the Group's activities in emerging markets are not concentrated in one country or a specific geographic region, events or unfavorable circumstances that take place in any of these countries could have a negative impact on the Group's business and could also result in the Group having to book provisions and/or impairments in its accounts, which could have a significant negative impact on its financial position, earnings, and outlook. In addition, the Group could be unable to defend its rights in the courts of these countries if there is a conflict with their governments or other local public entities.

The Group manages these risks in connection with its partnerships and contractual negotiations on a case-by-case basis. In order to limit the risks related to operations in emerging countries, the Group determines its choices by applying a selective strategy based on a detailed analysis of the country risks and, as far as possible, taking out political risk insurance and putting international arbitration clauses in place.

### ➔ Risks linked to entering into partnerships

In several countries, the Group carries out its activities through partnerships with local authorities or private local entities. Moreover, to develop its activities, the Group may be required to enter into new partnerships.

Partnerships are one of the means by which the Group shares the economic and financial risk inherent in certain major projects by limiting its capital employed and allowing it to better adapt to the specific context of local markets. Moreover, they may be required by the local laws and regulations. The partial loss of operating control is often the downside of this reduced exposure in capital employed. However, this situation is managed contractually on a case-by-case basis.

Changes in a project, the local political and economic context, the economic position of a partner, or the occurrence of a disagreement between the partners may lead to the termination of partnerships, particularly if partners exercise puts or calls on shares, if one of the partners requests the dissolution of the joint venture, or through the exercise of a pre-emptive right. These situations can also lead the Group to choose to strengthen its financial commitments in certain projects or, in the event of conflict with its partner(s), to seek solutions in court or before the competent arbitration bodies. These situations could have a significant negative impact on the Group's business, financial position, earnings and outlook. Moreover, the Group cannot guarantee that the projects it carries out in partnership will be implemented on time and according to satisfactory economic, financial and legal conditions, or that they will deliver the long-term profitability that was originally projected.

### ➔ Risks of civil and environmental liability

The business areas in which the Group operates involve a major risk of civil and environmental liability. The increase in legal, regulatory and administrative requirements exposes the Group to greater risk of liability, particularly in terms of environmental responsibility, including liability for assets the Group no longer owns or for activities that it has discontinued.

Specifically, the existing regulations impose the obligation to restore environmentally classified sites when operations finally end, which requires the booking of provisions.

In addition to contractual precautions, the Group strives to limit all these risks as part of its environmental responsibility policy (see sections 4.2.2 "Management of industrial and environmental risks" and 6.8.1 "Environmental policy") as well as through its insurance policies (see section 4.2.6 "Management and financing of insurable risks"). However, the civil liability and environmental risk insurance policies taken out by the Group may prove insufficient in certain cases, and could generate major costs and negatively impact the Group's financial position, earnings, and outlook.

### ➔ Risks related to facilities management

The facilities that the Group owns or manages on behalf of third parties carry risks to the surrounding environment (air, water, soil, habitat and biodiversity) and may pose risks to the health of consumers, local residents, employees, or even subcontractors.

These health and environmental risks, which are governed by strict national and international regulations, are regularly monitored by the Group's teams and public authorities. These changing regulations with regard to both environmental responsibility and environmental liabilities carry a risk of an increase in the vulnerability of the Company in relation to its activities. This vulnerability must be assessed for older facilities (such as closed landfills) and for sites in operation. It may also involve damage caused to habitats or species.

As part of its activities, the Group must handle, or even generate, dangerous products or by-products. This is the case, for example, for certain chemical products for water treatment. In waste treatment, some Group facilities treat specific industrial or healthcare waste that may be toxic or infectious.

In waste management, gas emissions to be considered are greenhouse gases, gases that induce acidification of the air, noxious gases, and dust. In the area of water, the potential air pollutants are mainly chlorine or gaseous by-products resulting from accidental emissions of water treatment products. Wastewater treatment and waste treatment activities can also cause odor problems or the production of limited but dangerous quantities of toxic gas or micro-organisms.

In the absence of adequate management, the Group's activities could have an impact on the water present in the natural environment in the form of leachates from poorly monitored facilities, discharge of heavy metals into the environment, or aqueous discharge from flue gas treatment systems at incineration plants. These various types of emissions could pollute water tables or streams.

Wastewater treatment plants discharge decontaminated water into the natural environment. For various reasons these may temporarily fail to meet discharge standards in terms of organic load, nitrogen, and phosphorus.

Soil pollution issues could arise in the event of accidental spills of stored dangerous products and liquids, leaks from processes involving hazardous liquids, and the storage and spread of sludge.

Various mechanisms are used to monitor all the above risks. The Group carries out its industrial activities under regulations that give rise to safety rules for the use of infrastructures or for performing services. The care taken in the design, execution and operation of its works cannot prevent all industrial accidents that might impair the Group's activities or generate financial losses or material liability.

The laws and contracts that govern the Group's operations clarify the division of responsibilities with respect to risk management and financial liability; however, failure to respect standards may lead to contractual financial penalties or fines.

There are risks related to the operation of waste treatment facilities, water treatment facilities, water supply networks and certain services rendered in an industrial context. These risks can lead to industrial accidents with, for example, operating accidents, such as fire or explosion, design faults or external events that the Group cannot control (actions by third parties, landslides, earthquakes, etc.). Such industrial accidents may cause wounds, loss of human life, significant damage to property or to the environment as well as business interruption and loss of output.

The unavailability of a major drinking water production or distribution facility could result in a stoppage of the delivery of water in a fairly large area, resulting in losses of revenues and the risk of paying the pertinent compensation as well as harm to the Group's public image and/or breach of a public service obligation.

Industrial risks are managed by implementing a safety system at each site based on the principle of continuous improvement and aimed at reducing residual risk by focusing as a priority on the highest risks. An internal risk control procedure in accordance with an internal reference framework is implemented and coordinated by the Department of Health and Safety.

Although the Group has premium civil liability and environmental risk insurance, it may still be held liable above the guaranteed caps or for items not covered in the event of claims involving the Group.

Moreover, the amounts provisioned or covered may be insufficient if the Group incurs environmental liability, given the uncertainties inherent in forecasting expenses and liabilities related to health, safety, and the environment.

Therefore, the Group's liability for environmental and industrial risks could have a significant negative impact on its public image, activity, financial position, earnings, and outlook.

The Group's industrial and environmental risk management policy is described in section 4.2.2 of this Reference Document.

### → Specific risks related to operating high-risk sites ("Seveso" sites)

According to Directive 2012/18/EU of July 4, 2012, the Group operates twenty-five Seveso sites within the European Union. Fifteen sites are classified "high threshold" Seveso and ten are "low threshold" Seveso.

Sites classified "high threshold" Seveso as of December 31, 2013 are as follows:

Subsidiaries	Location	Country	Threshold	Activity
Sita France	Villeparisis	France	High	Storage and pre-treatment of hazardous waste
Sita France	Angers	France	High	Storage and pre-treatment of hazardous waste
Sita France	Bellegarde	France	High	Storage and pre-treatment of hazardous waste
Sita France	Drambon (report in progress)	France	High	Storage and pre-treatment of hazardous waste
Sita France	Jeandelaincourt	France	High	Storage and pre-treatment of hazardous waste
Sita France	Vaivre	France	High	Storage and pre-treatment of hazardous waste
Sita France	Givors	France	High	Storage and pre-treatment of hazardous waste
Sita France	Pont-de-Claix	France	High	Hazardous waste treatment
Sita France	Péage de Roussillon	France	High	Hazardous waste treatment
Sita France	Beautor	France	High	Hazardous waste treatment
Sita France	Amnéville	France	High	Hazardous waste treatment
Sita France	Frontignan	France	High	Storage and pre-treatment of hazardous waste
Sita France	Hersin-Coupigny	France	High	Storage and pre-treatment of hazardous waste
Sita France	Herne	Germany	High	Thermal desorption of soils polluted with PCBs and mercury
Sita France	As Somozas	Spain	High	Hazardous waste treatment

In addition to the facilities identified in Europe as Seveso "high threshold" sites, the Group operates other hazardous industrial sites for which it is committed to applying the same high industrial safety standards. Accordingly, the Group conducts one-off checks and audits to ensure that these obligations are being met.

Any incident at these sites could cause serious harm to employees working at the site, neighboring populations, and the environment, and expose the Group to significant liabilities. The Group's insurance coverage (see section 4.2.6 of this Reference Document) could be insufficient. Any such incident could, therefore, have a negative impact on the public image, activity, financial position, earnings, and outlook of the Group.

The Group implements an accident prevention policy through a series of initiatives and actions, including employee training, communications and management accountability, thus enabling it to maintain its permanent zero-accident target (see section 4.2.2.3 of this Reference Document).

### → Risks related to human resources management

The Group employs specialists and executives with a broad range of expertise applied to its various businesses. In order to prevent the loss of key competencies the Group must anticipate scarcity of labor in certain businesses. In addition, the Group's international growth and the trends of its businesses require new know-how and a great deal of mobility among its staff, particularly its executives. In order to meet this need, the Group has implemented a human resources policy focused on employment tailored to various locations and on fostering employability through the development of training.

The Group's success depends upon its ability to hire, train and retain a sufficient number of employees, including managers, engineers and technicians, who have the required skills, expertise and local knowledge. Competition for this kind of profile is strong.

To retain skilled personnel, the Group has implemented a management policy aimed at key staff, with essential, high-potential profiles for which special loyalty arrangements and an "alert system" are in place.

### → Risks of labor conflicts

Organizational changes and lack of understanding of the Group's strategy can lead to cooperation and negotiation being ineffective in regulating industrial relations.

The Group must consider the possibility of labor disturbances, such as strikes, walkouts, claim actions, or other labor problems that could disrupt its business and have a negative impact on its financial position and earnings.

Moreover, in the waste segment, the occurrence of labor disruptions could have a significant negative impact on the Group's public image.

### → Risk of occupational illnesses, particularly those related to exposure to asbestos, legionnaire's disease or muscular-skeletal problems

The Group is very aware of the risks of changes in employees' and subcontractors' health and takes measures to protect their health and safety. It takes great care to remain in compliance with legal and regulatory health and safety provisions at its various sites. However, it may be confronted with occupational illnesses that could lead to legal action against the Group and, potentially, to the payment of damages, which could be significant.

Some energy recovery site operators could accidentally be exposed to the risk of micro-organisms such as legionella. Group instructions have been issued to contain this risk and sites are audited or inspected on a regular basis.

Personnel working at water production and distribution facilities and on hazardous industrial waste treatment sites may be exposed to chemical risks. Chemical risk is one of the risks managed under the health and safety system.

In addition, the risk of a pandemic, such as avian flu, has been anticipated by implementing continuity plans and measures to protect and prevent infection of employees that continue to work during pandemics.

### → Risks of criminal or terrorist acts at the Group's sites

Despite security measures taken by the Group in the operation of its water and waste facilities, the possibility remains that they could be affected by malicious acts and acts of terrorism, with consequences for public health or harm to employees, equipment or sites.

In addition, some of the Group's employees work or travel in countries where the risks of terrorism or kidnapping may be high.

The occurrence of such acts could have a significant negative impact on the public image, activity, financial position, earnings, and outlook of the Group.

### → Risks related to natural disasters or other major events whose extent is difficult to predict

Because of its diverse geographical presence, some of the Group's infrastructures could be exposed to natural disasters such as earthquakes, heavy rainfalls, storms, hailstorms, freezing, drought, landslides, etc. As well as natural disasters, other major events whose extent is difficult to predict (major epidemics, etc.) could impact the Group's activities.

The Group's policy is to cover those risks through its insurance programs with premium insurance companies with suitable coverage. However, the Group cannot guarantee that the measures taken to control these risks will prove fully effective if any such event should occur. Moreover, the Group may not always be able to maintain a level of coverage that is at least equal to its existing coverage and at no higher cost. The frequency and extent of natural disasters observed in recent years could impact both the capacity of insurance markets to cover such risks and the cost of insurance coverage.

### → Risks related to information systems

Information systems are critically important in supporting all the business processes in the Group.

These are increasingly becoming interconnected and transversal between business segments. Any failure could lead to loss of business, loss of data or breach of confidentiality, and could negatively impact the Group's operations, financial position, and earnings.

The implementation of new applications may require considerable development, which is then carried out in project mode, with risks relating to development costs, quality and deadlines.

#### ➔ Risks related to ethics breaches

Actions of staff, corporate officers or representatives contravening the principles affirmed by the Group could expose it to legal and civil penalties and lead to loss of reputation.

### 4.1.3 Market risks

#### ➔ 4.1.3.1 Interest rate risk

The Group's exposure to interest rate risks derives mainly from its floating rate net financial debt. As of December 31, 2013, the Group's

net financial debt (excluding financial derivatives instruments and amortized cost) totaled €7,203.9 million, 1% at floating rates and 99% at fixed rates before hedging and 21% at floating rates and 79% at fixed rates after hedging.

The following table shows the Group's net debt by type of rate (after hedging) at December 31, 2013:

<i>In millions of euros</i>	Total	Net debt at fixed rate	Net debt at floating rate	Less than 1 year	1 to 5 years	Beyond
Amount	7,203.9	5,721.0	1,482.9	76.7	1,887.4	5,239.8

The following table shows the Group's net debt position exposed to floating interest rates as of December 31, 2013:

<i>In millions of euros</i>	Total
Gross debt	2,636.8
Financial assets measured at fair value through Income	(91.6)
Cash and cash equivalents	(2,506.0)
Net position before management	39.2
Impact of interest rate derivatives	1,443.7
Net position after management	1,482.9
Impact of a 1% increase in short-term interest rates on income after management	(11.3)

An interest rate risk sensitivity analysis is presented in Note 13.1.3.2 to the consolidated financial statements, chapter 20.1.

An increase in interest rates could also force the Group to finance or refinance its future needs at a higher cost.

The interest rate risk management policy is described in section 4.2.4.1.

#### ➔ 4.1.3.2 Foreign exchange risk

Due to the nature of its activities, the Group has little exposure to currency risk on transactions, i.e. flows related to the operations of SUEZ ENVIRONNEMENT and its subsidiaries are denominated in their local currencies (with the exception of Degrémont).

However, because of the geographical diversification of its activities, the Group is exposed to translation risk, i.e., its statement of financial position and income statement are sensitive to fluctuations in foreign exchange rates when the financial statements of its foreign subsidiaries outside the euro zone are consolidated. As a result, fluctuation in the value of the euro against these various currencies may affect the value of these items in its financial statements, even if their intrinsic value has not changed in their original currency. The Group also implements currency hedging by creating synthetic debts from euro, particularly to finance some of its foreign subsidiaries.

The following table shows the distribution of the Group's net debt by currency as of December 31, 2013 (including financial derivatives instruments and amortized cost):

<i>In millions of euros</i>	Euro <sup>(a)</sup>	US dollar	Pound sterling	Chilean peso	Australian dollar	Other <sup>(b)</sup>	Total
Net debt before the effects of forex derivatives	5,116.0	597.0	328.5	996.1	72.2	135.0	7,244.8
Net debt after the effects of forex derivatives	4,456.2	1,011.9	329.8	996.1	72.2	378.6	7,244.8
Impact on income of a 10% net appreciation of the euro on net position after management	(1.6)	(2.9)	2.9	0.0	(0.8)	(31.9)	(34.3)

(a) The euro impact comes from the net euro position of Group entities whose currency is not the euro. The share of the euro position decreases after the effects of forex derivatives because the Group uses part of its debt in euro to generate synthetic debt and so to finance its foreign subsidiaries (mainly US and Hong Kong dollar).

(b) Mainly the Hong Kong dollar. The decrease by -€31.9 million that would come from a 10% net appreciation of the euro is due to a Hong Kong dollar intercompany loan settled in late 2013 which was not hedged as of December 31, 2013.

The following table shows distribution of the Group's capital employed by currency as of December 31, 2013:

<i>In millions of euros</i>	Euro <sup>(a)</sup>	US dollar	Pound sterling	Other <sup>(b)</sup>	Total
Capital employed	9,367.2	1,974.6	899.6	1,802.5	14,043.9

(a) Euro: including Agbar and its subsidiaries.

(b) Mainly the Australian dollar, Czech koruna, yuan, Hong Kong dollar and Swedish krona.

With respect to the US dollar, the following table presents the impact of changes in the US dollar exchange rates in 2013 versus 2012 on revenues, EBITDA, net debt and the amount of shareholders' equity as of December 31, 2013:

<i>In millions of euros</i>	Change
Revenues	(26.8)
EBITDA	(5.5)
Net debt	(52.8)
Total shareholders' equity	(39.8)

The calculations of revenues and EBITDA were performed based on the 2013/2012 change in the average USD/EUR exchange rate (-3.2%); for net debt and shareholders' equity, the calculations were based on the change of the closing USD/EUR exchange rate between December 31, 2013 and 2012 (-4.3%).

With respect to the pound sterling, the following table presents the impact of changes in pound sterling exchange rates between 2013 and 2012 on revenues, EBITDA, net debt and the amount of shareholders' equity as of December 31, 2013:

<i>In millions of euros</i>	Change
Revenues	(41.5)
EBITDA	(3.4)
Net debt	(11.4)
Total shareholders' equity	(14.6)

The calculations of revenues and EBITDA were performed based on the 2013/2012 change in the average GBP/EUR exchange rate (-4.5%); for net debt and shareholders' equity, the calculations were based on the change of the closing GBP/EUR exchange rate between December 31, 2013 and 2012 (-2.1%).

With respect to the Chilean peso, the following table presents the impact of changes in the Chilean peso exchange rates between 2013 and 2012 on revenues, EBITDA, net debt and on the amount of shareholders' equity as of December 31, 2013:

<i>In millions of euros</i>	Change
Revenues	(32.3)
EBITDA	(17.7)
Net debt	(134.9)
Total shareholders' equity	(193.0)

The calculations of revenues and EBITDA were performed based on the 2013/2012 change in the average CLP/EUR exchange rate (-5.1%); for net debt and shareholders' equity, the calculations were based on the change of the closing CLP/EUR exchange rate between December 31, 2013 and 2012 (-12.6%).

With respect to the Australian dollar, the following table presents the impact of changes in the Australian dollar exchange rates between 2013 and 2012 on revenues, EBITDA, net debt and on the amount of shareholders' equity as of December 31, 2013:

<i>In millions of euros</i>	Change
Revenues	(110.7)
EBITDA	(9.0)
Net debt	(16.8)
Total shareholders' equity	(86.1)

*The calculations of revenues and EBITDA were performed based on the 2013/2012 change in the average AUD/EUR exchange rate (-9.9%); for net debt and shareholders' equity, the calculations were based on the change of the closing AUD/EUR exchange rate between December 31, 2013 and 2012 (-17.6%).*

An exchange risk sensitivity analysis is presented in Note 13.1.2.2 to the consolidated financial statements, chapter 20.1. The foreign exchange risk management policy is detailed in section 4.2.4.2.

### ➔ 4.1.3.3 Liquidity risk

The following table presents the maturity schedule for the Group's debt and the amount of its cash at December 31, 2013:

<i>In millions of euros</i>	Total	2014	2015	2016	2017	Beyond 2017
Total borrowings	9,097.8	1,969.7	327.5	318.6	703.6	5,778.4
Overdrafts and current cash accounts	704.6	704.6				
<b>Total outstanding financial debt</b>	<b>9,802.4</b>	<b>2,674.3</b>	<b>327.5</b>	<b>318.6</b>	<b>703.6</b>	<b>5,778.4</b>
Assets related to financing	(0.9)					(0.9)
Financial assets measured at fair value through Income	(91.6)	(91.6)				
Cash and cash equivalents	(2,506.0)	(2,506.0)				
<b>Net debt (excluding derivative financial instruments and amortized cost)</b>	<b>7,203.9</b>	<b>76.7</b>	<b>327.5</b>	<b>318.6</b>	<b>703.6</b>	<b>5,777.5</b>

Some borrowings contracted by the Group's subsidiaries or by SUEZ ENVIRONNEMENT on behalf of its subsidiaries include clauses requiring specific ratios to be maintained. The definition and the level of the ratios, i.e., the financial covenants, are determined in agreement with the lenders and may potentially be reviewed during the life of the borrowing. Information about these covenants is presented in chapter 10.4 of this Reference Document. As of December 31, 2013, 5% of borrowings exceeding €50 million were the subject of financial covenants. Failure to comply with these covenants could lead to lending institutions declaring a default and demanding early repayment. As of December 31, 2013 and the date of this Reference

Document, none of these clauses has been activated. The Company also believes that the existence of these covenants presents no material risks to the Group's financial position. Finally, none of these financial covenants are based on SUEZ ENVIRONNEMENT or SUEZ ENVIRONNEMENT COMPANY's share price, or on the Group's rating. Details of short-term and long-term notes and changes in these over the course of fiscal year 2013 appear in section 10.3.3 of this document. As of the date of this Reference Document, there is no payment default on the Group's consolidated debt. There was also no payment default on the consolidated debt of the Group at December 31, 2013.

The following table shows borrowings contracted by the Group at December 31, 2013, in excess of €50 million:

Type	Fixed/ floating rate	Total amount of lines at Dec. 31, 2013	Amount drawn down at Dec. 31, 2013	Term
		<i>In millions of euros</i>	<i>In millions of euros</i>	
Bond issue	Fixed rate	800	800	2019
Bond issue	Fixed rate	770	770	2014
Bond issue	Fixed rate	750	750	2021
Bond issue	Fixed rate	750	750	2022
Bond issue	Fixed rate	500	500	2024
Bond issue	Fixed rate	500	500	2023
Bond issue	Fixed rate	300	300	2030
Bond issue	Fixed rate	250	250	2017
Bond issue	Fixed rate	177	177	2028
Bond issue	Fixed rate	150	150	2017
Lease arrangement	Floating rate	111	111	2024
Bond issue	Fixed rate	110	110	2026
Borrowing	Floating rate	107	107	2018
Bond issue	Fixed rate	100	100	2018
Bond issue	Fixed rate	100	100	2033
Bond issue	Fixed rate	100	100	2020
Bond issue	Fixed rate	85	85	2025
Bond issue	Fixed rate	80	80	2014
Bond issue	Fixed rate	74	74	2035
Credit facilities	Floating rate	268	67	2014
Bond issue	Fixed rate	64	64	2036
Borrowing	Floating rate	58	58	2017
Bond issue	Fixed rate	58	58	2026
Bond issue	Fixed rate	56	56	2031
Borrowing	Floating rate	55	55	2019
Bond issue	Fixed rate	54	54	2028
Bond issue	Fixed rate	53	53	2032

As of December 31, 2013, the Group had the following unused confirmed credit facilities available:

Year of expiration	Confirmed but unused credit facility programs
	<i>In millions of euros</i>
2014	631.3
2015	119.6
2016	1,901.2
2017	0.0
2018	0.0
Beyond	39.7
<b>TOTAL</b>	<b>2,691.8</b>



These facility programs include a €1.5 billion syndicated loan for SUEZ ENVIRONNEMENT COMPANY with an initial term of five years, set up in 2010 and renegotiated in February 2011 to extend the term and improve the financial conditions. The liquidity risk management policy is described in section 4.2.4.3.

#### → 4.1.3.4 Counterparty risk

The Group's exposure to counterparty risk is linked to its cash investments and its use of derivatives to control its exposure in certain markets.

The Group's surplus cash is invested in short-term deposits and interest-bearing current accounts with international banks with a minimum A rating, while ensuring that counterparty diversification policy is stricter and limiting in terms of counterparty selection.

The derivative financial instruments used by the Group are intended to manage its exposure to currency and interest rate risks, as well as its risks on commodities. The financial instruments used are essentially forward purchases and sales as well as derivative products.

### 4.1.4 Insurance risks

The Group's policy with respect to insurance is described in section 4.2.6 of this Reference Document.

However, it is still possible that, in certain cases, the Group may have to pay large indemnities that are not covered by the existing insurance program or incur very significant expenses that will not be reimbursed or will be insufficiently reimbursed under its insurance

The counterparty risk management policy is described in section 4.2.4.4.

#### → 4.1.3.5 Equity risk

The Group has equity interests in publicly traded companies, the value of which changes depending on trends in global stock markets, the performance of these companies and how the markets perceive them.

As of December 31, 2013, the Group held interests in publicly traded companies (mainly Acea) with a market value and carrying amount of €296.5 million. An overall decrease of 10% in the value of these shares compared to their prices at December 31, 2013 would have had an impact of approximately €29.6 million on Group shareholders' equity.

The equity risk management policy is described in section 4.2.4.5.

### 4.1.5 Legal risks

In the normal course of their activities, the Group's companies may be involved in legal, administrative, or arbitration proceedings. The most significant current or potential disputes are detailed in chapter 20.6. In the context of some of these proceedings, financial claims of a significant amount are or may be brought against one of the Group's entities. Although the Group's policy in this regard is cautious, the provisions booked for this purpose by the Group could be insufficient, which could have significant negative consequences on its financial position and earnings.

Generally, it is possible that new proceedings, either related or unrelated to current proceedings, may subsequently be brought against one of the entities of the Group. An unfavorable outcome in such proceedings could have a negative impact on the operations, financial position, or earnings of the Group.

### 4.1.6 Tax-related risks

Independently of the Group's policy to comply with the applicable laws and regulations in each of the countries in which Group companies operate, as well as with international tax rules, certain provisions may present a source of risks because they are unclear, difficult to interpret, or subject to changing interpretation by local authorities. Moreover, tax rules in the European Union that currently apply to Group entities may be reviewed by the European Commission, and could be reconsidered.

In addition, in the normal course of their business, the companies in the Group could face tax investigations by local authorities. In this respect, tax investigations performed by the French or foreign authorities are in progress. The tax investigations may result in adjustments and sometimes result in tax disputes in the competent jurisdictions. The Group's main current tax disputes are described in section 20.6.3 of this Reference Document.

Finally, several Group companies benefit from tax-approval decisions issued by competent local authorities. If necessary, these approval decisions may be challenged. A challenge may result if, for example, the company or companies that are party to an approval decision break a commitment assumed in exchange for its issuance, and/or the facts based on which the approval decision was issued change, and/or the position of the competent local tax authority changes.

As a reminder, approval was granted in 2008 by the French Finance authorities to transfer to SUEZ ENVIRONNEMENT COMPANY a maximum tax loss of €464 million, to which subsidiaries joining the SUEZ ENVIRONNEMENT COMPANY tax consolidation group had contributed. To prepare consolidated financial statements, tax losses transferred under this approval are updated every year to take into account any tax adjustments relating to the period in which the subsidiaries were part of the SUEZ tax consolidation group.

### 4.1.7 Risks relating to the Company's shares

The Company's share price may be volatile and subject to market fluctuations. Financial markets are subject to significant fluctuations that at times are unrelated to the results of the companies whose shares are traded on them. Market fluctuations and economic conditions could significantly affect the Company's share price.

The Company's share price could also be affected by numerous events that affect the Group, its competitors, or general economic conditions, and the water and waste sectors in particular. Accordingly, the Company's share price could fluctuate significantly in reaction to events such as:

- changes in the financial results of the Group or of its competitors from one period to the next;
- announcements by competitors or announcements about the water and waste sectors;
- announcements of changes in the Company's shareholding structure;
- announcements of changes in the management team or key personnel of the Group;
- changes in the outlook for the Group and its businesses or for the water and waste sectors in general;
- changes in the content of financial analysts' reports about the Group;
- changes in economic and market conditions.

## 4.2 Risk management and control within the Group

### 4.2.1 General framework of the Group's risk management and control

Management of the risks to which the Group is exposed involves identifying and assessing such risks and putting in place the appropriate action plans and hedges.

The Group has adopted an integrated corporate risk management policy which aims to provide a complete overview of the risk portfolio through the use of methods and tools common to all subsidiaries and functional departments.

The Chief Risk Officer (CRO) is responsible for coordinating this integrated approach. He/she is supported by a network of Risk Officers who are responsible for seamlessly and consistently executing the risk assessment and management methods within the different subsidiaries. The network is headed by the Chief Risk Officer.

A risk-mapping process for the whole Group has been in place for several years. Risks are identified, classified by category (strategic, financial, operational), assessed (by significance and frequency), and quantified when possible. Then the method for handling them is reviewed, which provides information for action plans at different levels of the Company.

This process, which is overseen centrally by the Chief Risk Officer and in the subsidiaries by the network of Risk Officers, makes it possible, amongst other things, to draw up an annual summary of the major risks for the Group. It includes steps to select significant individual risks and, if applicable, to aggregate homogeneous risks. The summary is discussed and validated by the Management Committee.

The subsidiaries maintain responsibility for implementing the most appropriate risk management policy for their particular activities. However, certain cross-divisional risks are directly managed by the functional departments involved:

- the Legal Department analyses, monitors and manages the Group's legal risks, based on periodic reporting from the network of in-house legal counsels within the subsidiaries and SUEZ ENVIRONNEMENT;

- within the Finance Department, the Treasury and Capital Markets Department analyses, in conjunction with the subsidiaries, the Group's main financial risks (interest rates, currencies and banking counterparties) and implements measures for controlling such risks; the Planning and Control Department performs a critical analysis of the subsidiaries' financial performance and forecasts through the monthly review of operating and financial indicators. It also prepares the Group's short- and medium-term financial forecasts and participates in the analysis of development projects involving the Group and its subsidiaries; the Internal Control Department has deployed a program in key subsidiaries on the documentation, improvement and annual evaluation of internal control in conjunction with the Group's functional and operational management; the Tax Department's primary mission is to identify and analyses the Group's tax risks;
  - the Risk and Investment Department participates jointly with the Planning and Control Department and the Legal Department in the analysis of the projects involving the Group and its subsidiaries;
  - the Internal Audit Department, after consultation with the Chief Risk Officer, proposes its annual audit plan on the basis of an analysis of the operational and financial risks of Group companies. This audit plan is approved by Senior Management. The objectives of the internal audit are to assess the contribution of the audited entities in relation to their commitments, validate their risk analysis and control, and verify that the Group's procedures, guidelines and charters are implemented. At the end of every assignment, the Internal Audit Department communicates its conclusions and recommendations for corrective actions;
  - the Human Resources Department analyses the main labor risks and gaps in terms of skills and corporate culture. It develops action plans to recruit local talent and to develop skills. The Health and Safety Department monitors and ensures the prevention of occupational illnesses and accidents related to the Group's businesses. The Department ensures that warning and crisis management procedures are established within the subsidiaries and at SUEZ ENVIRONNEMENT with the aim of establishing a safety culture at all levels, which also improves the quality and continuity of operations;
  - the Innovation and Industrial Performance Department:
    - studies and monitors the environmental risks and coordinates the actions needed to tighten control of those risks and ensure compliance with environmental requirements. To do so, it implements a schedule of environmental audits and operates a network of environmental officers charged with deploying the environmental risk management policy uniformly and consistently at each main subsidiary,
    - studies the operating risks associated with the Group's production systems and assists the subsidiaries in resolving operational issues at their sites, establishes and distributes best practices and operational benchmarks to the subsidiaries and prepares solutions for a certain number of emerging risks by developing suitable research programs;
  - the Information Systems Department analyzes and manages risks relating to information systems in order to guarantee availability, integrity and confidentiality of information;
  - the Safety Department: the Group has long been developing specialist know-how in the safety of large sites through various large projects in Central America, South America, Africa, the Middle East and Asia. Faced with increasingly complex and unstable safety conditions, the Group has developed its own upstream analysis system for potential risks and an overall safety management system based on scalable solutions that are adapted to the specific local and regional context. Thus, the Group continually analyses unstable situations so as to identify early signs of deterioration. This internal system is operational, as we saw in early 2011, through the proactive management of the crises in Africa and the Middle East;
  - the Insurance Department, in conjunction with the subsidiaries, is the contracting authority for the Group's insurance programs to cover industrial and environmental damage, business interruption and liability (civil, professional, etc.); and
  - the Communication Department analyzes and manages image and reputational risk and prepares and implements the appropriate crisis communication plans in association with the subsidiaries; it also monitors and regularly liaises with the media.
- Aside from these functional departments, the Board of Directors is assisted by an Audit Committee whose assignments in terms of risks are as follows:
- obtain regular updates on the financial position, cash position and on the major commitments and risks of the Group;
  - examine the risk control policy and the procedures selected to evaluate and manage these risks;
  - evaluate the efficiency of the Group's internal control system.
- The 2013 results of the global risk management policy were presented to the Audit Committee on October 18, 2013. It was informed of risk exposure linked to the financial and economic crisis and was presented with an overview of the risks for all the Group's activities. For more details, please refer to the Chairman's report on corporate governance and the internal control procedures described in this document.
- Implementation of internal control is carried out consistently with the risks identified in the Group's activities within the framework of the mapping process for those risks.

## 4.2.2 Management of industrial and environmental risks

The Group's activities may lead to industrial accidents or serious environmental and health impacts. Moreover, the Group must comply with increasingly stringent environmental and public health rules. The corresponding risk factors are described in chapter 4.1 above.

These risks are methodically considered within the Group, in both the waste treatment and the water sector. This management of industrial and environmental risks is one of the main aspects of the Group's environmental policy (see section 6.8.1 for a description of the Group's environmental policy).

### ➔ 4.2.2.1 Waste treatment

In the field of waste treatment, major sites are subject to environmental risk management audits and to health and safety audits. These audits, performed by the Group or by external experts, make it possible to identify any potential non-compliance with applicable regulations, detect specific risks, and implement action plans for corrective measures. Such non-compliance can be attributed to regular changes in regulations which require operation upgrades. They may also be due to the acquisitions of facilities for which investments are planned or to the simple aging of the facilities under management. The use of private operators is often justified by difficulties in managing facilities subject to increasingly stringent regulations. When the Group assumes responsibility for managing facilities, some may not necessarily comply with regulatory requirements. When an area of non-compliance is identified, the Group implements different types of responses, which may consist of improvements in the operational management of a site or investments to reinforce or replace equipment at the site.

Under service delegation contracts, such decisions must be approved by the customers, local authorities, or manufacturers who remain entirely responsible for certain investments. Nevertheless, the Group endeavors to alert its customers so that they can anticipate future standards.

### ➔ 4.2.2.2 Production and distribution of drinking water and wastewater treatment

In the water sector, each subsidiary is responsible for its own systems for managing environmental risks. Self-assessment and/or auditing processes have been put in place. Audits conducted by the Group or external experts focus as a priority on wastewater treatment plants, water treatment plants and sludge management at purification plants. Finally, risk prevention plans either support or precede the implementation of an environmental management system.

The Group ensures the preventive management of health risks and systematically notifies customers who own plants of cases where the water treatment plants are not adapted to the supply to be treated, and proactively suggests solutions that are best suited to each context. Likewise, the Group informs local authorities who own sewage treatment networks and wastewater treatment plants of the upgrades required to meet applicable standards. When studies

and compliance works are conducted by these owner authorities, the Group seeks to ensure their progress through regular reporting. In contrast, when the Group owns the plants, such projects are included in its investment programs.

With respect to the specific issue of lead pipes (which France has set a goal to phase out by 2013), the Group includes the work required to replace lead pipes in its contracts, or, if necessary, responds to bid tenders from local authorities for the removal of these pipes.

### ➔ 4.2.2.3 Seveso sites

Major industrial or environmental risks linked to the most hazardous sites are subject to strict and specific national and international regulations and are regularly monitored by public authorities and Group experts.

Within the European Union, the Group operates fifteen "high threshold" Seveso sites (as defined by European Directive 2012/18/EU of July 4, 2012 and which include facilities that may, through the danger of explosion or release of harmful products, present very significant risks to the health or safety of the surrounding communities and the environment), and ten "low threshold" Seveso sites. High-threshold Seveso sites (see list in section 4.1.2) operated by the Group are audited regularly by the internal environmental risk auditing structure and annually for health and safety risks. All of these sites are subject to regular inventories of the hazardous substances or preparations stored on site. They have to comply with the regulatory procedure for hazard studies and risk analysis. The design, construction, operation, and maintenance of facilities located on these sites are adapted and constantly improved in order to prevent any risk of a major accident.

By way of example, the Herne site (Germany), operated by Sita Remediation, uses pyrolysis to treat 30,000 tons per year of soil polluted with mercury, pyralene and PAH. An environmental officer and a Seveso officer have been appointed by the Company to ensure the proper implementation of the regulations. An annual three-day audit is conducted by the German government's Environment and Labor Departments. In addition, this site was audited in 2012 by the Group's environmental risk audit team and no significant risk was detected. Finally, the site is certified as "Entsorgungsfachbetrieb", a German environmental certification, whose annual renewal is granted by the German government only following an audit.

### ➔ 4.2.2.4 Emergency plans

Each of the Group's subsidiaries has put in place emergency plans which involve two intervention approaches: a mandatory on-site approach which enables a warning to be given and the immediate mobilization of the crisis management resources and a dedicated crisis management structure that provides effective long-term crisis management. The latter approach provides in particular for the organization of crisis management units that are capable of taking into account internal or external impacts, whether technical, social, health-related, economic or related to reputation.

### 4.2.3 Management of legal risks

As a result of its international operations, its activities, and of an increasingly complex and restrictive regulatory environment, the Group pays particular attention to the management of legal risks.

The Group has specifically implemented internal legal vigilance rules aimed at the various operating entities and their employees. More specifically, these rules cover the processes to be followed to enter into certain contracts, as well as feedback on the risks of disputes (to allow proactive management) and developments regarding major ongoing disputes.

The terms and conditions for certain Group activities, particularly the fact that certain contracts are very long-term (30-50 years) and consequently subject to periodic renegotiations, also require ongoing involvement from the Group's legal departments in order to assist operating departments in conducting such renegotiations.

Moreover, the Group frequently uses training processes to raise employee awareness of the importance of managing legal risks and of respecting the legal vigilance rules it has implemented.

### 4.2.4 Management of market risks

In the context of its operating and financial activities, the Group is exposed to market risks such as foreign exchange risks, interest rate risks, liquidity risks, or the risk related to certain commodity prices. To ensure greater control of these risks, the Group has implemented the management rules described below.

Market risk management issues are presented at a monthly Treasury Committee meeting chaired by the Deputy Chief Financial Officer and decisions regarding them are taken by this Committee.

The Group primarily uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates, and commodity prices.

#### ➔ 4.2.4.1 Management of interest rate risk

The Group's exposure to interest rate risk is described in section 4.1.3.1.

The Group's policy is to diversify net debt interest rate references between fixed and floating rates. The aim is to achieve a balanced distribution among the various interest rates and maturities.

The Group also uses hedging instruments (particularly swaps) to protect itself from interest-rate fluctuations in the currencies in which its debt is denominated. Financial instruments held by the Group in order to hedge interest rate risk are detailed in Note 13.1.4 to the Group's consolidated financial statements, chapter 20.1.

The Group's exposure to interest rate risk is for the most part centrally managed and regularly reviewed during meetings of the Treasury Committee. Hedges decided upon by the Treasury Committee are generally executed and implemented on behalf of the Group by its Treasury and Capital Markets Department.

#### ➔ 4.2.4.2 Management of foreign exchange risk

The foreign exchange risk to which the Group is exposed is detailed in section 4.1.3.2.

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in exchange rates upon consolidation of the financial statements of its foreign subsidiaries outside the euro zone.

For investments denominated in non-euro currencies, the Group's hedging policy is to contract liabilities denominated in the same currency as the cash flows generated by these assets.

Among the hedging instruments used, borrowings in the relevant currency constitute the most natural hedging tool. The Group also uses foreign currency derivatives (swaps), which allow for the creation of synthetic currency debts. The financial instruments held by the Group to hedge currency risk are detailed in Note 13.1.4 to the consolidated financial statements, chapter 20.1.

However, this hedging policy is not implemented (or is only partially implemented) under certain circumstances, in particular:

- if the hedging cost (ultimately, interest rate of the reference currency) is too high;
- if liquidities in the currency or the available hedging durations are insufficient;
- if market expectations for the relevant currency are contrary to current trends.

The asset hedging ratio (which is the ratio between the carrying amount of an asset denominated in a non-euro currency and the debt contracted on this asset) is reviewed periodically, according to market conditions and on each entry or exit of an asset. Any significant change in the hedging ratio is subject to prior approval by the Treasury Committee.

#### ➔ 4.2.4.3 Management of liquidity risk

The liquidity risk to which the Group is exposed is described in section 4.1.3.3.

The Group's 2013 financing policy had the following objectives:

- diversification of financing sources by resorting to the banking market and capital markets;
- optimization of financing costs;
- balancing the repayment profile of financial debt.

At December 31, 2013, following the various transactions carried out during the year and described in chapter 10 of this Reference Document, bank funding accounted for 14% of gross financial debt (excluding bank overdrafts and liability current accounts as those

elements don't correspond to sustainable financial resources). Funding from capital markets (bond issues for 72% and commercial paper for 8%) represented 80% of this gross financial debt.

As of December 31, 2013, net cash represented €2,769.4 million and confirmed credit facilities €2,980.0 million, of which €288.2 million had been drawn down.

At December 31, 2013, cash and cash equivalents (€2,506.0 million) and financial assets measured at fair value through income (€91.6 million), net of bank overdrafts and liability current accounts (€704.6 million), amounted to €1,893.0 million.

As of December 31, 2013, the Group therefore had total liquidity consistent with its size and the maturities it had to meet.

Liquidity risk is regularly monitored by the Treasury Committee and the Audit Committee; monthly reporting of consolidated Group debt includes a debt schedule for the current year, years N+1 to N+8 and beyond.

Access to the long-term capital markets is primarily through the parent company SUEZ ENVIRONNEMENT COMPANY for new bond issuance and structured bank debt.

#### → 4.2.4.4 Management of counterparty risks

The counterparty risk to which the Group is exposed is described in section 4.1.3.4.

The Group's policy for managing counterparty risk is based on the diversification of its counterparties and an assessment of the financial position of these counterparties.

The Group invests the majority of its cash surplus in, and negotiates its financial hedging instruments with, leading counterparties. Within the framework of its counterparty risk management policy, the Group has implemented management and control procedures based, on the one hand, on counterparty qualifications as a function of external

rating and objective market aspects (credit default swaps, stock market capitalization), and on the other hand, on the definition of risk limits. Similarly, the Group selects its insurers in a way that limits its counterparty risk.

#### → 4.2.4.5 Management of equity risk

The equity risk to which the Group is exposed is described in section 4.1.3.5.

The Group's portfolio of listed equities is part of its long-term investment policy. As of the date of this Reference Document, equity risk is not subject to any particular hedging, but the Finance Department monitors price changes in the Group's equity interests in various companies on a regular basis.

#### → 4.2.4.6 Management of commodity and energy risks

The commodity risk to which the Group is exposed is described in section 4.1.1.

The Group's hedging policy primarily concerns risk related to fluctuations in oil prices, particularly due to fuel consumption by the main subsidiaries active in the waste sector (Sita France, Sita Deutschland and Sita Nederland).

Volumes that are not purchased under contracts where revenues are indexed to the change in diesel prices are considered "at risk" volumes and are financially hedged through the use of derivative products (particularly swaps).

In order to best implement the planned hedges, the Group's Treasury and Capital Markets Department monitors changes in the market and hedging prices and makes recommendations to the Treasury Committee and to the subsidiaries concerned.

## 4.2.5 Ethics Program

The Group pays particular attention to sharing and respecting ethical values. Given its presence in many countries, it specifically ensures compliance with the relevant local regulations and obligations.

The SUEZ ENVIRONNEMENT ethics policy was designed to promote a Group culture that encourages responsible behavior (in compliance with the applicable ethical values and regulations) by each employee of the Group. It is based on three pillars:

- a charter, supplemented by practical guidelines and procedures;
- governance provided by the Ethics and Sustainable Development Committee, the Board of Directors, the Ethical Compliance Committee <sup>(1)</sup> and the network of ethics officers;
- ethics reporting tools.

SUEZ ENVIRONNEMENT has made ethics an indispensable element of its global performance improvement. The respect of these values is essential in all the Group's activities, both in the internal relationships within the enterprise and its relationships with customers, suppliers and all external stakeholders. To this end, the Group has established an expanded ethics system:

- an Ethics Charter and an Ethics Handbook were published in 2010 in eight languages: French, English, Spanish, German, Dutch, Czech, Arabic and Chinese. These documents, which can be consulted by any Group employee *via* the SUEZ ENVIRONNEMENT intranet, have been prepared to reflect the ethical standards issued by national and international bodies (such as the Global Compact, the Conventions of the International Labour Organization and the OECD guidelines for multinational companies) and the values of the Group;

<sup>(1)</sup> This Committee is composed of the General Secretary (in his capacity as the Group Ethics Officer), the Director of Human Resources, the General Counsel and the Director of the Internal Audit Department.

- the Group provides regular training on ethical issues;
- SUEZ ENVIRONNEMENT's commitment to Ethics has been reaffirmed through its support for the United Nations Global Compact and the Water Integrity Network (WIN);
- SUEZ ENVIRONNEMENT is a member of Transparency International.

In 2008, the Company's Board of Directors set up an Ethics and Sustainable Development Committee responsible for, among other things, monitoring the Group's Ethics and Sustainable Development Policies and ensuring that Group employees comply with the individual and collective values on which the Group's activities are based (for a description of the Ethics and Sustainable Development Committee, see section 1.3.2 of the Chairman's report on governance and internal control and risk management procedures for the year ended December 31, 2013, found in chapter 16.4 of this Reference Document).

The Ethics Program, whose aim is to prevent or detect behaviors that are contrary to the Group's ethical rules, is coordinated within the Group by the General Secretary, who serves as Group Ethics Officer. The Ethics Program is applied by all subsidiaries of a significant

size, and all the main subsidiaries have a designated ethics officer. The ethics officers are responsible for ensuring the roll-out and effectiveness of the Ethics Program within their subsidiary and for implementing internal and external investigation procedures for any issue brought to their attention that may potentially be in breach of the Group's ethics rules.

Each year, the Ethics Officers at each main subsidiary send a report on the application of the Ethics Program within their subsidiary to their Senior Management and to the Group Ethics Officer. A compliance letter signed by the Chief Executive Officer of each major subsidiary is sent to the Group Chief Executive Officer and the Ethics Officer every year.

The Group Ethics Officer then produces an annual report on the activities involving the Ethics Program within the Group, which is sent to the Chairman of the Board of Directors and presented to the Ethics and Sustainable Development Committee.

Respect for ethical principles is also integrated into the Group's internal control program.

#### 4.2.6 Management and financing of insurable risks

To limit the impact of certain events on its financial situation, or to meet contractual or legal requirements, the Group has created dedicated insurance programs to cover its main risks of damage to property, civil liability, and personal insurance.

The policy for transferring risks to the insurance market is fixed every year and updated as necessary in order to reflect not only changes in the Group, in its activities and in the risks it faces, but also changes in the insurance market.

The Insurance Department manages application of the policy defined by the Group, including the selection of brokers and insurers, monitoring of policies and, if necessary, control of prevention or protection policies. For this purpose, it works with a network of specialists or agents within the subsidiaries of the Group.

For each of the traditional areas of insurance (i.e., property damage and interruption of business, civil liability, and employee benefits), the Group transfers risks to the insurance market or uses internal financing plans:

- the transfer of risks to the insurance market is performed as often as possible through transversal programs in areas that are considered strategic, either because of the potential intensity of the risks covered or because of the economies of scale generated by the transversal programs;

- the financing of random risks of low or moderate intensity relies mostly on internal financing plans, especially through deductibles or risk retention or *via* the captive non-life reinsurance subsidiary SUEZ ENVIRONNEMENT Ré whose activity consists in reinsurance of all or part of the risks transferred by SUEZ ENVIRONNEMENT and its subsidiaries to non-life insurers. Its expert-led Technical and Financial Committees validate each commitment and monitor management transactions.

In 2013, the premiums (including taxes and retentions) relating to the main insurance programs established by the Group in the areas of asset protection (covering property damage and lost profits) and third party recourse amounted to approximately 0.3% of Group consolidated revenues.

##### PROPERTY DAMAGE AND INTERRUPTION OF BUSINESS

The protection of Group assets covers property the Group owns as well as property that it leases or that has been entrusted to it.

Facilities are covered by programs that are generally underwritten at the Group level. However, insurance policies are also taken out by subsidiaries and, in exceptional circumstances, by sites, if justified by contractual requirements. These local insurance policies are identified and checked by the Insurance Department.

The underwriting limits for property damage cover the maximum loss assessed for each site.

With respect to interruption of business resulting from property damage, the coverage periods take into account an estimate of the consequences of the total or partial shutdown of a site (repair period, amount of daily losses, additional expenses, and redundancy).

Construction projects are covered by a "Construction All Risks" policy taken out by the project manager, the general contractor or the main company involved.

#### **CIVIL LIABILITY**

The Group's third-party civil liability is covered by various types of civil liability insurance.

Coverage for general civil liability, product liability, professional liability or liability for environmental damage is part of a Group program taken out and managed by SUEZ ENVIRONNEMENT on behalf of all its subsidiaries.

The maximum coverage of this policy was €300 million in 2013.

Insurance for certain types of civil liability that correspond to legal obligations (vehicle fleet, workplace accidents) are covered by specific policies.

#### **EMPLOYEE BENEFITS**

In accordance with legislation currently in force and with company agreements, programs for protecting employees against the risk of accidents and medical costs are set up at the operating entity level. These programs may either be financed through retention based on capacity or transferred to the insurance market. In France, mutual and insurance programs are largely consolidated and are subject to at least one review per year to analyze risks and trends as well as to anticipate changes in the economic balance of the plans concerned.





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# 5

## GROUP INFORMATION

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## 5.1 History and reorganization of the Group

### 5.1.1 Legal name

The legal name of the Company is SUEZ ENVIRONNEMENT COMPANY.

### 5.1.2 Trade and Company Register

The Company is registered at the Trade and Company Register of Nanterre (France) under the number 433 466 570 RCS NANTERRE.

### 5.1.3 Date of incorporation and term of the Company

The Company was incorporated on November 9, 2000 for a term of 99 years. Except in the event of early dissolution or extension, the Company will cease to exist on November 9, 2099.

### 5.1.4 Registered address, legal form and applicable legislation

The Company's registered address is Tour CB21, 16 Place de l'Iris, 92040 Paris-La Défense Cedex, France.

Telephone: +33 (0)1 58 81 20 00.

The Company is a French *Société Anonyme* (public limited company) with a Board of Directors, and is governed by the provisions of Book II

of the French Commercial Code applicable to commercial companies and all legal provisions applicable to commercial companies. It is governed by current and future legal and regulatory provisions and its bylaws.

### 5.1.5 History of the Group

Since 2003, SUEZ ENVIRONNEMENT has handled all the expertise in water management, wastewater treatment and waste management services within the SUEZ Group. This expertise is supported by internationally renowned brands such as Degrémont, Safege, Lyonnaise des Eaux and Sita, which have developed their know-how, over more than a century in certain cases, in serving their customers.

#### 1880, CREATION OF SOCIÉTÉ LYONNAISE DES EAUX ET DE L'ÉCLAIRAGE

The company operated in the public services of water, electricity and gas distribution in rapidly growing cities and suburbs such as Cannes, Bordeaux, Lille and Rouen. From the very beginning, Lyonnaise des Eaux also developed its activities abroad.

#### 1919, CREATION OF SITA

The Société Industrielle des Transports Automobiles (Sita) was one of the two service providers selected to collect household waste in Paris. At that time, Sita had two activities: transport of all kinds and

delegation of public services. It diversified into passenger transport and corporate vehicle leasing.

#### 1946, PARTIAL NATIONALIZATION OF LYONNAISE DES EAUX

In 1946, France nationalized the gas and electricity sectors. Société Lyonnaise des Eaux et de l'Éclairage was part-nationalized, and began focusing on water-related activities to meet the growing demand for services and network development in the suburbs of large cities. In line with this same growth strategy, Lyonnaise des Eaux became a majority shareholder in Degrémont, a water treatment company established in Paris in 1939.

#### 1971, ACQUISITION OF SITA

In order to meet increasing environmental protection requirements, Sita set up a waste sorting and recycling line in the 1970s. In 1971, Lyonnaise des Eaux acquired a stake in Sita, which became the Group's "waste division". Sita has been wholly owned by the SUEZ Group since 2000.

**1974, COMPAGNIE FINANCIÈRE DE SUEZ, MAJORITY SHAREHOLDER OF LYONNAISE DES EAUX**

In 1974, Compagnie Financière de SUEZ became the majority shareholder of Lyonnaise des Eaux. After being nationalized by the French government in 1982, Compagnie Financière de SUEZ was privatized in 1987.

**1997, MERGER OF COMPAGNIE FINANCIÈRE DE SUEZ AND LYONNAISE DES EAUX**

In 1997, the merger between Lyonnaise des Eaux and Compagnie Financière de SUEZ resulted in SUEZ Lyonnaise des Eaux, the world's leading group for local services.

**2001, SPIN-OFF OF THE SUEZ GROUP WATER ACTIVITIES**

In 2001, SUEZ Lyonnaise des Eaux became SUEZ and, through a contribution in kind, combined all of its water-related activities within Ondeo as part of a spin-off process. Water activities in France were consolidated under the name Lyonnaise des Eaux France.

**2003, FORMATION OF SUEZ ENVIRONNEMENT**

In 2003, the water and waste activities were combined within SUEZ ENVIRONNEMENT following the merger of Sita with Ondeo Services, which changed its name to SUEZ ENVIRONNEMENT. SUEZ ENVIRONNEMENT then united almost all of the environmental activities of the SUEZ Group in the water, waste and engineering sectors.

**2008, LISTING OF SUEZ ENVIRONNEMENT COMPANY**

As part of the merger between SUEZ and Gaz de France, which created a global leader in the gas and electricity sectors with a strong French-Belgian base, SUEZ completed the consolidation of all its environmental operations within a new company: SUEZ ENVIRONNEMENT COMPANY. SUEZ contributed all the shares of the former company SUEZ ENVIRONNEMENT to this new company, and distributed 65% of the Company's capital to SUEZ shareholders prior to the merger. Since that distribution, the merged entity GDF SUEZ has had a stable equity stake in the Company (35.68% as of December 31, 2013).

**2010, TAKEOVER OF AGBAR**

On June 8, 2010, SUEZ ENVIRONNEMENT completed the process of taking over Aguas de Barcelona (Agbar), announced in October 2009. As a result of this transaction, SUEZ ENVIRONNEMENT owned 75.23% of Agbar (75.35% as of December 31, 2013), a company formed in 1882 and specializing in water cycle management in Spain and other countries (primarily Chile).

**2012-2013, A NEW PHASE FOR SUEZ ENVIRONNEMENT**

On December 5, 2012, the Board of Directors of SUEZ ENVIRONNEMENT recorded the decision by GDF SUEZ and all signatories of the Shareholders' Agreement (as described in section 18.3.1 of this Reference Document), except the Company, not to renew the Shareholders' Agreement, which therefore ended on July 22, 2013.

This decision resulted in GDF SUEZ losing control of SUEZ ENVIRONNEMENT COMPANY. As of July 22, 2013, the 35.68% stake held by the GDF SUEZ Group is accounted for by the equity method in the consolidated financial statements of GDF SUEZ.

GDF SUEZ reaffirmed its commitment to continue as a long-term strategic partner and reference shareholder of SUEZ ENVIRONNEMENT. Accordingly, GDF SUEZ and SUEZ ENVIRONNEMENT signed a framework agreement in January 2013 outlining the terms of an industrial and commercial cooperation between the two companies. In addition to this framework agreement, SUEZ ENVIRONNEMENT and GDF SUEZ signed transitional agreements on external purchases and information technology. Finally, the two companies signed an addendum to the "SUEZ" trademark license agreement (see chapter 19 of this Reference Document for a description of these agreements).

The loss of control by GDF SUEZ was also accompanied by a change in the Company's governance (see in chapter 16.4 of this Reference Document).

## 5.2 Investments

### 5.2.1 Principal investments made by SUEZ ENVIRONNEMENT COMPANY over the past two years

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A description of the principal investments made by the Group over the course of 2012-2013 is provided in section 9.3.1 (Cash flows from investment activities) of this Reference Document.

### 5.2.2 Principal investments of the Company in progress

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None.

### 5.2.3 Principal investments planned or subject to firm commitments from the management bodies

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None.

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# 6

## OVERVIEW OF ACTIVITIES

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## 6.1 General information

With total revenues of €14.6 billion, and 79,219 employees as of December 31, 2013, the Group is a major player in the global environmental market (water and waste).

The Group is active in each stage of the water and waste cycles, and therefore has expertise in this area. It operates on behalf of both public authorities and private sector players.

The Group's water-related activities specifically include:

- catchment, treatment, and distribution of drinking water;
- maintenance of networks and operation of plants;
- customer management;
- collection and treatment of municipal and industrial wastewater;
- design, building, occasional financing, and operation of drinking water production and wastewater treatment plants, as well as desalination and water treatment plants, for reuse purposes;
- studies, master plans, and modeling of underground water tables and hydraulic flows, and general contracting for water management infrastructure projects; and
- biological and energy recovery of treated sewage sludge.

The Group's activities in the waste sector notably include:

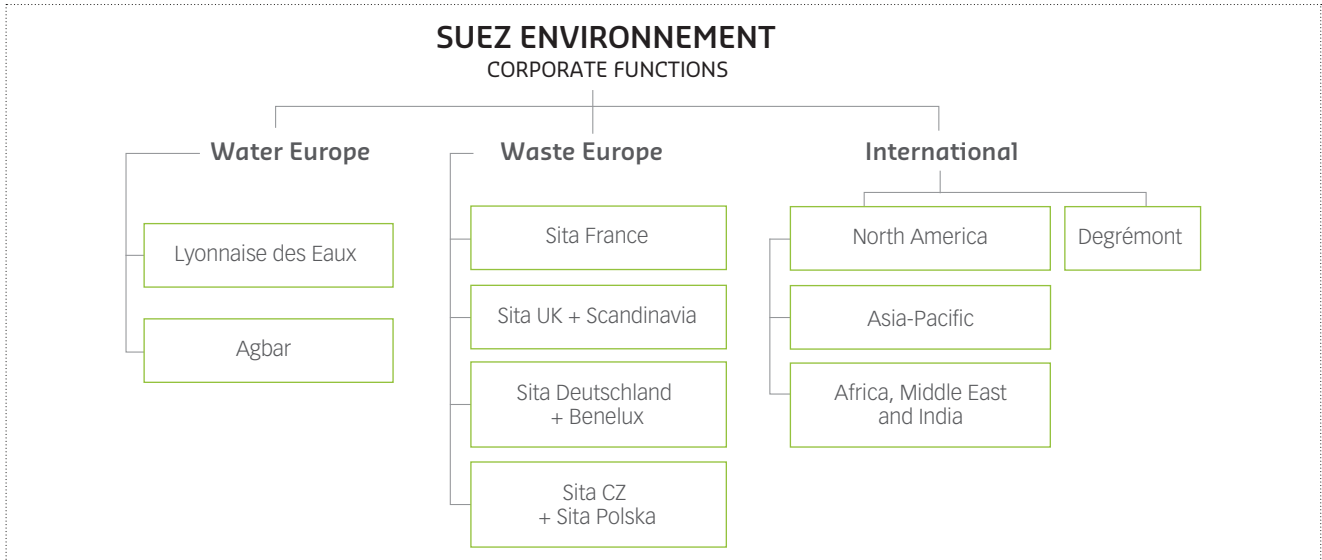
- waste collection (household waste, waste from local authorities, and industrial waste; non-hazardous and hazardous waste, excluding waste that may be contaminated by radioactive residues from nuclear activities) and urban cleaning services;
- pre-treatment of this waste;
- sorting, recycling, and material, biological or energy recovery of recoverable fractions;
- disposal, by incineration and landfilling, of residual fractions;
- integrated management of industrial sites (industrial wastewater treatment, pollution clean-up and remediation of polluted sites or soil); and
- sludge treatment and recovery.

The Group engages in its activity through public and private customers, under various types of contracts:

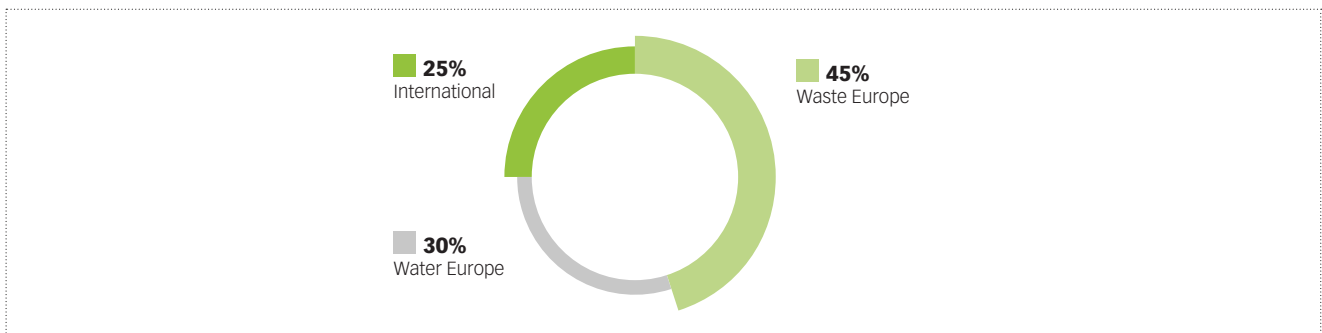
- in the water sector, the Group primarily enters into delegation of public service contracts (leases or concessions) and public contracts, as well as service, operation and maintenance contracts, and building and engineering contracts;
- in the waste sector, the Group enters into service or management contracts (delegated and non-delegated, integrated and non-integrated), operation and maintenance contracts, and design-build-operate contracts.

In 2013, 48.6% of the Group's consolidated revenues were earned in the water segment, and 51.4% in the waste segment.

The Group is organized around three main segments: Water Europe, Waste Europe and International (Degrémont and activities outside Europe), which are themselves divided into ten Business Units. Another segment, known as "Other", covers only corporate functions. The following diagram shows the organization of the ten Business Units:

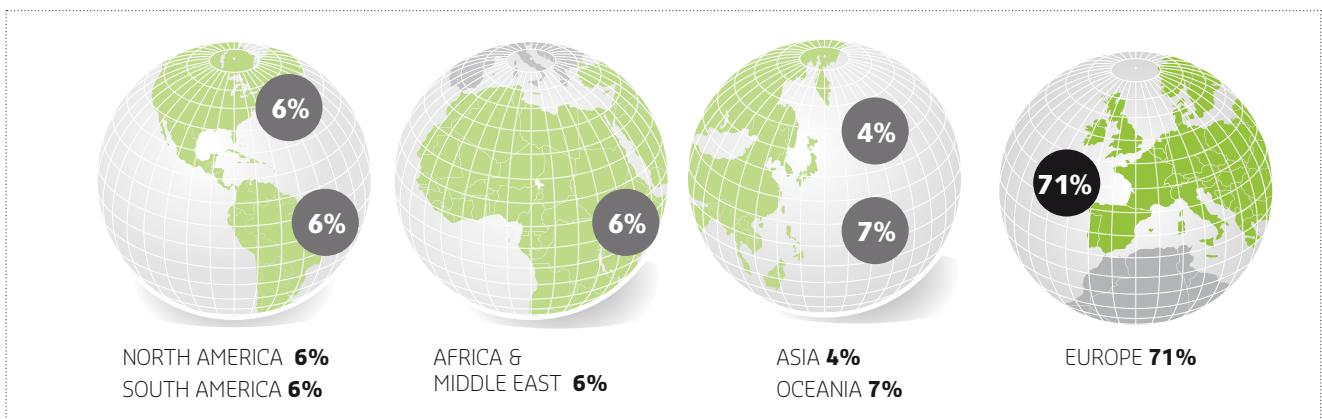


The graph below shows the distribution of the Group's consolidated revenues as of December 31, 2013, according to this organization (the "Other" segment is not shown, as it covers only corporate functions within SUEZ ENVIRONNEMENT):



Europe is the Group's historical development area. Thanks to this foothold in Europe, particularly in France, the Group is able to mobilize its know-how and skills and adapt them to other continents.

The following maps show the distribution of the Group's revenues by geographical area as of December 31, 2013 <sup>(1)</sup>:



<sup>(1)</sup> These maps show the geographical distribution of the Group's revenues, irrespective of the accounting segmentation used in the Group's consolidated financial statements in chapter 20.1 of this Reference Document.

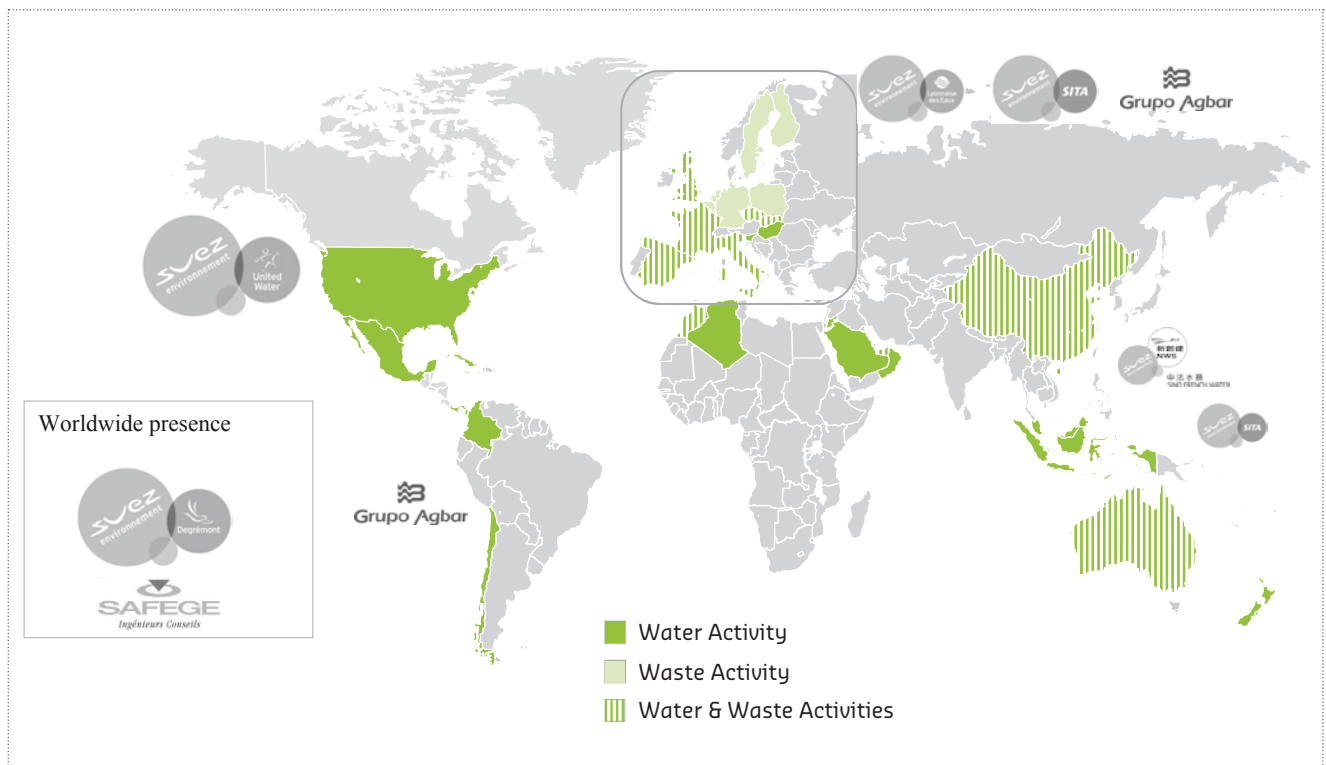


The Group benefits from an extensive network of subsidiaries and branches: as of year-end 2013, the Group was active as an operator in approximately 40 countries. Outside Europe, major cities such as Hong Kong, Casablanca, Algiers, Melbourne and, more recently, New Delhi have awarded the Group all or part of the management of their water, wastewater and waste-related services, as well as the building of major infrastructure in these areas. The Group is most often active through its partnerships with local public or private players

(industrial, financial, or non-profit) that have an in-depth knowledge of the local context, following the model of the historic partnership with La Caixa (Agbar in Spain) or New World (Sino-French Holdings in China).

The Group is active around the world under various well-known brands, such as Sita for waste and Lyonnaise des Eaux, Grupo Agbar, United Water Inc., Degrémont and Degrémont Industry for water.

This map shows the locations of the Group's principal subsidiaries and brands around the world as of December 31, 2013:



Finally, the Group has always placed research and development at the core of its activities, particularly through major partnerships, joining with both public players (for example, with IRSTEA and CNRS in France, Tongji and Tsinghua Universities in China and UCLA in the

United States) and private players (R+i Alliance partnership between Lyonnaise des Eaux, Agbar, United Water Inc., Northumbrian Water and SUEZ ENVIRONNEMENT).

## 6.2 Group's strengths

### A major player in environmental activities

With total 2013 revenues of €14.6 billion, the Group is one of the two main global environmental players and the only international player exclusively dedicated to water and waste activities. Through its presence in all water and waste cycles, the Group believes it holds leading positions in all its activities (in terms of revenues):

- No. 2 in France, Europe and worldwide in the water sector (2013 Group estimate);
- No. 1 in water activities in Spain, through Sociedad General de Aguas de Barcelona (Agbar); and
- No. 2 in France and Europe and No. 3 worldwide in the waste sector (2013 Group estimate).

In the water sector, in 2013, the Group operated over 1,100<sup>(1)</sup> drinking water production plants, serving a population of 92 million people<sup>(2)</sup>. The Group also operated close to 2,200 wastewater treatment sites, meeting the needs of 65 million people<sup>(2)</sup>.

In 2013, the Group treated more than 40 million metric tons of waste, and served approximately 52 million people and more than 417,000 customers in services and industry through its waste collection activities.

It also holds a key competitive advantage that sets it apart from its competitors in the form of Degrémont, the world leader (in terms of revenues) in the design and building of water treatment plants. Finally, the Group enjoys an excellent reputation in all markets in which it is active, as well as brand recognition.

### A strong environmental market

The Group's strategy is based on solid long-term growth factors: increasingly stringent health and environmental regulations, population growth, urbanization and resource scarcity.

The environmental market benefits from favorable demographic and social changes.

Growing urbanization in certain areas and growing infrastructure needs are also economic and social assets that benefit the Group. Thus, while 1.4 billion inhabitants are projected to be added to the current urban population over the next 20 years – thereby considerably increasing water infrastructure needs – 2.5 billion people – *i.e.*, approximately 36% of the world population – do not currently have access to a sophisticated wastewater treatment system (*source: MDG Report, 2013*).

Regulatory changes brought about by increasing concerns for environmental protection are an additional factor driving the growth

of this market. This regulatory pressure – increasingly popular with the public – has resulted in an increasing demand for complex services and facilitates the growth of players in these markets, particularly global players such as SUEZ ENVIRONNEMENT. For example, 89% of Europeans would, according to the European Commission, agree to the European Union spending more to support environmentally friendly activities and development (*source: Eurobarometer 2011*).

Finally, the development of new technologies to address the growing complexity of environmental problems and the increasing role of private operators (the portion of the global population served by the private sector in the water segment rose from 5% to 14% between 1999 and 2012 (*source: Pinsent Masons Water Yearbook 2012-2013*), are also positive factors for the expansion of the Group's markets.

### An integrated player throughout the entire water and waste value chain

The Group has completely mastered each step of the water and waste cycles, allowing it to implement commercial and technological synergies within each activity.

The Group is thus able to offer a complete range of services in terms of types of services and contracts, adapted to all categories of customer, including both local authorities and private industrial players.

(1) The definition of the number of drinking water production plants introduced in 2010 excludes "ordinary disinfection" plants.

(2) The basis for the calculation of the population served in the Water segment is the "managed" scope of consolidation (fully consolidated companies, proportionately consolidated companies, and companies consolidated by the equity method). Plants in operation, for which Degrémont provides complete wastewater treatment or drinking water services, are included.

## A player able to benefit from the complementary aspects of the water and waste activities

The water and waste activities offer certain complementary features, which the Group has turned into one of its strengths.

The Group is able to generate synergies between the two activities, particularly by sharing certain technologies (for example, in sludge or compost treatment), combining research and development in certain target programs (such as biomass management for material or energy recovery purposes) and realizing operating synergies by pooling certain corporate functions. To illustrate, the Group's

development in China with the Shanghai Chemical Industrial Park (SCIP) marks an important step in trade collaboration between the two activities, by combining a wastewater treatment plant and China's largest hazardous waste incineration plant at a single site. Similarly, the sludge drying facility and wastewater treatment plant at the Suzhou industrial park, which supplies the neighboring cogeneration plant, using dried sludge as a secondary fuel, is an example of a concrete application of circular-economy principles.

## An emphasis on research and development at the core of the Group's culture

For over 70 years, the Group has been the source of significant innovation: the first collection trucks with waste compacting in 1936 (the "Rey-Sita compacting dumper"), the first reverse-osmosis desalination plant in the world for the production of urban drinking water in 1985, the first compartmentalized collection trucks, allowing the separate collection of recyclable packaging, since the early 1990s (the "combi system"), the first hazardous waste stabilization-solidification processes in 1993 and the first water ultra-filtration process in 1998.

The Group's research is based on a global scientific and technical network consisting of experts grouped within expertise and research centers; technological developments resulting from this research are the fruit of close collaboration and a sharing of knowledge between internal experts, as well as with the Group's university and industrial partners. Thus, in 2013, the Group had implemented over 65 research and development programs in laboratories all over the

world. The technical and research and development teams have some 400 researchers, technicians and experts as well as a total effective budget, unchanged from 2012, of €74 million (the Group's share of expenses). Finally, convinced that innovation also means encouraging external partnerships, particularly with start-ups, the Group has implemented a deliberate approach of stimulation, promotion and co-funding for innovative technical, commercial and management initiatives and projects by methodically reviewing the various project proposals put forward by local teams (technological tests) and by investing in innovative start-ups *via* Blue Orange, the investment fund created in 2010 for this purpose.

The Group believes its technological expertise allows it to meet its customers' expectations effectively and to rank among the leading players as regards technological developments in environmental management services.

## A balanced economic model

One of the Group's principal strengths lies in the diversity and balance of its business and geographical exposure.

The Group's consolidated revenues show a balance between its water and waste activities. SUEZ ENVIRONNEMENT has a European base: 71% of its revenues are earned in Europe. SUEZ ENVIRONNEMENT is mainly positioned in developed markets, with

stable political and legal systems: 83% of its total revenues are generated in Europe, North America and Australia.

The equilibrium of the Group's economic model is also due to the variety of its exposure: service contracts, short-, medium- or long-term contracts, local authorities or industrial customers and regulated/non-regulated markets.

## Targeted international growth based on a strong partnership culture

The Group is pursuing a selective international growth strategy (outside Europe) based on identifying the fastest-growing markets with controlled risk profiles. For example, the positioning of United Water Inc. in the United States in regulated activities addresses this issue and allows the Group to establish the solid position it needs for future development in the regulated market as well as in services for municipalities and industry.

The Group maintains a strong partnership culture, particularly in countries offering high growth potential in the environmental

activities and where teaming up with local partners deepens its understanding of local issues, while allowing risks and invested capital to be shared.

A few examples include:

- Lydec, the Group's spearhead in Morocco since 1997, is an example of a partnership with local investors in a listed company, which distributes water and electricity to the cities of Casablanca and Mohammedia;

- Sino-French Holdings ("SFH") has operated since 1985 in an equal partnership with New World Services Holding, a Hong Kong-based company, to meet the water and wastewater needs of more than 14 million people; SFH is an example of an operating partnership, which is itself based on a large number of partnerships with local municipalities for the co-financing of assets. A flexible economic model that preserves the economic balance of long-term contracts.

A significant part of the Group's activity is carried out through long-term delegated management contracts (delegation of public service in France, or the equivalent outside France).

These contracts generally afford the Group the flexibility needed to maintain their economic balance, notably by continually improving the quality and sophistication of the services provided, thus meeting the needs of both parties by offering innovative and profitable services or technologies.

## A balanced financial structure and a selective development project management policy

The Group has a balanced financial structure.

The development choices are based on a strict financial discipline that allows the Group to maintain a sound balance sheet.

## Sustainable development at the core of the Group's organization

Having published its first Sustainable Development Roadmap in 2008, the Group is now launching the second phase of this Roadmap with new commitments that reaffirm its aim of contributing to more sustainable growth through the management of water and waste cycles. The Group has set three priorities translated into 12 environmental, social and societal performance commitments, with related objectives for the end of 2016:

1. Innovate to develop our activities and help our customers to become leaders in economic and environmental performance:
  - help our customers to better manage the water cycle as a whole;
  - help our customers to optimize the management and recovery of their waste;
  - improve the environmental footprint of our facilities and services;
  - improve customer satisfaction and trust.
2. Develop the talents of our employees so that they become enablers of the transformation of our businesses:
  - invest in the development of our employees;

- boost the commitment of our employees and quality of life at work;
  - act for equal opportunities;
  - work together to ensure health and safety at work.
3. Make our businesses contributors to regional attractiveness and co-construct solutions with our stakeholders:
    - contribute to a responsible economy through local employment and development;
    - work together on solutions and have an open dialog with our stakeholders;
    - spread and share our expertise and knowledge;
    - promote access to essential water and wastewater services.

The results and best practices associated with these commitments are described in the Group's Sustainable Development Reports, which are published annually. The Group's performance is evaluated regularly by non-financial rating agencies.

## Stable shareholding structure

GDF SUEZ holds a 35.68% equity interest in SUEZ ENVIRONNEMENT, making it the Group's largest shareholder. A cooperation agreement was signed in January 2013 that allows us to continue to benefit from

industrial and commercial synergies in our fields of business. The listing on the stock exchange gives SUEZ ENVIRONNEMENT greater visibility and direct access to the financial markets.

## 6.3 Strategy

SUEZ ENVIRONNEMENT's ambition is to strengthen its position as a key player in environmental protection and sustainable development, by offering its customers innovative solutions that reconcile the economic and environmental performances of water and waste services. Its industrial plan reflects this desire for development in all its businesses by giving priority to sustainable and profitable growth, combined with a balanced risk profile. This plan is aimed at establishing the Group as one of the leaders in either and/or both of its businesses, in each country where it operates.

Leveraging its strengths in the context of changing demand in its traditional markets, the Group is engaged in a profound transformation of its core businesses and expanding the reach of its activities.

SUEZ ENVIRONNEMENT's vision reflects its ambition to respond to its changing markets and is being implemented on three levels:

- the transformation of its core businesses around a new focus: "making the Group's customers leaders in environmental performance", with new water services and an end-to-end offering in waste recovery;
- a new way of working together: collaborating on solutions tailored to the customer's needs, with the Group no longer simply a service provider, but a partner with a central role in its customers' processes;
- expanding the reach of SUEZ ENVIRONNEMENT's activities towards new frontiers in water and waste, allowing it to capture new growth markets beyond its traditional businesses, in four key areas: industry, waste recovery, new water services and new international business models.

### 6.3.1 Environmental performance and operational and technical know-how: The Group's core strategic ambitions

#### ➔ 6.3.1.1 Offering customers solutions that make them leaders in environmental performance

The growing aspiration for harmonious and sustainable development means a greater focus on environmental protection and rational consumption of non-renewable resources. The supply and distribution of drinking water, wastewater services, waste recovery and disposal are services essential to the well-being of people and the successful operation of businesses, and constitute real challenges in certain regions of the world. The demand for these services, and for the expansion and improvement in their quality, will continue to increase over the long term.

In offering high-quality water and waste management services, the Group will specifically seek to:

- assist its customers in managing resources in a sustainable and reasonable way, as well as in limiting their environmental impacts and identifying alternative resources;
- offer optimized solutions in energy consumption and, if appropriate, solutions that combine environmental protection and the production of renewable energy.

The Group will also ensure that it continues its involvement in improving environmental management governance, in both its traditional markets and emerging countries, so as to promote the emergence of conditions favorable to the development of Group activities. For example, the "New Ideas for Water" initiative launched by Lyonnaise des Eaux has been successful in developing a participatory model for public-private partnerships. This program, based on dialogue with consumers and all water industry players in France, is aimed at devising innovative approaches and solutions, driven by the expectations expressed and based on joint analysis of the new deal on water realities.

#### ➔ 6.3.1.2 Identifying and using energy and material generation potential in the value chains

The water and waste activities are facing new challenges, to which the Group must respond and adapt. Waste, through appropriate treatment and under controlled conditions, can and must be recovered and reincorporated as much as possible in the economic cycle: landfills and incinerators can also operate as renewable energy production sites, recycled materials can be used as secondary raw materials in industrial circuits and organic matter can be recovered in the form of energy or compost. The Group is thus active in the progressive evolution towards a cycle of materials preservation, which is one of the major challenges of the 21<sup>st</sup> century. Likewise, in the water sector, wastewater treatment plants are becoming a kind of refinery, producing water that can be reused, renewable energy, soil fertilizers, and final waste to be eliminated without risk to the environment.

#### ➔ 6.3.1.3 Making research and technological expertise a priority in the Group's future development

At the heart of the Group's strategy is research focused on applications that strive to improve its operational performance (anticipation and control of health and environmental risks, energy efficiency) and perfect its technical expertise (treatment of sludge, desalination, reuse of wastewater and environmental compatibility of landfilling).

The Group also seeks to continue developing the best technical solutions with the best experts, specifically in order to:

- adapt to climate change and prevent it from worsening, preserve natural resources and biodiversity and protect the environment and quality of life;
- improve the quality of drinking water and customer service and anticipate the needs of more rapid urbanization;
- extend its technological leadership to new areas, especially related to waste recovery and disposal, including becoming a key player in clean energy by capturing and leveraging the potential of organic waste;
- expand our offerings for industry to become their partner of choice in managing their environmental challenges.

To boost and provide an additional outlet for the research and innovation policy, in 2010 the Group created "Blue Orange", an Innovation investment fund for new water and waste technologies. Blue Orange, with a budget of €50 million over 10 years (€0.5 to €2 million initial investment per project), acts as an investor and industrial partner for young companies developing innovative technologies.

The fund further completes the Group's efforts in the area of research and innovation and will help discover innovative technologies and convert the results of research into industrial solutions.

### 6.3.2 Continued global development to maintain a local presence

The Group's activities are local by nature, and the Group's objective is therefore to be recognized by its customers as a local player. Its strategic goals reflect the dynamics of each region and the positions achieved by the Group.

#### ➔ 6.3.2.1 Consolidating and strengthening the Group's positions in Europe

##### (a) In water

In France, a market in which it is firmly rooted, the Group intends to both (i) expand its core business activities in drinking water, wastewater treatment, customer management for local authorities and industry, and (ii) diversify its offering by selling higher value-added services:

- to local authorities (major water cycle and water resources protection, dynamic and predictive management of water and wastewater networks with the support and development of SMART technologies);
- to managers of real estate complexes (smart and multi-fluid metering);
- to businesses and industry.

These actions should also strengthen the Group's competitiveness, particularly in terms of the renewal of some of its major contracts.

In Spain, the Group aims at developing an approach that is both dynamic and local, to take advantage of growth opportunities offered (wastewater, building and operation of desalination plants and wastewater recycling plants, etc.), while taking into consideration very specific regional characteristics. In June 2010, the Group finalized the friendly takeover of Agbar announced in October 2009. With this transaction, SUEZ ENVIRONNEMENT built its second European pillar in the water sector (see section 6.5.2.2).

In Italy, based on its strong positions in Tuscany, the Group seeks, either on its own or through partnerships, to seize the development opportunities offered. In 2011, the abrogation by referendum of the Ronchi Decree-Law did not challenge SUEZ ENVIRONNEMENT'S

existing contracts or its strategy in Italy. This management model still offers plenty of potential in Italy, particularly given its performance in Tuscany, and the investment needs in this sector, estimated at €65 billion over the next 30 years. The Group has anticipated a very slow shift to public/private partnerships, and the needs of Italy's local authorities in terms of infrastructure investment are very significant. Under present conditions, municipalities will still be able to call on private operators under public service delegation contracts. SUEZ ENVIRONNEMENT will be able to offer its know-how in designing, financing and operating complex water and wastewater systems, such as those in Tuscany and elsewhere in Italy (Piedmont, Lombardy and Venetia, for instance). The establishment of a national regulator responsible for defining contractual rules should help to professionalize the market. Note that these rules apply equally to public, public-private and private companies.

In the UK, the Group, through its Agbar subsidiary, sold 70% of the regulated activity of Bristol Water, a UK drinking-water distribution company, to Capstone Infrastructure Corporation in 2011. SUEZ ENVIRONNEMENT continues to be a major operational shareholder, retaining a 30% interest in this regulated activity, which will now be consolidated as an equity associate, and retains a presence in the UK water market by pursuing development in the non-regulated sector, which is a growth driver.

Finally, in the rest of Europe, the Group will seek growth based on its strong positions in the region, taking advantage of opportunities associated with the requirements to comply with European Union standards for water management infrastructure. The Group is monitoring the reforms envisioned by some national authorities to achieve the dual aim of complying with European quality and service standards and ensuring the long-term economic equilibrium of these services.

##### (b) In waste

The Group plans to consolidate its traditional collection and treatment businesses and expand its waste recovery activities. In addition, the Group aims to manage the entire waste value chain and strengthen certain positions, both in terms of geographical

coverage and business expertise. In France, the Group intends (i) to continue growing and improve profitability in its traditional activities (collection, sorting and treatment) through productivity efforts, by raising operating and innovation standards, and (ii) to proceed with the industrialization of alternative techniques such as new sorting technologies and methanization, and to strengthen the structure of its positions in emerging sectors (remediating polluted soils and sites, dismantling end-of-life aircrafts and processing electrical and electronic equipment as well as furnitures).

In Benelux and Germany, the Group intends to continue its integration across the value chain, working with partnerships to jointly develop closed-loop solutions. More specifically, it seeks to position itself to seize selected opportunities related to the recovery segments where the Group can capitalize on its existing strengths. Its functional services have also been consolidated to take utmost advantage of opportunities for synergies presented by these regions in their border areas. In Germany, its Sita Deutschland subsidiary has a strong presence in the western part of the country, particularly in municipal and selective collection. It is also strongly positioned in incineration in the Leipzig region through its Zorbau site, as well as in the sorting of household packaging through its recently modernized site in Ochtenburg, near Koblenz. Meanwhile, numerous underperforming sites have been sold or offered for sale in order to improve profitability, and more leeway is granted in regions where Sita is a market leader. A more flexible organization, with an emphasis on the control of the value chain rather than its ownership or operation, is also favored to allow Sita to adapt to market demand. In the Netherlands, in a highly competitive market, the Group's aim is to target the waste management value chain, in which it intends to be a leader, optimizing resources (assets, staff and marketing) and developing partnerships to expand Sita's existing offering. As in Germany, the objective is to control the value chain, rather than owning or operating it. In parallel, the Group's strategy is to capitalize on its waste recovery capacities in both energy (*i.e.*, through the new ReEnergy plant) and materials (through the Rotterdam plastic packaging sorting facility for example).

In Belgium, where the Group is a market leader, it intends to retain its industrial and commercial customers through a selective acquisition strategy, particularly for medium/large customers and public authorities, and through logistics excellence. With Belgium's ambitious regulatory program (especially in the Flanders region), Sita is well-positioned to meet the rapidly changing needs of its customers.

In Great Britain and Scandinavia, the Group plans to support changes in treatment methods in recycling and recovery of various material flows. In Great Britain, the Group will also pursue its policy of developing complex integrated waste-management projects. It is also now building two energy recovery units.

In Central Europe and the Mediterranean basin, progressive compliance with European Regulations, supported by European Union funding and the growing sophistication of waste management methods, will make the coming years favorable for the Group's activities. The Group will seek to strengthen its positions in Poland, the Czech Republic and Morocco, and to seize opportunities in new markets, mainly by accompanying its industrial customers in their growth efforts in these countries.

### ➔ 6.3.2.2 Developing Group strongholds in the United States, China and Australia

#### (a) The United States

Through United Water Inc., a water and wastewater services operator, the Group's objective is to (i) develop its regulated activities through investments in maintenance and in the expansion of its asset base and through the corresponding rate increases expected from the regulatory authorities; (ii) consolidate its service contract activities, specifically by entering into new contracts and selling technical assistance, providing operating and maintenance services through public-private partnerships that also meet the needs of government customers in terms of debt relief and sustainable investment by partnering with private equity funds; and (iii) develop its service activities through USG (see section 6.5.4.2 (a)). At the same time, the Group intends to increase its portfolio of regulated and non-regulated activities around its current bases.

#### (b) China

In the water sector, through Sino French Water Development (SFWD), a development subsidiary in the water division of Sino French Holdings (SFH), a joint venture with group New World, based in Hong Kong, the Group intends to pursue growth by selectively developing new concessions and other projects, in particular in drinking water and for municipalities, as well as wastewater services for municipalities and industrial parks, particularly in the area of integrated sludge management, focusing on its bases in Macao, Shanghai, Beijing and Chongqing, and in line with its current investment structures (joint ventures and partnerships).

In waste, the Group will continue to develop its business around its bases in Hong Kong, Macao and Shanghai by offering environmentally efficient and sustainable solutions for the treatment and integrated management of waste, particularly in the areas of energy recovery and the treatment of hazardous industrial waste.

Finally, as illustrated by its five industrial and chemical parks, for example in Shanghai, the Group intends to promote its two activities, water and waste, through a common trading approach, to meet the growing demand from industrial sites for an integrated multi-utility management service.

#### (c) Australia

The Group is active in the Australian water sector through Degrémont (see section 6.5.4.1), which on December 17, 2012 completed the construction of the Melbourne desalination plant as part of the AquaSure consortium. Capable of producing 450,000 m<sup>3</sup> per day (150 billion liters per year) of drinking water from sea water, the facility is now entering the operational phase of the BOT contract, for a 27-year term (See section 9.1.2 and chapter 20.6 of this Reference Document).

In addition, Degrémont won a contract for the design, construction and commissioning of a new membrane filtration system, SmartRack™, to treat 1,000 m<sup>3</sup> per day of wastewater at the Thales Australia site in Mulwala, in the state of New South Wales.

Under its Alliance contract with The Western Australia Public Water Authority and the Water Corporation (the Australian public water management body), Degrémont and its partner Transfield Services are managing the city of Perth's drinking water and wastewater services, comprising 14 wastewater treatment plants, 19 drinking water plants, and 13 dams. Another Alliance contract is ongoing with South Australia Water for the management of water and wastewater services for the city of Adelaide, including 6 treatment plants, 6 drinking water plants and 16,000 km of pipeline.

The Group operates in the Australian waste sector through Sita Australia. The Group's strategy, focusing on asset-based organic growth and targeted acquisitions, has been highly successful. In recent years, Sita Australia has experienced strong growth, with revenues that have more than doubled in five years. Sita Australia has invested more than AUD300 million during this period to make strategic acquisitions and develop new infrastructure. It includes Sita's 2011 acquisition of WSN, a waste services entity owned by the government of New South Wales (NSW), which offers the Group an expanded network of waste recovery and management assets in the largest city in Australia (Sydney).

### ➔ 6.3.2.3 Seizing attractive development opportunities in certain regions of the world

The Group is looking for countries in which the "risk/return on investment" ratio will allow it to establish long-term bases for development. It is using the full range of concession contracts available and is seeking new forms of partnership adapted to the specific features of the markets in question. Thus:

- on a global scale, Safège gives the Group a very upstream position in its activities and provides the Group with a clear competitive advantage. As such, Safège will be involved far upstream in studies and master plans, "program management" or infrastructure design, thereby differentiating itself from its competitors through its long-term vision as an operator/manager with a strong grasp of the challenges of sustainable development;
- for its part, Degrémont – a specialist in water treatment plants – intends to pursue its global growth on five continents in four areas (design-build, operation and services, equipment and "BOT" contract management) for its two categories of customers – local authorities and industry – both in its mature markets as well as emerging markets;
- outside Europe, the Group will also seek to maintain and develop its positions.

Furthermore, the Group will seek to position itself in such a way that it is able to seize future opportunities on emerging industrial markets in water (Brazil, China and the Middle East) and respond to the growing demand for new treatment solutions (North Africa, the Middle East and India).

## 6.3.3 Maintaining a balanced industrial model and improving operating performance

### ➔ 6.3.3.1 Maintaining a balanced industrial model

One of the Group's principal strengths lies in the diversity and balance of its exposure: service contracts, short-, medium- or long-term contracts, local authorities or industrial customers, regulated/non-regulated, mature countries and emerging markets.

The Group seeks to allocate the capital invested in order to preserve the diversity and balance of its business portfolio, depending on the expected profitability and risks incurred by each activity. This approach is all the more significant since some of the Group's activities will become more capital-intensive, despite the development of new service activities. The Group considers itself well positioned to address this change and has the financial strength necessary to make the corresponding investments.

The Group's investment policy is carried out in accordance with strict financial criteria responding to the principles set forth in section 6.3.4 of this document.

### ➔ 6.3.3.2 Exploiting potential synergies

The Group is organized to promote maximum integration between both water and waste activities:

- joint research programs (odor treatment, energy recovery and biogas recycling);
- implementation of shared technologies (composting activities, methanization, treatment and recycling of sludge and treatment of leachates in wastewater treatment plants);
- generation of commercial synergies, such as in France, with a joint development department, or outside Europe, where some subsidiaries manage both activities;
- joint commercial activities in the water and waste segments, to ensure an integrated multi-utilities management service;
- savings in general expenses generated by combining corporate functions (finance, strategy, human resources, IT, communications, legal and development).

Within the fields of water and waste themselves, greater integration of the Water Europe and Waste Europe divisions and the creation of the Innovation and Industrial Performance Department promote the sharing of good practices within the Group.



The Group also intends to pursue the exploitation of operational synergies with the GDF SUEZ Group's energy activities:

- combined project management, such as the recovery of renewable energy from waste, or the desalination of seawater (plants that combine energy production, thermal desalination, and membrane desalination);
- developing synergies as part of service offerings for the metering of fluids (in case of identical customer issues);
- pooling resources in order to benefit from significant economies of scale, especially in procurement and R&D.

### ➔ 6.3.3.3 Improving performance

Historically, the Group has given high priority to the optimization of business profitability, notably through ongoing performance improvement plans.

The Group plans to pursue and expand its profitability efforts through the COMPASS program, which is part of an ongoing plan that has been in place for a number of years. COMPASS is an internal benchmark that aims both to promote industrial excellence and control operating costs. The COMPASS plan is deployed across a wide variety of activities at all levels of the organization in order to foster a sound culture of performance improvement and convey the Group's intention to adapt to increasingly uncertain economic conditions.

For 2010-2012, the COMPASS plan, whose overall target was initially set at €250 million of sustainable net gains in EBITDA, adjusted to €300 million in 2011 and €360 million in early 2012, ultimately led to €400 million in gains.

The COMPASS plan's initial target of €150 million of sustainable net gains in EBITDA for 2013 was re-evaluated during the year to €180 million in response to the economic downturn.

The new target was achieved and, for 2013, the Group maintained its performance and continuous improvement actions, whether in terms of industrialization of processes, purchasing efficiencies, and reduction of general and administrative expenses. The Group believes that the potential for continuous improvement represents about 1% of annual operating expenses. It has also launched targeted plans in a macroeconomic climate that remains challenging, particularly within the scope of Waste Europe.

All of the Group's subsidiaries contributed to the achievement of these strong results.

The initiatives implemented cover three main areas:

- purchasing: external purchases for the Group represent a total volume of about €6 billion. In 2013, the Group strengthened its Purchasing skills and organization, including through the deployment of category management to reap the benefits of its Purchasing volumes in both its business line categories and its indirect categories. The Group has also introduced a Purchasing governance system to reinforce the separation of roles between buyers and specifiers, and ensure competitive bidding above certain thresholds. In addition, the Group is working more closely with GDF SUEZ as part of the One for Value 2015 program, which aims to deliver significant reductions in purchasing costs for both groups by 2015 and to transform purchasing and supplier

management for the long-term. Both groups want to continue to pool part of their external purchases in order to leverage synergies and volumes with the outside suppliers' market:

- savings on purchases under the COMPASS program are achieved through initiatives that span the entire Group, such as tendering procedures or negotiating framework agreements at the European level, and even internationally in some cases, as well as more local initiatives. With respect to business line categories, for example, standardized specifications between countries ease negotiations at the international level for equipment such as construction machinery and trucks for the Waste business, and for pumps, pipes, drying equipment, instrumentation and air production machinery for the Water business. Similarly, in indirect categories, rationalizing the needs and the organization of joint negotiations in the interim, the management of the vehicle fleet, energy and IT equipment can generate significant savings;
- operating efficiencies of €180 million are the result of:
  - a reduction in the cost of interventions on the network through standardization and scheduling, and the use of GPS tools (Lyonnaise des Eaux); a more focused management of large numbers of customers in Water, and the promotion of electronic billing; and the conversion of incoming correspondence to a paperless system,
  - the optimization of waste flow management (greater insourcing of flows, orientation toward more cost-effective treatment systems, new flows between the UK and the Netherlands, etc.); the rationalization of collection costs (alternative fuels, vehicle maintenance, reduction in distances covered and streamlining of vehicle fleets); highly professional management of operating processes in household and industrial waste ("Excellence" programs at Sita France) and, more generally, through the continuous benchmarking of all Water and Waste sites to promote the spread of standards (themselves based on the best practices identified). Finally, the Group has strongly emphasized bringing down the costs of its energy consumption and enhancing its production capacities as effectively as possible (incinerators, treatment plants, new processes, promotion of new energies and biogas),
  - increased focus on the least-profitable commercial contracts,
  - continuation of specific plans for the Waste Europe business involving the rationalization of the collection vehicles fleet, site closures, and lesser reliance on temporary workers;
- the reduction of SG&A costs is ongoing with:
  - the development of regional organizations by Sita France and Lyonnaise des Eaux,
  - the launch of action plans in the support functions of French entities grouped at the La Défense site (search for synergies and greater integration),
  - action plans in the back offices of Group entities abroad to establish regional platforms.

The target for efficiencies is set at €125 million for 2014.

### ➔ 6.3.3.4 Mobilizing employees around the industrial project

Implementation of this strategy entails the continuous involvement of the Group's expertise and employees. Priority is given to local recruitment, centralized career management and increased employee mobility among the Group's various subsidiaries and activities. To improve mobility, professional experience and diversity in recruitment, strong links are maintained with GDF SUEZ and the various activities.

To offer employees incentivizing professional career paths, the Group will continue to anticipate changes in activities and adapt skills to new needs through a dynamic training policy. The Group intends to promote long-term relations with its employees and develop their commitment.

Finally, the Group's strategic planning includes a section on long-term human resources challenges, to ensure that the objectives that have been set are consistent with projected growth in activities.

## 6.3.4 Outlook

In 2013, SUEZ ENVIRONNEMENT posted solid results in a more challenging macroeconomic climate than anticipated.

In 2014, assuming GDP growth of 1% in the Eurozone, SUEZ ENVIRONNEMENT has the following objectives:

#### Growth in 2014 operating results <sup>(1)</sup>

- EBITDA: organic growth of at least 2%;
- Free cash flow: about €1 billion.

#### Accelerating growth while maintaining financial discipline

- Investments targeted according to opportunities to generate new growth;
- Net debt/EBITDA ratio of about 3 times.

#### Pursuing an attractive dividend policy

- A dividend of at least €0.65 per share for the 2014 result <sup>(2)</sup>.

This outlook is based on data, assumptions and estimates the Group considers appropriate. It may change or be modified due to uncertainties, especially in economic, financial, competitive, regulatory and climatic conditions. In addition, the occurrence of certain risks described in chapter 4 "Risk factors" of this document would impact the activities of the Group and its ability to achieve its objectives. Moreover, to achieve these objectives requires the successful implementation of the strategy described in chapter 6.3 of this Reference Document. As a result, the Group does not make any commitments or give any guarantees on the achievement of the objectives and forecasts described in this section 6.3.4.

These objectives and outlook were based on accounting principles defined by the Group in drawing up the consolidated financial statements presented in chapter 20.1 of this Reference Document.

<sup>(1)</sup> On a like-for-like basis from January 1, 2014, in terms of unchanged accounting, tax frameworks and exchange rates.

<sup>(2)</sup> Dividend subject to approval by the General Shareholders' Meeting.

## 6.4 Presentation of the market and competitive position <sup>(1)</sup>

### 6.4.1 Presentation of the water and waste sectors

#### ➔ 6.4.1.1 General presentation of the environmental management service sector

##### (a) General characteristics

The environmental management services sector covers all services provided to individuals, local public entities and industrial customers relating to (i) the production and distribution of drinking water or industrial processes, wastewater collection and treatment, waste management (activities that represented approximately 74% of total environmental expenditure in France in 2011; *source: SOeS, 2013*), as well as (ii) air protection, measures for combating noise, protection of biodiversity and management of radioactive nuclear waste (which together represented some 12% of total environmental expenditure in France in 2011; *source: SOeS, 2013*).

Increased demand for high levels of environmental protection has resulted in an increasingly strict, dedicated regulatory framework. This requires major investments within the required deadlines and effective and global management of related issues, which has led to the emergence of European or global players that specialize in environmental management services. This change is occurring at different speeds, depending on the country.

The public's expectations for measures and actions regarding environmental protection are not diminishing, even within the most advanced countries in this regard. For instance, 97% of French people are worried about the state of the planet, and say that they are concerned about environmental protection (*source: Eurobarometer, 2011*). The growth in expenditure related to environmental protection is generally greater than growth in gross domestic product. In France from 2000 to 2011, the average annual rate of growth in expenditure linked to environmental protection was therefore 4.5%, compared to 3.0% for gross domestic product during the same period (*source: IFEN, 2013*).

##### (b) Growth in environmental management services

Changes in regulatory requirements, higher expectations from end users and, consequently, the complexity of the corresponding infrastructures and services encourage local public entities to seek the expertise and collaboration of private operators.

Like local public entities, in order to concentrate on managing their core business and satisfy the need to control environmental costs, large international companies in the industrial and service sectors are increasingly outsourcing to specialized players with the technical and operational resources to provide these environmental management services efficiently.

The use of specialized private operators by these major international players in the industrial and service sectors is also increasing because of the global deployment of these companies; concerned with efficiently managing these problems, they want to entrust these services to specialists that are just as global, in order to facilitate management and be assured of receiving uniform service at all their sites.

##### (c) Growth factors in the environmental management services sector

The Group believes that the environmental management services markets will grow in the long term, notably because of a combination of macroeconomic factors such as:

- world demographic growth (average annual growth of 1% by 2020 – *source: United Nations, 2012*);
- increased urbanization, particularly in emerging countries (in 2030, nearly 60% of the world's population will be living in urban regions, compared to 52% at present – *source: United Nations, 2012*);
- world economic growth estimated at an average of almost 4.5% per year during 2014-2018 (*source: IMF April 2013*);
- commodities prices, which are set to remain high over the long term, increasing the economic attractiveness of waste recovery, through either recycling or energy recovery;
- the need to adapt to climate change, which will affect water resources most particularly.

In addition to these macroeconomic factors, the Group believes these markets should expand through a combination of various factors specific to the sector:

- greater attention paid to environmental protection around the world;
- greater public demand for better hygiene, quality of life and health and changes in consumption linked to an improvement in living standards;
- stricter and more rigorously applied environmental regulations;
- very large and yet unfulfilled needs for access to drinking water and wastewater (currently, over 800 million people have no access to a permanent supply of drinking water and it is estimated that 2.5 billion people do not have an improved wastewater system, *source: MDG Report, 2013*);

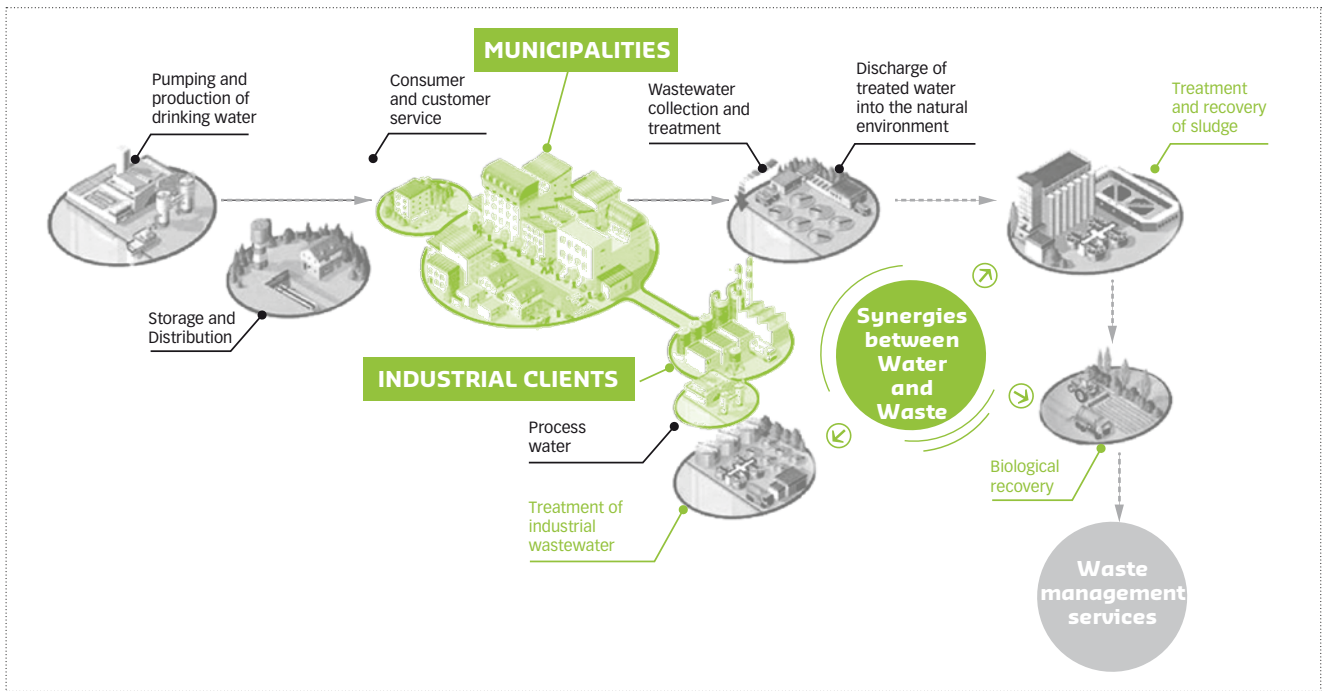
<sup>(1)</sup> The market data presented in this document come primarily from databases and studies carried out by Eurostat and Institut Français de l'Environnement (IFEN, the French Institute for the Environment, now a unit of the Service de l'Observation et des Statistiques (Monitoring and Statistics Service)). At the time of writing, data or studies more recent than 2011 are not available for all countries in which the Group operates, to the knowledge of the Group.

- the growing number of areas affected by insufficient water resources, or that are in a state of water stress, particularly related to global warming. By 2050, the number of individuals in a situation of severe water stress is expected to rise from 2.8 to 3.9 billion (source: OCDE – Environmental outlook to 2050, 2008).

The Group believes it is possible to expect higher long-term growth on its markets compared to GDP growth.

➔ 6.4.1.2 Presentation of the water sector

(a) A value chain that uses complex industrial processes



(b) A sector characterized by significant investment and customized growth based on specific local characteristics

The Group believes that, for the European Union, the water-related environmental services sector represents approximately €90 billion per year (2013 estimate). All the European countries are expected to invest some USD800 billion in water production and distribution and wastewater treatment between 2006 and 2025 (source: Financing water and wastewater to 2025, D. Lloyd Owen, 2006).

With regards to the supply of drinking water in some developed countries, a slight decrease in volumes consumed is being observed, notably due to the increasing use of water-saving equipment, and the implementation of industrial production processes that consume less water. For example, in France, the Group estimates that the volumes of water billed have declined on average by over 1% a year, for the last fifteen years.

Nevertheless, this trend has been offset by the provision of more sophisticated services and additional consumer benefits in terms of water production, water distribution and wastewater treatment.

In the United States, the size of the environmental management services sector relating to water is USD103 billion (source: GWI study, 2014). It offers major opportunities for consolidation due to the very high number of small local players as well as acute needs in terms of infrastructure replacement (a USD500 billion investment is anticipated for the 2006-2025 period, source: Financing water and wastewater to 2025, D. Lloyd Owen, 2006).

Finally, in emerging countries, where very significant needs are still unfulfilled, the Millennium Goals, adopted in 2000 by members of the United Nations during the World Sustainable Development Summit, stress the fact that access to drinking water as well as adequate wastewater services are necessary to protect human health and the environment.

In this regard, the Millennium Declaration invites governments to commit to reducing by half the proportion of people who do not have access to drinking water or wastewater by 2015. Meeting these objectives will require highly significant annual investments in the near future. These countries, therefore, offer significant growth opportunities for the building and operation of water treatment plants, and for water management services. In the latter case, the opportunities are accompanied by potentially high risks that must be controlled by defining appropriate contracts prior to planning operations in these countries. Three years from the deadline set for the Goals, many investments have yet to be made.

### (c) A market increasingly controlled by private operators

The Group believes that the use of private operators (the portion of the world population served by the private sector totaled almost 14% in 2012, *source: Pinstent Masons Water Yearbook 2012-2013*) should grow significantly in the long term, particularly in the form of public-private partnerships, notably for the following reasons:

- private operators, which benefit from longstanding and diversified experience, have top-level skills;
- consumer requirements in terms of water quality and related services are increasing;
- regulations continue to tighten throughout the world; particularly in the European Union, environmental directives and their various revisions define and strengthen the current regulatory obligations;
- among the 15 "old member states" of the European Union <sup>(1)</sup>, some are late in transposing into domestic law the technical European directives related to water, particularly the 1991 European Directive on urban residual water;
- the "new member states" of the European Union <sup>(2)</sup> must comply with the European standards;
- pressure on public spending, greater demand from consumers for efficient public services, and the increased technical level of the business are encouraging many public entities to take the path of public-private partnerships.

Local situations vary as to the use of the private sector by local public entities with regard to water services; thus:

- in France, the management of municipal water systems are often entrusted to the private sector, with municipalities retaining ownership of their assets;
- in the United Kingdom, the water sector has been almost entirely privatized since 1989, while operators, in this case, own the infrastructure. These operators are increasingly focused on managing investment programs and tend to subcontract operation and maintenance;

- In Spain, the Group estimates that private operators currently represent approximately 54% of the drinking water production and distribution sector, and 55% of the wastewater treatment sector (*source: internal estimations*); the Group believes use of the private sector is set to rise in the coming years;
- in the United States, the Group believes that the private sector is responsible for managing 8% of the operating activities. The Group believes that the private sector's share should increase in the coming years: with regard to service contract activities, growth may originate from the increased use of private operators by municipalities, and in terms of regulated activities, the private sector is expected to benefit from the consolidation under way in this sector.

### ➔ 6.4.1.3 Presentation of the waste sector

The existence of a market for waste management services requires:

- a minimum level of economic development: countries only allocate a portion of their wealth to waste management after meeting their other, higher-priority needs (particularly access to drinking water);
- identifying and applying environmental regulations;
- guaranteeing a certain level of contractual stability;
- public awareness of the environmental issues.

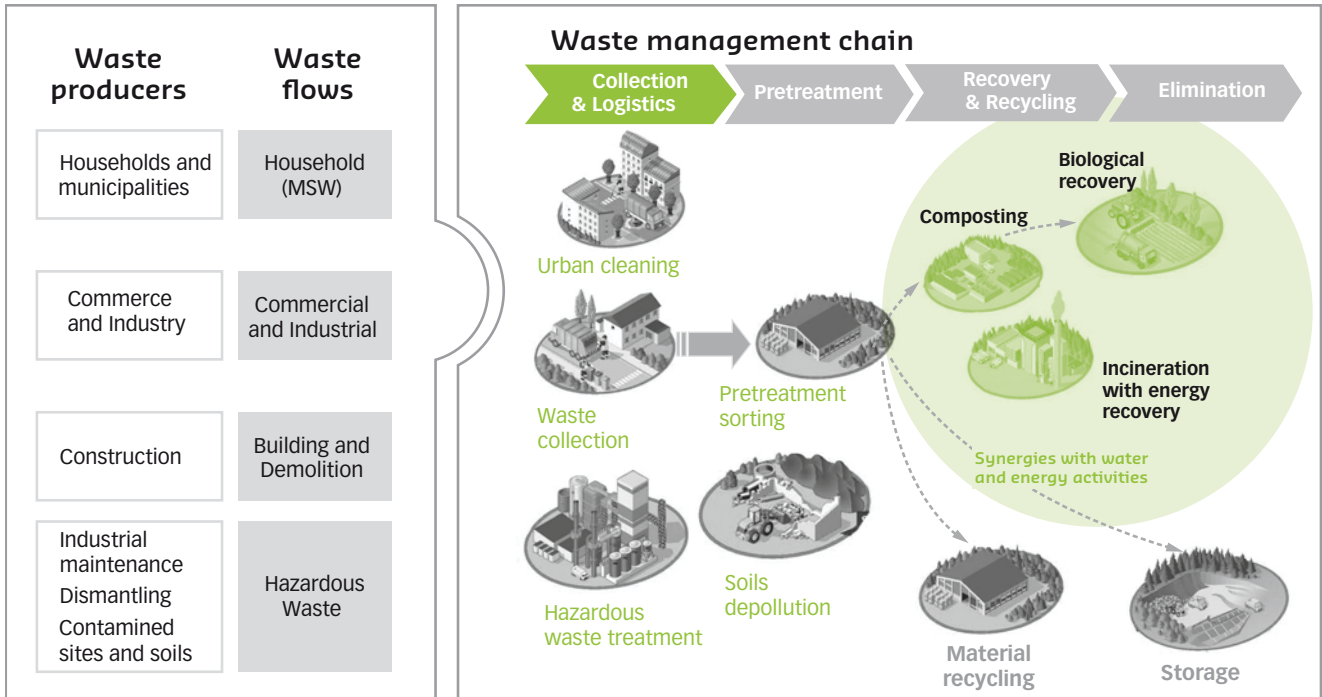
Each country presents specific characteristics and therefore the nature of the services proposed by operators must be adapted accordingly. In the least developed countries, demand mainly corresponds to waste collection and removal services provided by local operators; in emerging countries (Central and Eastern Europe, North Africa, the Middle East and China), demand extends to additional selective collection services, pretreatment and sorting; finally, for more mature countries (the "old member states" of the European Union, North America, Japan and Australia), demand is for complete services that also include material recovery (sorting and recycling), biological recovery (composting and methanization) and energy recovery (waste-to-energy plant and alternative fuels from waste).

Given these specifics and the complexity of market/business approaches varying by country and region, with few exceptions there is little pertinent and up-to-date data available on individual markets and/or geographical areas.

(1) Namely, Germany, Austria, Belgium, Denmark, Spain, Finland, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, the United Kingdom and Sweden.

(2) Namely, Poland, Romania, Hungary, the Czech Republic, Bulgaria, Slovakia, Lithuania, Latvia, Slovenia, Cyprus, Estonia and Malta.

(a) A complex value chain integrating several segments



(b) The various types of waste

Four principal sources of waste define the scope of the Group’s activities: household and municipal solid waste, industrial and commercial waste, building and demolition waste and hazardous industrial waste (excluding waste that may be contaminated by radioactive residues generated by nuclear activities). In 2010, these sources represented an annual waste volume of more than 2.5 billion metric tons in Europe (source: Eurostat, 2010 data); this total covers a range of scenarios from more mature countries to less developed countries in terms of waste management services.

Waste products from agricultural activities, mining activities, and quarries also represent very significant flows, but are not included, or count for very little, in the scope of management of the sector’s operators (1).

**Household and municipal solid waste**

The production of household and municipal solid waste totaled virtually 220 million metric tons in 2010 in the 27 member states of the European Union (source: Eurostat, 2010 data), over 89% of the waste was generated by the “original” members of the European Union.

The volumes of household and municipal solid waste produced grew steadily in Europe between 2004 and 2010 (average annual growth

of 1% – source: Eurostat, 2010 data (2)) but the trend seems to have shifted since 2000, notably with the slowdown in the increase in the “original” member states of the European Union.

The volume of household and municipal solid waste depends primarily on the following:

- economic growth and consumption trends: a richer population consumes more and acquires more complex products, which it replaces frequently, thereby generating greater quantities of waste requiring more elaborate treatment;
- population growth and its social organization: thus, for example, the increasing number of single-individual households results in increased individual packaging;
- the country’s level of development and its environmental culture: the higher the level of development and the greater the awareness of environmental problems, the more the population agrees to allocate a greater part of its income to waste management services; this dynamic can even result in a reduced amount of waste produced.

The Group believes that the volume of household and municipal solid waste in Europe should increase by an average of 1% per year to 2020, but with significant disparities between the “original” and the “new” members states of the European Union (source: ETC/RWM).

(1) It should be noted that an evaluation of waste volumes generated is also difficult because of the heterogeneous nature of the definitions and the data collection methods at the European level, and even more so at the global level, particularly with regard to the allocation of waste in each waste segment. Moreover, each type of waste mentioned receives a different, and therefore quite variable, treatment; mix treatment analysis is therefore necessary to complement the volume analysis.

(2) It should be noted that a strict comparison of Eurostat historic data is not possible because Eurostat modified not only the current data but also the historic data when it was updated.

### Industrial and commercial waste

The production of industrial and commercial waste totaled approximately 2.3 billion metric tons in 2010 in the European Union (*source: Eurostat, 2010 data*) and nearly three-quarters of the waste was generated by the "original" members of the European Union.

The production of this waste and its growth depend on the type and scope of industrial activities. The increase in the relative weight of the service sector, relocation (for the more developed countries), and industry efforts to reduce manufacturing residues are the principal factors limiting this volume of waste.

The crisis that started in 2008 has had a certain impact on the volumes of industrial and commercial waste generated in Europe. However, the Group believes that the volume of industrial and commercial waste generated in Europe ("original" members only) should rise on average 2.5% per year up to 2020 (*source: ETC/RWM*).

### Building and demolition waste

The production of building and demolition waste totaled over 860 million metric tons in 2010 in the European Union (*source: Eurostat, 2010 data*).

The types of waste included in this category are those that vary the most from one country to another. Moreover, only a small part of this waste is optimally managed. The Group is relatively underexposed to this type of waste.

### Hazardous waste

The production of hazardous waste totaled around 100 million metric tons in 2010 in the European Union (*source: Eurostat, 2010 data*). The criteria for the hazard level of waste are defined by regulatory classification. Based on these criteria, European regulations have developed a list of types of hazardous waste. Changes in the characteristics of the waste or of the classification may lead to a change in the scope of this source.

Hazardous waste consists primarily of industrial waste. Production of this waste and its growth thus depend on the type and scope of industrial activities in a given region. The location of industries and their efforts to optimize the quantities of materials used in their manufacturing processes and to reduce residual quantities are therefore critical factors for this source of waste.

Hazardous waste may be treated for recovery and/or disposal according to three main methods: physical, chemical or biological treatment, thermal treatment (incineration and co-incineration) and landfilling.

### (c) Waste treatment methods

The level of treatment (number and complexity of stages) applied to waste after collection is an important parameter that is inseparable from the analysis of growth in tonnages.

Waste is collected, sorted and then treated using different methods:

- after collection, the waste is directed towards recovery sites (monoflow), either towards transfer and sorting platforms, or directly to treatment facilities; the volumes sent directly to final

treatment facilities are declining due to measures implemented to achieve regulatory targets for waste recovery as set by domestic or European Community governments (for example, the obligation to exclusively landfill "final" waste, *i.e.* waste that has undergone prior sorting/pre-treatment);

- sorting consists of identifying and separating: portions that can be recovered as a resource for the production of "secondary raw materials" (metals, plastics, glass, wood, etc.); portions recoverable in the form of energy (production of refuse-derived fuel, or RDF, incineration with energy production); recoverable organic portions in the form of materials and/or energy (composting and methanization); inert portions recoverable in the form of fill material; and finally, the residual portions treated by landfilling;
- landfilling is the oldest disposal technique; but it has been considerably improved and currently requires advanced technical know-how: for example, the installation of sealing membranes, management by compartments (cells) to reduce impacts and decrease the surface area in contact with rainwater, management of leachates, monitoring after site closure (generally 30 years) and proactive management of the decay of organic matter to produce energy (bioreactors);
- energy recovery through incineration allows energy production (electrical or thermal) from waste. This technique is currently widely used in the most developed countries from an environmental standpoint, it often requires significant investment.

### (d) Regulatory framework

European waste policy, particularly regarding the treatment of waste, now increasingly focuses on waste recovery. European directives set medium- and long-term targets for the reduction of waste volumes generated and increased recovery rates. The various Member States then choose the most appropriate methods to achieve these targets at domestic level by implementing, for example, financial incentive systems for recovery, by imposing pre-required standards (mandatory preliminary sorting, defining maximum thresholds for organic fractions or the calorific power of acceptable residues at landfills), by levying taxes on tonnages eliminated, or even by implementing broader manufacturers' liability schemes (for example, in terms of packaging, or for electrical or electronic products at the end of their lives).

The breakdown among the various methods of waste treatment used varies considerably from country to country. Thus, while the United Kingdom and Spain were recently still treating over half of their household and municipal solid waste by landfilling (49% and 58%, respectively), the Netherlands and Germany make only marginal use of landfill (approximately 1%), preferring waste recovery.

### (e) Cost of treatment

Price ranges vary significantly from one treatment method to another. The average price of landfilling, excluding tax, is historically lower than other treatment methods. This is followed by composting.

Incineration, biomechanical treatment and biomethanization incur the highest prices <sup>(1)</sup>.

Several European countries, however, have implemented tax systems intended to enhance the relative attractiveness of other sectors in the context of regulatory targets limiting volumes sent to landfills. This has been the case in the Netherlands, the United Kingdom and France since January 2009.

In some of these countries, this tax has now reached significant levels, which for end users means a squeeze in the range of prices for available treatment solutions.

According to the Group, in the future the trend should converge toward more elaborate treatment solutions (sorting, recovery and waste-to-energy) under the combined effects of the regulatory targets resulting from the application of European Directives and the increase in commodity and energy prices.

## 6.4.2 Competition

The Group faces competition from a number of other operators, including:

- public operators who may decide to retain or resume management of their infrastructures after analyzing and comparing the services offered by private operators; they may also offer proposals for markets in other regions or cities;
- large private operators, already well-established in their domestic markets and seeking to expand their activities or services and use their expertise in areas that show strong potential;
- local operators adopting aggressive strategies when participating in bidding processes;
- new financial players (private equity and infrastructure funds) investing in markets through asset and company acquisitions;
- companies involved in related industrial sectors seeking to expand their offerings to environmental management services, particularly building and public works companies in the waste sector and equipment suppliers in the water sector (for example: General Electric and Siemens), by positioning themselves on "BOT" (Build, Operate, and Transfer) contract segments, allowing them to apply their building expertise, as well as their ability to manage and operate those assets.

Most of these players, however, are not active in as broad a range of segments as the Group's, either in terms of services, technical skills, or geographical locations, even though through grouping or diversification strategies, these competing companies are working to expand the scope of their activities to satisfy customer expectations. Through its presence in all water and waste cycles, to which it is exclusively devoted, the Group believes it holds leading positions across all its businesses lines.

### (f) Intervention by private operators

In Europe, the rate of penetration in the waste market by private operators varies significantly from one country to another, both for collection and treatment activities. The gradual transposition of European directives by all EU Member States by 2020 should result in significant investments in waste recovery methods and should require the necessary technical expertise for the building and operation of these facilities. Although it is not impossible that we will see some local councils attempt to take over industrial and commercial waste management, these changes should lead local authorities to use private operators more often, and particularly those that are active in all segments and that combine a solid financial position with advanced technical know-how

Consequently, any aggregate data relating to these competitors, especially in the waste sector, are not particularly relevant as they do not reflect the local structure of these various markets.

At a global level, the Group's main private competitor is Veolia Environnement. This company provides a combination of services, including water and waste, and is also active in the energy and transport sectors. Veolia Environnement and the Group are the only "global providers" in the environmental management services market on a worldwide scale.

#### ➔ 6.4.2.1 Competition in the water sector

In terms of revenues, the Group ranks second, behind Veolia Environnement, in the global market for environmental water-related services. The Group and Veolia Environnement are the only two global players present throughout the entire value chain, as other companies active in this market have more local operations and lower revenues.

On a domestic and regional level, competition often comes from local operators in the building and public works sectors.

In France, Veolia Environnement and Saur are the Group's main private competitors. Gelsenwasser, the sole shareholder of Nantaise des Eaux since 2009, wants to expand its market position. Against the "régies" (state-controlled entities), which are also a potential public competitor, the balance is positive overall, in favor of private operators.

<sup>(1)</sup> It should also be noted that biomechanical treatment and biomethanization are the exceptions, as they are treatment stages rather than methods of recovery or elimination; they therefore do not exclude disposal at landfills, incineration, and composting.



In Spain, the Group remains the leader in terms of revenues and the size of the population it serves. Aqualia still ranks second, and Acciona also continues to be active with the award of the 50-year concession to operate the water supply system of the Barcelona Metropolitan Area (5 million residents).

In Germany, the model is more oriented towards municipal companies (*Stadtwerke*), which are either 100% public or public-private, leaving few opportunities overall for private companies. Private-sector competitors include major energy groups such as E.On, RWE and EnBW, and players whose core business is environmental services, such as Veolia Environnement and Remondis (which has extended its positioning with the acquisition of Eurawasser). But the preferred German model is that of public companies, which they fiercely defend. The presence of public and private companies from outside Germany is limited for now, and their experiences have not been very successful to date.

In Italy, the referendum held in June 2011 resulted in the abrogation of the Ronchi Decree-Law, which had made it mandatory for the private sector to be included in water and wastewater management, and led to the creation of a national regulator. This situation means that Italian companies are more focused on their domestic market than on foreign markets.

In the rest of Europe, there has not been any notable change overall in relative positions. The Group continues to actively monitor the market.

In the United States, American Water Works is the market leader; however, it only operates on a national level. At the end of 2009, RWE finalized its portfolio rationalization strategy and completed its withdrawal from American Water Works (after selling Thames Water in 2006), which resulted in a profound restructuring of the management structure of the American market leader. As part of its restructuring, a new CEO was appointed who focused on improving the performance of regulated activities, with reduced emphasis on operation and maintenance contracts in the non-regulated segment. Through United Water Inc., SUEZ ENVIRONNEMENT's main competitors are Aqua America (in addition to its tuck-in policy in the regulated market) and Veolia Environnement (focused on the non-regulated market for service contracts). Although both American Water Works and Aqua America continued to focus on their regulated activities in 2013, both players have shown an interest in other business models, as with American Water Works' failed bid for a lease concession transaction, and a hydraulic fracturing project for Aqua America. Meanwhile, Veolia won a concession contract as an operator (Rialto, California) while United Water is finalizing its contract with Bayonne (New Jersey). In addition, Veolia devoted considerable marketing efforts to performance-based contracting, as opposed to its traditional O&M activities. As in 2010, 2011 and 2012, some financial backers continue to show interest in large-scale water sector operators, even though no significant transactions have taken place since the acquisition of Southwest Water by JP Morgan and Water Asset Management in September 2010.

In addition, the emergence of credible local players in drinking water and wastewater facilities should also be noted, particularly

in Asia, with Singapore's Hyflux, the Philippines' Manila Water and China's Beijing Capital, China Everbright and Beijing Enterprises Water. Certain Japanese companies, such as Sumitomo, Mitsubishi and Mitsui, have also shown a growing interest in the Asia-Pacific region's water sector, and have invested massively in recent years (as Mitsubishi did in Australia) or have entered into joint ventures with local companies (in China or India) to penetrate these markets or boost their presence there.

#### ➔ 6.4.2.2 Competition in the waste sector

The Group ranks third in terms of revenues in the global market for waste-related environmental services, behind Waste Management and Veolia Environnement. Except for Veolia Environnement, most of the Group's competitors in the waste sector are national players and/or do not provide all the services offered by the Group.

In Europe, the Group's primary competitors are Veolia Environnement, Remondis, FCC, Van Gansewinkel Group, Shanks, and Urbaser. Over the past three years, the German group Remondis has become the waste industry leader in Germany. It is ranked third in Europe in terms of revenues, and, while it is still focused mainly on Germany, it is expanding its presence in Central and Eastern Europe and, more recently, in Benelux. From ThyssenKrupp, Remondis acquired Xervon, which is an infrastructure management company specializing in services for the chemical and oil industry and in shipbuilding, with 9,000 employees and revenues of €670 million.

The crisis, which severely affected the waste sector in the second half of 2008 and in 2009 and continues to impact the market, significantly slowed the consolidation trend witnessed for several years in the European waste sector. A major consolidation trend from 2006 to 2008 involving FCC (with Waste Recycling Group and ASA), Veolia Environnement (with Cleanaway UK, Biffa Belgium, Sulo, TMT and Bartin), Séché Environnement (with Saur), Remondis (with TSR) and Alba-Interseroh, can be compared with a trend for smaller acquisitions, mainly in the recycling sector in Northern Europe. Due to added processing capacity and the lower volume of waste caused by the economic crisis and increased recycling, the incineration market is facing significant overcapacity (about one million metric tons). This overcapacity, particularly in the Dutch market, is offset by the import of combustible municipal and industrial waste from various countries, including Italy and the United Kingdom.

Currently, the Van Gansewinkel group (VGW) is still in the midst of a major reorganization process, including a workforce reduction of over 600 employees. In 2011, VGW acquired the activities of Veolia Belgium, to become the second-largest player in the Belgian market. In 2013, however, it sold the incineration portion of its AVR activities to Hong Kong consortium Cheung Kong Infrastructure. By contrast, in 2009 Veolia Environnement rationalized its activities portfolio by selling Veolia Propreté Nettoyage and Multiservices (urban cleaning) in France and Montenay International (specializing in waste-to-energy) in the United States. Veolia Environnement also sold its waste management subsidiary in the United States in the summer of 2012.

Séché Environnement said it was no longer considering a business combination with Saur (and its waste management subsidiary COVED), but considers its stake to be a financial interest.

In France, the competition is still very active, but with no substantial change in positions or significant consolidation movements. Sita France sold its 36% stake in the Nicollin group.

Sita UK, having obtained a large number of building permits, has a multitude of infrastructure projects under construction. Its treatment capacity of 2.1 million metric tons has been supplemented by treatment contracts for 0.5 million metric tons of refuse-derived fuels (RDF) and solid recovered fuels (SRF).

Veolia remains the market leader and also has numerous private finance initiative (PFI) site construction contracts that will add to existing facilities for an energy recovery capacity of approximately 1.9 million metric tons per year. Viridor is pursuing its program of residual waste treatment facilities and has an energy recovery capacity under construction of over 2 million metric tons per year, in addition to future projects.

FCC has the largest portfolio of landfills, along with an energy recovery capacity, existing or under construction, of 650,000 metric tons. Shanks sold its industrial and commercial waste collection business to Biffa during the year.

Volumes in landfills continued to fall, with less than 19 million tons landfilled in 2012. RDF exports are growing and Sita UK was the largest exporter in 2012, followed closely by New Earth and Dong Energy. The market should continue to consolidate in the future with several potential M&A transactions.

In Sweden and Finland, waste regulation is currently under revision. In Sweden, the government amended regulations on producer liability with the selected proposal placing responsibility for the collection and pretreatment of waste on local councils. The final decision was postponed and will most likely be presented at the end of the country's general elections in October 2014. In Finland, the regulatory change (which took place in spring 2012) transfers full responsibility for the management of solid waste to municipalities.

In Poland, the regulatory developments that led to the establishment of a municipal tax effective July 1, 2013 have created a favorable climate for the development of waste treatment and recovery facilities. The first public-private partnership (PPP) contract in Poland, for the construction and operation of an incinerator in Poznan, was won by Sita Polska in April 2013.

In Australia, the market saw further consolidation in 2012 with Remondis' acquisition of Thiess Waste Management from Leighton Holdings for AUD218 million. In early 2013, Toxfree acquired the environmental services of Wanless, along with assets in Queensland and Tasmania, for AUD85 million, thus announcing their entry into the metropolitan waste management market. Transpacific, meanwhile, made several announcements in 2013, including its intention to exit the New Zealand waste market (the sale process is currently under way), in order to focus on the Australian market. Warburg Pincus also sold its 34% stake in Transpacific during the year.

In Asia, the waste sector is undergoing rapid growth, especially in China, where the authorities are encouraging energy recovery solutions. Publicly owned companies – or companies supported by central government or the major provinces – such as Everbright, CECEP and Tianjin Capital, are active in these markets, some of them in partnership with international waste management groups. Moreover, the Chinese authorities are clearly taking significant action to reduce existing pollution problems, through two types of measures. The first is to improve standards to a level similar to that of Europe; the second, equally important, is to ensure the application of these standards. The result of these measures is an increase in the volumes of waste treated at the appropriate sites.

Finally, we note the confirmed emergence of national competitors in Turkey, India and Lebanon impacting the waste collection markets of the Middle East and the Indian subcontinent.

## 6.5 Description of the Group's main activities

The Group provides services and equipment essential to life and environmental protection in the areas of water and waste: delegated management of drinking water and wastewater treatment services, water treatment engineering, as well as waste collection, recovery, and disposal activities both for public authorities and private sector customers.

In 2013, the Group earned total revenues of €14.6 billion. The various activities break down as follows:

- Water Europe, which represented 30% of the Group's consolidated revenues in 2013, *i.e.*, €4.4 billion;
- Waste Europe, which represented 45% of the Group's consolidated revenues in 2013, *i.e.*, €6.6 billion;
- International (Degrémont and activities outside Europe), which represented 25% of the Group's consolidated revenues in 2013, *i.e.* €3.7 billion.

In the water sector worldwide:

- the Group provided approximately 92 million people with drinking water; in 2013, it operated more than 1,100 drinking water plants and produced some 5 billion m<sup>3</sup> of drinking water; and
- the Group provided wastewater services to approximately 65 million people; in 2013, it operated nearly 2,200 wastewater treatment plants, and biologically treated approximately 4 billion m<sup>3</sup> of wastewater.

In the waste sector worldwide:

- as of December 31, 2013, the Group provided collection services for approximately 52 million people;
- it used a fleet of approximately 12,500 trucks and operated 123 composting platforms, 46 incineration sites (44 of which have energy recovery capacity), 734 sorting, materials recovery and transfer stations, and 127 landfills.

### 6.5.1 Presentation of the Group's activities

#### 6.5.1.1 Water activities

##### (a) Complete management of the water cycle

Through its subsidiaries, the Group covers the entire water cycle value chain for all its customers (public authorities and private sector customers):

- studies and master plans, modeling of networked and natural water flows (water tables, rivers, and coastlines), and engineering of water management infrastructure projects;
- engineering, design, and building of water treatment plants through its subsidiary Degrémont (see section 6.5.4.1);
- drinking water distribution and wastewater treatment services, including:
  - production and distribution of drinking water: catchment, treatment and distribution of drinking water,
  - wastewater treatment services (collective and non-collective): collection, clean-up and disposal of wastewater and rainwater,
  - customer management: relations with end users and consumers, meter reading and the collection of payments made by end consumers, and
  - for private sector customers, defining, building and operating tailored and scalable water management solutions and selling high-end water treatment equipment; the Group's offer to private sector customers includes the management of water resources, process water, wastewater and effluents, as well as sludge.

The Group offers a broad range of services, from drinking water production to wastewater treatment. It offers services in the following five areas:

- Water pumping and treatment
 

Pumping is the operation that extracts water from rivers, groundwater, and reservoirs to be piped to treatment plants. Treatment depends on the quality of the raw water and may involve numerous stages: pre-treatment (screening), clarification, filtration (elimination of finer particles), refining (elimination of micro-pollutants) and disinfection (elimination of viruses and bacteria).
- Storage and distribution
 

Reservoirs provide a safety net in the event of production problems, consumption peaks, or pollution of resources. The underground distribution network is monitored in order to ensure stability of water quality and to prevent leaks.
- Customer service
 

Specialized units are responsible for handling relations with consumers, taking into account the local situation: contract signings, meter reading, billing and account settlement or administration.
- Wastewater collection and treatment
 

Sewage networks are an essential factor in combating domestic pollution. They must pipe all wastewater to the wastewater treatment plant. Wastewater treatment requires a set of complex physical and biological procedures. Sewage networks are also used to collect and drain rainwater, using techniques that make it possible to separate it from wastewater, if needed.

- Sludge

Treating 1 m<sup>3</sup> of wastewater produces 350 to 450 grams of raw sludge. Sludge drying and treatment processes reduce its volume. In France, most sludge is recycled in agriculture through spreading, conversion to compost, or recovery as energy.

The Group has recently offered its customers new, dedicated environmental services (audits and assistance in reducing the environmental footprint of water services in a given territory, quantitative management of resources to counter the impact of climate change and services to improve the water quality of rivers, lakes and swimming areas), and also offers a new range of services for local authorities, businesses and residents to control water consumption (leak alerts, remote meter-reading, leak insurance and assistance).

### (b) Contractual relations with customers in the water sector

The Group's customers are local public entities and manufacturers (mainly through its subsidiary, Ondeo Industrial Solutions and Safège in the context of studies). However, under delegation of public service contracts, the Group also serves local industrial and commercial customers.

#### Contractual relations with local public authorities

In general, local authorities are responsible for organizing both drinking water distribution and wastewater treatment services. They may choose to manage these directly (as a state-owned company) or rely on an outside operator, which may be public, private, or semi-public.

Contracts entered into by the Group and public authorities are governed by the rules for public contracts and/or specific competitive procedures.

The Group distinguishes:

- public service contracts in France, or their equivalent outside France, including leases and concession contracts, and all intermediate contractual forms; under such contracts, the Group is responsible for the entire service management (water production and distribution and/or wastewater treatment). It is involved in managing relations with end users, meter reading, preparing invoices and collecting payments made by end users. The Group engages in this activity at its own risk and is compensated by billing users; a portion of the sums billed is paid back to the local authorities to finance new investments. Leases differ from concession contracts according to the size of investment for which the private operator is responsible. Most of the Group's contracts in France are leases which are generally long-term, ranging from 10 to 20 years; and
- contracts for services and works; in this case, operations and works are billed to the relevant local authority. This involves medium- or long-term contracts, generally 5 to 20 years.

In general, public authorities own the assets involved in drinking water and wastewater treatment services. However, in certain

countries (notably the United Kingdom and the United States), the Group owns the assets it operates; in this case, there are no contractual relations with public authorities; relations between the private operator and the various customers and other stakeholders are then governed by a regional or national regulator under an operating license issued by the regulator. Moreover, in France, for historical reasons, the Group owns certain assets (see chapter 8 of this document).

#### Contractual relations with industrial customers

The Group is also active in the entire water cycle with industrial customers operating under design and build contracts, service contracts, such as operating and maintenance agreements, and the supply of mobile processing installations and/or equipment sale agreements. Contracts are then generally agreed upon for shorter terms than is typical for local authority contracts, most often 1-5 years for a service contract.

As a multi-disciplinary engineering firm, Safège also assists private customers in defining their environmental strategy, integrating their project into the site, water management in the industrial cycle and the preparation of regulatory filings.

### ➔ 6.5.1.2 Waste activities

#### (a) Complete management of the waste cycle

The Group manages the entire waste cycle through an involvement in all stages of the waste management services, and in almost every form:

- collection of non-hazardous waste from municipalities and companies, sorting, pretreatment, material recycling and recovery, biological recovery (which mainly involves agricultural recovery and the remediation of poor soil), energy recovery (incineration, co-incineration and methanization) and landfilling, including the recovery of biogas;
- hazardous waste management (excluding waste that may be contaminated by radioactive residues from nuclear activities);
- urban wastewater treatment and cleaning: maintenance of municipal and industrial networks and cleaning of industrial production tools; street washing/sweeping, maintenance of street furniture; beach cleaning and snow clearance;
- soil remediation: treatment of polluted sites, soil, subsoil, and water tables, dismantling and conversion of buildings; and
- dismantling and disassembly of end-of-life vehicles, aircrafts and boats.

The Group offers services in the following areas:

#### Non-hazardous waste (collection, sorting, recovery and elimination)

In the non-hazardous waste segment, the Group collects, sorts, recycles, recovers and eliminates waste of municipal or industrial origin.

**Collection**

Each day the Group collects waste of all kinds from private individuals, companies and public entities: household waste, organic waste, non-hazardous industrial waste, medical waste and liquid and solid waste.

The Group has a fleet of trucks suitable for all types of waste collection: mixed waste collection, selective collection, bulk items, medical waste and industrial waste, in urban and rural environments. Waste from selective collection (plastic, glass, metal, paper, etc.) is sent to sorting sites to be prepared for recycling; residual waste is sent either to transfer/sorting/pretreatment platforms or directly to incineration plants or landfills. Certain waste products may be highly polluting (batteries, aerosol cans, etc.). They are then sent to specialized sites for cleaning and packaging before treatment or recovery.

**Materials recovery**

Household and industrial waste from selective collection is sent to one of the 349 sorting and material recovery sites operated by the Group. They are then sorted by type (plastic, glass, paper, cardboard, metal), packaged and consolidated by the recovery division on appropriate platforms. Recoverable materials are then sent to appropriate processing areas and sorted (non-recyclable) waste is recovered for energy whenever possible by incineration or landfilled if this is not possible.

The economics of recycling are intended to afford industrial customers a steady supply of quality recycled materials and provide waste producers ongoing management of their waste in compliance with applicable regulations. Recycling activities (for example, metals and plastics) are also organized around specific collections.

In 2013, the Group managed over 14.4 million metric tons of waste set for recycling. Of this total, some 13.8 million metric tons were treated for materials recovery, enabling 3.5 million metric tons of secondary raw materials (paper, cardboard, glass, metal, plastic and wood) to be put back on the market. In addition to its "classic" recycling activities, the Group has put in place dismantling and recovery facilities for Waste Electrical and Electronic Equipment (WEEE), retired aircrafts and end-of-life vehicles (ELV), primarily via "Re-source Industries", a subsidiary of Indra (an automobile dismantling company owned 50:50 by Sita and Renault).

At its customers' request, the Group is also pursuing the implementation of industrial processing solutions to recover residual waste such as mechanical and biological sorting of waste (MBS).

**Composting and biological recovery**

Composting is a natural process that consists of converting organic waste into soil conditioner. Four types of waste are involved: (i) green waste from households and public entities, as well as by-products of the wood industry (bark, sawdust, etc.); (ii) the organic portion of household waste, restaurant and supermarket waste; (iii) sludge from wastewater treatment plants; and (iv) sludge and by-products from paper and food producers.

Numerous analyses are performed on organic waste before, during, and after its conversion to compost. Air from the composting process is captured and treated to reduce odor pollution.

Sludge management is at the core of the Group's know-how. The Group assists local authorities in their sludge recovery and waste composting projects.

**Energy recovery**

Waste may also be recovered through incineration. Thermal treatment of waste has several advantages: it reduces waste mass and volume, it is quick and hygienic and it produces energy (largely renewable) that can be recovered in the form of electricity and/or heat.

Six types of waste may be recovered for energy: (i) household waste, (ii) industrial waste similar to household waste, (iii) waste from sorting sites, (iv) medical waste, (v) sludge from wastewater treatment plants, and (vi) hazardous waste.

In the incineration plants operated by the Group, waste is burned at high temperatures, in accordance with regulatory requirements. Heat released by the combustion is recovered in steam boilers. This steam is used to generate electricity and also supplies heat networks.

In 2013, the Group's incineration units treated approximately 6.2 million metric tons of waste, and produced over 2,700 GWh of electricity, resulting in the sale of more than 1,900 thermal GWh. The gases produced by waste combustion are purified using dedicated treatment systems before being released into the atmosphere. Solid waste essentially consists of bottom ash, which is reused for road beds after undergoing suitable treatment, or disposed of at landfills, as well as purification residue from smoke, which is landfilled after stabilization.

This activity is subject to numerous regulatory and technical constraints designed to reduce impact (smoke discharges, production of bottom ash and fly ash) and to recover energy produced by waste combustion in the form of heat and/or electricity.

Organic waste may also be recovered for energy through methanization. This process of decomposition of natural organic matter – through microorganisms and in the absence of oxygen – has long been known. Its use on an industrial scale is more recent. Methanization produces a biogas that may be recovered for electrical and/or thermal energy, plus a residue that may be recovered for use as an organic soil conditioner after composting.

Another method used for recovering energy is the production of refuse-derived fuel (RDF) derived from non-hazardous industrial waste and, to a lesser extent, household waste. Mainly used by cement manufacturers, this sector presents a real opportunity for developing complementary solutions to the recycling and disposal sectors. The waste that goes into these RDFs is not easily recyclable under existing technical and economic conditions, so RDFs represent an excellent alternative fuel for cement and lime kilns as well as the heat- and steam-generating units of industries that consume high levels of energy (chemical producers, paper mills, etc.) and are equipped with adequate smoke treatment systems.

**Landfilling**

Landfilling remains the predominant treatment method in many countries. Upstream, the search for a site must conform to legally mandated specifications and conditions specifically concerning soil quality, the protection of groundwater and distance from housing. During the operating stage, discharges must be controlled, effluents (biogas and leachates) captured, recovered or treated and environmental parameters measured very frequently. Once closed, sites remain subject to monitoring for 30 years.

The Group operates 127 landfills around the world, particularly in Europe. In the course of these activities, the Group develops and operates innovative industrial solutions for recovery in the form of renewable biogas energy from landfills.

**Hazardous waste**

Waste representing a danger to humans or the environment requires special precautions when being treated. Once collected, it is analyzed, sorted by type and then gathered. It is then sent to the most appropriate site.

There are several treatment possibilities for this waste, which include:

- recovery as fuel substitute, notably in clinker kilns, after being subjected to any necessary physical pretreatment;
- incineration at high temperatures with energy recovery (as in the case of halogenated, toxic and reactive wastes);
- treatment using physical and chemical as well as biological methods (as in the case of aqueous waste: acids, bases, chromate baths, etc.);
- treatment, clean-up or solidification before being landfilled at suitable sites. Paint residue, for example, is mixed with reagents to form a concrete that stabilizes pollutants within a mineral matrix before landfilling;
- regeneration for purposes of materials recycling, *i.e.*, purified for reuse (this is the case notably for oils and certain solvents).

Sita is an international player in the hazardous waste market. The Group has treatment facilities in France, Europe and China.

The Group may thus offer its customers solutions suitable for all types of hazardous waste (except waste potentially contaminated by radionuclides from nuclear sites), such as packaging ranging from 100 grams (in particular special household or laboratory waste) up to hundreds of metric tons. In 2013, 4.1 million metric tons of hazardous waste was treated by the Group: pretreatment on *ad hoc* platforms, stabilization and storage at Class I landfills, incineration of waste with high chlorine or sulfur content and co-incineration at cement plants.

**Wastewater treatment, maintenance and urban cleaning**

The Group provides local authorities, private individuals, and industrial customers with wastewater treatment and industrial cleaning services (particularly during plant shutdowns), collection of hazardous industrial waste, as well as more specific services such as the cleaning of water towers, oil-related work, or control of wastewater treatment networks in nuclear plants.

Urban cleaning is a concern of local authorities and a health requirement. In this regard, the Group offers the following services in particular: mechanized and manual street sweeping, maintenance of street furniture, poster and graffiti removal, snow clearance, beach cleaning, emptying and maintenance of refuse bins and public awareness measures. Depending on the country, additional services may be offered, such as the maintenance of public parks and gardens.

**Cleaning up pollution and conversion of polluted industrial sites**

Soil pollution may be of two kinds: organic and mineral. There are three types of treatment:

- *in situ* treatment, for subterranean clean-up operations of groundwater or soil without excavation;
- on-site treatment, whereby the soil is extracted but treated on site; and
- off-site treatment, when the soil must not only be extracted, but sent to special sites, where it undergoes biological, thermal, or physical and chemical treatment and/or landfill.

Through its specialized subsidiaries, the Group has been developing innovative solutions for 25 years in terms of cleanup and conversion of industrial sites.

By way of illustration, following on from its clean-up and remediation of the former Metaleurop Nord foundry site in France, the Group is now in charge of the clean-up and remediation of The Avenue, an industrial complex in Chesterfield, in the United Kingdom, through Sita Spécialités. This project, carried out in collaboration with Volker Stevin UK and DEME Environmental Contractors (DEC NV), is the largest public project of this type in the United Kingdom and one of the largest sites for the clean-up of derelict industrial land in Europe. All clean-up stages began in September 2009 and will be staggered over 5 years, until final conversion of the site, which is scheduled for 2014.

**(b) Contractual relations with customers in the waste segments**

The Group is active for two types of customers:

- local authorities (municipal or other authorities): contracts entered into with local authorities are generally medium- or long-term (generally with a term of three to seven years for collection, and up to 20 or even 30 years for treatment in certain cases), and involve locally-regulated activities in which public utilities are major players; and
- industrial operators: contracts with industrial customers are generally short- or medium-term (often one year, renewable, for collection) and involve activities for which industrial customers increasingly outsource all their waste services management to subcontractors.

The Group offers energy produced during waste treatment and materials from this treatment and recycling (secondary raw materials) to both public authorities and industrial customers.

## 6.5.2 Presentation of Water Europe activities

Europe is at the center of the Group's activity in the water sector. Companies operating in the Group's Water Europe segment contributed €4.4 billion to the 2013 Group's consolidated revenues. Lyonnaise des Eaux <sup>(1)</sup> generated 50% of consolidated revenues for the Water Europe division, with the rest mainly generated by Sociedad General de Aguas de Barcelona (Agbar).

In Europe, the Group supplies about 30 million people with drinking water and provides wastewater services for approximately 30 million people.

### ➔ 6.5.2.1 Lyonnaise des Eaux

Lyonnaise des Eaux comprises the activities of Lyonnaise des Eaux France, the Group's water activities in Italy and Central Europe and the activities of Safège.

In 2013, the Lyonnaise des Eaux Business Unit generated consolidated revenues of €2.3 billion and employed more than 11,300 people.

#### (a) Lyonnaise des Eaux France

##### (i) Specific characteristics of the water sector in France

The Group estimates amounts billed in France for water and wastewater treatment services by all providers (public and private) at a total of €12.4 billion; private operators are estimated to represent 42% of this total, while the rest goes to public authorities, water agencies, and the State. The size of the drinking water production and distribution sector is €6.4 billion, and that of wastewater treatment is €6 billion. It is also estimated that private operators represent 59% of drinking water volumes billed and 24% of wastewater treatment services billed in France (*source: 2009 figures from a BIPE/FP2E study, March 2012*).

##### (ii) Description of Lyonnaise des Eaux France's activities

The Group operates in France with public authorities, primarily through its subsidiary Lyonnaise des Eaux France ("LDEF") and the latter's subsidiaries. Since its creation in 1880, LDEF has been involved in the water-related service sector in France, and today operates throughout the entire water cycle, from drinking water production through wastewater treatment, notably through services in water pumping and treatment, storage and distribution, customer service, wastewater collection and treatment, and sludge treatment.

In 2013, LDEF's contribution to the Group's consolidated revenues was approximately €2.1 billion (44% from drinking water production and distribution under delegation of public service contracts (DSP), 26% from wastewater treatment under public service contracts, 18% from non-public-service contracts and diversified services, and 12% from improvements on distribution facilities and networks). Including all subsidiaries, the Group employed nearly 10,000 people as of December 31, 2013.

The Group estimates that LDEF supplies close to 12 million people with drinking water, *i.e.*, approximately 19% of the French population.

In 2013, LDEF operated over 680 drinking water production sites and delivered over 1 billion m<sup>3</sup> of drinking water to the network.

The Group estimates that LDEF provides wastewater services to some 20% of the French population connected to a sewage network. In 2013, LDEF operated 1,517 treatment plants, which treated nearly 750 million m<sup>3</sup> of wastewater.

LDEF is therefore the second-largest private operator in France.

##### (iii) Lyonnaise des Eaux France contracts

In its core business, which still represents 95% of revenues, three-quarters of its contracts in term of turnovers are water and wastewater treatment under delegation of public service (DPS) contracts, and one-quarter are service or works contracts. LDEF had a portfolio of approximately 2,350 public service contracts as of December 31, 2013.

The Group distinguishes:

- delegation of public service contracts in France, or their equivalent outside France, including leases and concession contracts, and all intermediate contractual forms under the generic term of "public service delegation". Under such contracts, the Group is responsible for the entire service management (drinking water or wastewater) or partial service management (water production and distribution and/or wastewater collection, transportation or treatment). It is responsible for operating and maintaining works and for restoration work, where applicable, as well as managing relations with end-users, meter reading, preparing invoices and collecting payments made by end-users. It ensures the performance of services provided. The Group engages in this activity at its own risk and is compensated by billing users; a portion of the sums billed is paid back to the local authorities to finance new investments. Leases, which relate to the operation of the service, differ from concession contracts under which the private operator is responsible for investments. Most of Lyonnaise des Eaux's contracts are leases, generally for 8 to 12 years; concessions, with longer terms ranging from 15 to 20 years; and
- public contracts for services or works. Under service contracts, the Group mainly handles the operation and maintenance of service facilities (water or wastewater). Works contracts mainly involve interventions on the networks. With public contracts, services and works are billed to the public authority customer, which remains responsible for billing the end-consumers. These are short- to long-term contracts, generally lasting from 2 to 10 years.

Contracts are more varied in the diversification portfolio.

Under its diversification strategy, LDEF has for the last three years targeted a wide array of customers ranging from residents who use water services, to property managers (public and private lessors, municipal buildings and office buildings), and large businesses and industry. Diversified services also supplement the offering for historical customers: local authorities.

(1) Including activities in France, Italy, Safège and Central Europe.

Services offered to customers fall into several categories:

- works in natural environments lasting from several weeks to several months;
- IT project management (e.g., integration, operation, maintenance, etc.) in environmental activities;
- 5- to 10-year contracts for property performance management services;
- property and environmental management consulting;
- delegation of public service contracts for public installations (ports, swimming pools, sports and recreational facilities, etc.).

#### (iv) Commercial successes of Lyonnaise des Eaux France

##### A. Core business

In 2013, LDEF had many commercial successes. These included the following:

- in wastewater, it won the public service contracts for the Urban Community of Douai, and for 12 of the 13 municipalities of the Urban Community of Avignon;
- in drinking water, it won the public service contracts for the municipalities of Olivet and Pirae in French Polynesia;
- it deployed 16,000 smart water meters in the city of Mulhouse. This long-range technology has proved to be a powerful solution to improve service to users. Including this contract, LDEF now has more than one million smart meters installed in Europe.

Major renewals:

- the Urban Community of Marseille Provence renewed the public wastewater treatment services contract (collection, wastewater treatment and rainwater management) for Marseille and four neighboring municipalities for a term of 15 years, representing total revenues of €1.2 billion over the contract's lifetime;
- public water and wastewater service contracts signed with SI Rhône Ventoux (Vaucluse) for respective periods of 12 and 8 years, for a total amount of €152 million;
- the public wastewater service contract signed with the Urban Community of Côte Basque Adour for management of the cities of Biarritz and Anglet (collection, wastewater treatment and rainwater management), for a 10-year term and an amount of €46 million.

LDEF's positioning on the "Contract for Water Health", has proved its relevance, with the three key elements of its commitments integrated into numerous contracts and amendments: governance and transparency; innovation for water health; and a virtuous/equitable water economy.

In 2013, LDEF mobilized its sales teams to adapt contracts to regulatory changes, particularly regarding consumer protection against invisible leaks (Warsmann law) and site safety (the order to "build without destroying"). In the service contracts it manages, LDEF also replaced nearly 550,000 lead connections ahead of the regulatory deadline of the end of December 2013.

##### B. Diversification

Among the major events of 2013, those of special note include:

- the opening of the swimming pool in Sartrouville (Yvelines) in March 2013 and the start of operation of the facility for an 18-year term;
- the start-up of the thermal baths and leisure spa center at Montrond-les-Bains (Loire) for a 10-year term;
- the signing of a strategic partnership between Lyonnaise des Eaux and SFR in the field of smart metering, in March 2013.

#### (b) The other activities of Lyonnaise des Eaux

Through the Lyonnaise des Eaux Business Unit, the Group is also active:

##### In Italy

Through its subsidiary Ondeo Italia, based in Milan, the Group holds an interest in five water and wastewater companies in Tuscany (in Arezzo, Florence, Pisa, Sienna and Montecatini Terme). Through Ondeo Italia, the Group also owns 8.41% <sup>(1)</sup> of Acea, a company listed on the Milan Stock Exchange that is active in integrated water management, energy distribution, public lighting and natural gas distribution. Acea, based in Rome, is the main water and wastewater operator in Italy.

##### In Greece

Through a 5.46% equity interest in Eyath, a company listed on the Athens stock exchange, which manages the Thessalonica water service.

##### In Central Europe

The Group has been active in the water sector for many years in several new European Union Member States. The Group is responsible for the following, alone or through partnerships:

- in the Czech Republic: drinking water and wastewater treatment services in several cities where it has been present since 1993;
- in Slovakia: drinking water services since 1999 in Trenčín;
- in Slovenia: the operation of the purification plant of Maribor that it built.

In addition, the Group is paying close attention to growth opportunities, particularly in Poland, Russia, Azerbaijan and Ukraine.

The Group feels that the water sector in Central and Eastern Europe is characterized by lower consumption in certain countries and difficulties in adjusting rates. However, growth opportunities do exist, because these countries must comply with European environmental regulations.

##### Safege

Safege, a wholly owned subsidiary of SUEZ ENVIRONNEMENT, provides engineering services to communities, public authorities, public service agents and private and industrial customers:

(1) As of December 31, 2013.



Relying on its extensive experience in water and the environment, Safege has quickly developed new competencies in the areas of waste, urban mobility, new energy and telecommunications: Today, Safege has all the skills to carry out end-to-end development projects that are inherently cross-cutting and require a comprehensive approach.

A major operator in the sustainable development activities of towns and urban areas, Safege supports its customers in France and abroad in making town planning decisions and jointly designing the infrastructure at all levels of the project: assistance with project management, design, general contracting, operating support, training and audits.

Safege employs some 900 staff and operates on a regular basis in over 100 countries.

In 2013, Safege won a number of contracts in France and internationally, reinforcing its positioning as a multidisciplinary engineering firm focused on urban sustainability:

- Safege and its subsidiary Actimar jointly won the contract to develop the Guilvinec marina in Finistère, contributing to urban and tourism development of the site while preserving biodiversity;
- Safege assisted Les Autoroutes du Sud de la France with the environmental management of the relocation work on the A9 motorway near Montpellier;
- in Guadeloupe, Safege provided advice and assistance to SICTOM, which in late 2012 launched a public-private partnership to build a multichannel waste platform (materials, organic and heat recovery) to recover and treat 113,000 metric tons of household waste currently brought to the landfill at end-of-life;
- through its subsidiary Explicit, Safege confirmed its position as an energy and climate expert by organizing and leading public debate on the energy transition for the Regional Council of Ile de France;
- in the field of urban transportation, Safege consolidated its position internationally as a transportation architect by performing the feasibility study for an urban cable car to serve the Old City of Jerusalem from the tramway line in progress;
- as part of the Niger Delta Support Programme, Safege was responsible for improving the political, institutional, legal and financial framework for the water and wastewater sector to help its institutions to provide sustainable water supply services.

### ➔ 6.5.2.2 Agbar

On June 8, 2010, the Group, along with Criteria CaixaCorp (Criteria), completed the Agbar acquisition, which was initiated in October 2009. The acquisition of Agbar was finalized in 2010. SUEZ ENVIRONNEMENT owns 75.35% of this fully consolidated subsidiary.

In 2013, Agbar's contribution to the Group's consolidated revenues was €2.1 billion. Agbar, which employs over 10,400 people worldwide (excluding USG and SUEZ ENVIRONNEMENT España, but including Agbar employees outside Spain), earned 66% of its revenues in Spain and 34% in the rest of the world.

## (a) Agbar's activities in Spain

### Specific aspects of the water sector in Spain

The Group estimates that private operators represent approximately 54% of the drinking water production and distribution sector and 55% of the wastewater treatment sector (*source: GWI 2011*).

### Description of the activities of Agbar

Agbar operates throughout the entire water cycle: catchment, transportation, treatment and distribution of drinking water; collection, treatment and re-use of wastewater; recovery of sludge; and services to customers. The company's customers primarily consist of local public authorities.

Agbar is the leading private player in Spain's water sector.

In the country, Agbar provides drinking water for 13.7 million people and wastewater services to more than 9.5 million people.

Following the approval on November 6, 2012 by the Council of the Barcelona Metropolitan Area creating a public-private company for the integrated management of the water cycle, Aigües de Barcelona Empresa Metropolitana de Gestió del Cicle Integral de l'Aigua SA, a public-private partnership formed by Agbar, which holds 85%, and the Barcelona Metropolitan Area, which holds the remaining 15%, has been in operation since August 1, 2013. The company is in charge of water distribution and wastewater treatment in the Barcelona Metropolitan Area.

The takeover bid launched by Agbar for 100% of the second-largest company in the water sector in Catalonia, Aigües de Sabadell (CASSA) was successfully concluded in July 2013 with the acquisition of 402,630 shares representing 64.09% of the share capital (reaching a total stake of 77.7% of shares), for a total investment of €24.2 million. The City Council retains a 20% stake in the company.

### Other Agbar Group activities

In 2011, Agbar launched Aqualogy, a new brand that consolidates the Group's know-how to offer value-added solutions tailored to the needs of its customers and new markets. Agbar plans to continue the development of Aqualogy activities both in Spain and in international markets. The commercial development of this new brand is a priority for Agbar.

## (b) Agbar's development outside Spain

Outside Spain, Agbar provides drinking water services to just under 12 million people and wastewater treatment services to 4.6 million people.

Outside Spain, Agbar is also present:

### In South America

In Chile in particular, Agbar operates through its subsidiary Aguas Andinas (production and distribution of drinking water to 6.2 million inhabitants as well as wastewater treatment for 5.9 million inhabitants), through Essal (the fourth-largest water distribution company in Chile), in which Agbar acquired a 53.5% interest in 2008, and through a contract to build the third purification plant in Santiago de Chile, with a capacity of 2.2 m<sup>3</sup>/s, which was awarded to Agbar and Degrémont. The city of Santiago's wastewater project was concluded this year with the commissioning of the Mapocho

wastewater plant. Through this project, the city has achieved a level of 100% coverage for wastewater treatment. Final acceptance of the plant was completed in April 2013 with a tariff increase applied at the same date.

Agbar also operates in Mexico, Colombia, Cuba, Peru and Brazil. Moreover, Aqualogy has won new contracts in these countries and in the Caribbean.

Since 2012, Agbar, through its Mexican subsidiary Aguas de Saltillo, has managed the entire water cycle of the newly formed company, Aguas de Ramos Arizipe (municipality of 75,000 inhabitants), which began operations in January 2013.

### In the United Kingdom

Agbar operates through Bristol Water (acquired in 2006), serving over 1 million people. In 2010, Agbar also took over Marral, a company supplying services to industrial customers as part of its diversification strategy towards the unregulated water market.

In October 2011, Agbar sold 70% of Bristol Water's capital to Capstone Infrastructure Corporation. This transaction was an integral part of Agbar's strategy of refocusing on high-value-added water services. Agbar retained a 30% equity interest in Bristol Water and remains a major active shareholder via a management and operating contract.

In 2011, Aqualogy UK released Ice Pigging onto the market, an innovative, patented technology that allows water pipes to be cleaned from the inside using ice slurry. In 2012, Aqualogy UK leveraged the development of its technology to win contracts in the United States, Chile and Spain. In 2013, two ambitious projects were

launched for the maintenance of pipelines in North London and the Newcastle area. The development of these activities also started in Australia and Germany.

### In Algeria

Agbar operates through a contract for SEOR (Société de l'Eau et de l'Assainissement d'Oran, or Oran Water and Wastewater Company), established in April 2008, through which the company provides drinking water to more than 1.6 million people. In 2013, a new wastewater treatment plant was incorporated into facilities already managed by the company, with a total treatment capacity of 30,000 m<sup>3</sup> per day.

### In the United States

In 2011, Agbar entered the US market by signing a management contract with Utility Service Group (USG), a SUEZ ENVIRONNEMENT subsidiary based in Georgia. USG specializes in the maintenance of drinking water reservoirs. It is the growth platform of Aqualogy in North America. In 2012, Agbar expanded its services and began marketing its value-added solutions and technologies. USG signed an agreement with Subsurface Technologies to start the maintenance of its wells from early 2013. During the year, development activities continued with the introduction of new Aqualogy products on the US market.

### (c) The Group's other activities in Spain

Since the end of October 2007, the Group has also been active in Spain through a 33.05% equity interest in Aguas de Valencia.

## 6.5.3 Presentation of Waste Europe activities

Europe is the heart of the Group's waste activity. Companies operating in the Group's Waste Europe segment contributed €6.6 billion to the Group's consolidated revenues in 2013. The Waste Europe segment mainly operates through Sita France and its specialized subsidiaries, Sita Belgium, Sita Deutschland, Sita Nederland and Sita UK, Sita Finland and Sita Sverige in Scandinavia, Sita Polska and Sita CZ in Central and Eastern Europe. In 2006, SUEZ ENVIRONNEMENT created Terralys, a joint subsidiary of Sita France and LDEF specializing in the composting and treatment of sludge in France.

Companies in the Waste Europe segment generated 46% of their revenues in France, 13% in the United Kingdom, 38% in the rest of Europe (EU and non-EU) and 3% outside Europe.

In Europe, the Group's collection activities served over 42 million people and more than 323,000 industrial and commercial customers in 2013. The Group collected more than 17 million metric tons and processed nearly 32 million metric tons of waste from households, industry and healthcare activities.

### ➔ 6.5.3.1 Sita France

The Group is active in France in the waste sector through Sita France and its subsidiaries.

### (a) Specific characteristics of France's waste sector

The French waste sector represents €15.7 billion (*source: IFEN, 2013*<sup>(1)</sup>). Of a total of over 355 million metric tons of waste generated, 73% is from building and demolition activities, 14% from commercial and industrial activities, 8% is generated by municipalities and households, and 5% is waste resulting from wastewater and remediation activities. Regarding household and municipal solid waste, 32% is landfilled, 6% is subject to thermal treatment, 57% is recovered or subject to biological treatment, the remaining 5% being exported (*source: Eurostat, 2010 data*); the Group believes the recycling portion will grow in the future.

### (b) Description of Sita France's activities

Sita France is active throughout the entire waste cycle: collection, sorting, recovery and elimination (material recovery, biological recovery, energy recovery and landfill), management of hazardous waste, soil remediation, industrial cleaning and maintenance.

Sita has been active in France's waste sector since its incorporation in 1919. The Group has substantial treatment capacity, a diversified portfolio of contracts, special expertise in recovery and treatment (sorting, recycling, landfilling, incineration and methanization), solid geographic network coverage and the ability to innovate by offering

(1) Estimated total current national expenditure on waste management.

new treatment and recovery solutions. Sita France is currently active in the recovery of ferrous and non-ferrous metals, cardboard, wood, plastic and industrial rubber. Sita Spécialités, through its Scori subsidiary, has 30 years' experience of preparing fuel from hazardous waste (solid and liquid) for cement kilns.

In 2013, Sita France's contribution to the Group's consolidated revenues totaled €3.6 billion. As of December 31, Sita France employed 19,400 people.

In 2013, Sita France provided waste collection services to nearly 11 million inhabitants and more than 71,000 commercial and industrial customers. The company treated over 19 million metric tons of waste (including the activities of Teris and Boone Comenor abroad, which amount to just over 1 million metric tons). As of December 31, 2013, Sita France operated 84 composting platforms, 37 incineration sites (35 of which have energy recovery capacity), and 440 sorting and transfer stations.

In 2013, the Group treated more than 1.3 million metric tons of ferrous and non-ferrous metals, and expanded its range of services to industrial customers in France and abroad.

Sita France has also strengthened its presence in the waste treatment sector for electrical and electronic equipment (WEEE) through the September 2010 launch of a new plant to treat WEEE products in Feyzin, near Lyon, capable of recycling 25,000 metric tons of waste each year. This is the first plant able to treat all kinds of WEEE and the AXELERA Chemistry and Environment Center of Excellence gave its seal of approval to the unit, as it employs an innovative process to extract and separate the plastic materials integrated into the waste.

Sita France's main commercial successes included:

- renewal of household waste collection contracts for the Urban Communities of Dreux and Saint-Étienne;
- renewal of the household waste treatment contract for the Urban Community of Tours;
- renewal of commercial supply agreements providing alternative fuels to cement producers (Sita Spécialités – Scori);
- construction of a steam producing biomass unit at the Roussillon chemicals platform (Sita Spécialités);
- winning of the contract for the recovery of metals from the PSA Peugeot Citroën factory in Vigo (Spain).

The Group believes that Sita France is the second-largest private operator in France.

### ➔ 6.5.3.2 Sita UK and Scandinavia

The Group operates in the United Kingdom primarily through its Sita UK subsidiary. The Group is also active in waste collection and treatment activities in Sweden and Finland through its Sita Sverige and Sita Finland subsidiaries.

In 2013, the contribution of Sita UK and Scandinavia to the Group's consolidated revenues was €1.3 billion, and the Business Unit employed nearly 6,500 people as of December 31, 2013.

### (a) Specific features of the waste sector in the United Kingdom and Scandinavia

#### United Kingdom

Of just under 260 million metric tons of waste generated, 41% comes from building and demolition activities, 48% from commercial and industrial activities, and 11% is generated by municipalities and households. Some 49% of household waste is landfilled, 39% is recycled or recovered and 12% is incinerated (*source: Eurostat – 2008 data*). Given the rapid changes in recent years, the Group believes the proportion of waste landfilled should currently be less significant, particularly due to the effect of measures such as taxes on volumes landfilled and penalties for exceeding authorized quotas.

In 2010, the coalition government confirmed that the tax on landfilled waste will increase by GBP8 per year until 2014 (at which point it will be GBP80 per metric ton), which further increases the viability of such alternative waste treatment options as recycling and energy recovery technologies.

#### Sweden and Finland

The waste sector in Sweden generates approximately 118 million metric tons of waste, including 8% from building and demolition activities, 88% from commercial and industrial activities (all from the mining industry), 3% from municipalities and households, while 5% consists of hazardous waste (*source: Eurostat – 2010 data*). In 2012, less than 1% of household waste was landfilled, 47% was recycled and 52% was incinerated, to produce hot water for urban heating systems and power (*source: Swedish Waste Management Annual Report 2012*).

The waste sector in Finland represents just under 104 million metric tons of waste, including 24% from building and demolition activities, 74% from commercial and industrial activities (all from the mining industry), and 2% from municipalities and households. As for household waste, 35% is recycled or recovered, 25% is incinerated, and 40% is landfilled (*source: Eurostat – 2010 data*). In Finland, the relatively high proportion of commercial and industrial waste is due to the quantities originating from the pulp and paper and mining industries. Finland has traditionally depended on the treatment of waste in landfills and less on waste recovery. To increase the rate of waste recovery, long-term plans have been activated with the construction of energy recovery sites to provide an alternative to landfills.

### (b) Description of the activities of Sita UK and Scandinavia

#### Sita UK

Sita UK is a recycling and resource management company created in 1988. It provides innovative, environmentally friendly waste treatment solutions for 1.9 million people and more than 31,000 industrial customers throughout the United Kingdom.

In 2013, Sita UK handled nearly 7 million metric tons of waste at its recycling and composting facilities, landfill sites and waste-to-energy recovery plants, recycling and recovering nearly 2.4 million metric

tons of waste. The total amount of electricity generated by landfill and incineration sites exceeds 856,000 MWh.

By 2015, the United Kingdom needs to reduce the tonnage of waste sent to landfills to 35% of its 1995 level. Waste sent to landfills will be taxed at GBP80 per metric ton starting next year.

Sita UK is active throughout the entire waste cycle. The company is backed by the experience of SUEZ ENVIRONNEMENT, which allows it to participate in all calls for tenders in this sector, particularly since it has significant expertise in integrated waste services management through private finance initiative (PFI) contracts.

Sita Trust has distributed over GBP92 million to community and environmental projects since 1997. Funding is allocated by the government fund for community landfills through which a portion of the tax on landfill tonnages can be redistributed to the Sita Trust Fund.

It has also demonstrated its ability to obtain renewals of its contracts, and to pursue development through complementary activities:

- Solid recovered fuel (SRF): Sita UK is now a leading producer of SRF, created through the treatment of commercial waste at a new, dedicated site at Ridham Docks, in Kent. Once treated, SRF will be used as a replacement for fossil fuels in cement production. In 2013, Sita UK also opened its site on Landor Street (Birmingham).
- Refuse - derived fuel (RDF): Sita UK produces fuel from waste originally intended to be landfilled; this fuel will supply two cogeneration plants in the Netherlands.
- Wood chips: Sita UK is one of the largest recyclers in the UK. Wood that cannot be recycled will be transformed into fuel at one of Sita UK's facilities around the country. Sita UK recently signed a new contract to supply wood fuels to an urban heating system in Stockholm (Sweden).
- Fuel from end-of-life plastics: in 2010, Sita UK finalized a landmark recycling agreement with Cynar PLC for the conversion of end-of-life plastics to diesel. The building permit was granted in September 2011 for the first of the facilities at Avenmouth near Bristol. It will be the first site in the UK to produce diesel from end-of-life plastic (about 4.2 million liters of diesel per year from 6,000 metric tons of plastic). It is scheduled to open in 2014. Sita UK plans to develop 10 sites that will generate about 45 million liters of diesel and 9 million liters of kerosene from 60,000 metric tons of plastic waste.
- Climafuel: Sita UK is currently working with Cemex UK, a leading UK supplier of building materials, on the development of two recycling plants to produce "Climafuel" for Cemex's cement plants in Warwickshire. Climafuel is an alternative fuel made from commercial and industrial waste, which has been successfully used by cement makers since 2007. Two sites for recycling local waste to produce this fuel have been built or are under construction; the first one opened in Birmingham in 2013 and the second one, at Malpass Farm (Warwickshire), will follow in 2014. Both sites will provide Cemex's plants with up to 250,000 tons of Climafuel. The sites are authorized to use this fuel for 65% of their needs.

In 2013, Sita UK also entered into the following contracts:

- Bath BID: In May 2013, Sita UK was selected as the preferred bidder to manage the waste collection services for the Bath Business Improvement District (BID). Bath BID manages these services for more than 620 shops in Bath; more than 300 have already signed a contract with Sita UK;
- West London: Sita UK signed a GBP760 million contract with the West London Waste Authority in November 2013. Announced as the preferred bidder in April 2013, a consortium led by Sita UK signed a PPP contract with the West London Waste Authority for recovery from residual waste for the next 25 years. Sita UK, along with its partners Scottish Widows Investment Partners and Itochu Corporation, will be in charge of a GBP1.4 billion contract for the design, financing and operation of facilities that will process up to 300,000 metric tons of residual municipal waste per year. GBP244 million will be invested in the infrastructure;
- Merseyside: Sita Sembcorp UK, a consortium led by Sita UK that includes Sembcorp Utilities UK and I-Environment (100% Itochu), was selected as the preferred bidder for a 30-year materials recovery contract worth GBP1.2 billion with the Merseyside recycling and waste treatment authorities in April 2013. The contract covers the exploitation of more than 430,000 metric tons of residual household waste per year from Merseyside and Halton. It includes the design, construction, financing and operation of two key facilities: a waste-by-rail plant in Merseyside and an energy recovery incinerator in Teesside.

The Group estimates that Sita UK is the third-largest private-sector operator in the United Kingdom in terms of revenues.

#### Sita Sverige and Sita Finland

Sita Sverige, a wholly owned subsidiary of the Group, is active throughout the waste cycle, including waste sorting at customers' premises, collection, pre-treatment, recycling and treatment of all types of waste, excluding potentially radioactive residues from nuclear processes incineration plants and the treatment of Waste Electrical and Electronic Equipment (WEEE). Sita Finland/Suomi, a wholly owned subsidiary of Sita Sverige, is active in the waste collection, sorting and recycling segments.

In 2013, through their collection activities, Sita Sverige and Sita Finland served over 2 million people and 62,000 commercial and industrial customers, treating over 1.7 million metric tons of waste in Sweden and Finland. In Sweden, more than 1 million metric tons were processed in the 56 sites owned by Sita, with a recycling rate of nearly 94%.

Sita's Swedish activities have grown organically to a certain extent in recent years by offering basic recycling solutions to commercial and industrial customers, as well as by offering more specific solutions. It has also grown through strategic acquisitions. Sita Sverige has thus reinforced its presence in the various regions of the country as well as in recycling and hazardous industrial waste management, which are significant segments in Swedish industrial production. In 2013, Sita Sverige signed new contracts with the major construction group Skanska, as well as other commercial and industrial customers such as IKEA, Coor, SJ, Strabag and John Deere, and also extended

many existing contracts, such as those with Siemens and Volvo. In 2013, Sita Sverige also signed new contracts with the city and port authorities of Stockholm and launched its collection and recycling activities in new areas (Kalmar and Norrtälje). At the end of the year, it signed two major contracts worth €40 million cumulated of which a five-year contract with the Norrköping local authorities, including collection of household waste and sludge and operation of the city's household waste recycling facilities. In 2013, Sita Sverige also integrated the local operator, Rångards, acquired in 2012, allowing it to expand its activities into the new geographical areas of Älvdalen and Idre. During 2013, Sita Sverige set up a new waste treatment system for the organic waste market. This new system, called BioSimplex, which is customer-localized, enables separation of organic waste into two fractions: a liquid fraction and a dry fraction. The liquid produced is then used to produce biogas, reducing the environmental impact and cutting costs for the customer.

Sita Finland has also continued to strengthen its recycling operations by developing new recycling plants and commercial and industrial offerings. Sita Finland's positioning has also been reinforced in recent years by various strategic acquisitions, both in new regions and in areas where it was already active. Its structured targeting of commercial and industrial customers has seen its revenues increase, along with the tonnages received at its own sites, such as those in Turku and Helsinki. The Vikki sorting and recycling site was expanded during the year and a new treatment line for ballistic separation, which is fully automated, was commissioned. This change in strategy to industrial waste management appears to be having a positive impact on the company's financial performance. Its main customers are: VRJ, Cargotec, NCC, SOL, Jatke, and Rakkenus. Finnish waste legislation was finally amended in 2012, and in 2013, some municipal authorities decided to change from regions with a free choice of collection service providers to regions under collection contract with municipal authorities. In 2013, Sita Finland exported RDF waste fuels to energy recovery sites in Sweden.

### ➔ 6.5.3.3 Sita Deutschland & Benelux

The Group operates in Germany, Belgium, Luxembourg and the Netherlands through its subsidiaries Sita Deutschland, Sita Belgium, Sita Lamesh (Luxembourg) and Sita Nederland. Although they operate independently on their own markets, these various subsidiaries are attached to a common structure, Sita Northern Europe Waste Services (NEWS), which gives them value-added through various pooled operations, particularly waste treatment management. With grouped volumes collected, Sita NEWS can operate on more favorable terms on the secondary commodities market. The organization can also provide centralized coordination and sharing of good practices in areas such as human resources, asset management, supply, health and safety, public affairs and communication.

In 2013, Sita NEWS' contribution to Group consolidated revenues totaled €1.5 billion. The Sita NEWS group employed approximately 6,850 people at December 31, 2013.

#### (a) Specific features of the waste sector in Germany and Benelux

Germany, the Netherlands, Luxembourg and Belgium are European leaders in waste management and recycling, and their regulatory frameworks are far ahead of the European average. In this geographical region, less than 1% of total municipal solid waste is thus sent to landfill. Most municipal solid waste is recycled (on average 60%) or put through an energy recovery process (about 40%).

With a very high population density and situated in a delta, the Netherlands had to deal with environmental problems very early on. Today, over 80% of waste in the Netherlands is recycled, and 16% is put through an energy recovery process (the remainder is sent to landfill). The government recently raised the target recycling rate to 83% by 2015; this relatively small increase represents an additional 2 million metric tons of waste recycled. By comparison, the European average in 2008 was 38% recycled and 40% landfilled.

In Germany and Benelux, waste is no longer considered as waste, but as a "source of raw materials" and an integral part of the circular economy. The significance of waste as a secondary resource becomes clear when looking at the increasing global dependence on raw materials. The German government has formed a Raw Materials Agency due to resource scarcity in its economy. The Dutch government intends to make its industries more competitive by focusing on savings and sustainability. It is exploring solutions to make the country a hub of secondary resources. It is also promoting Dutch expertise in waste management and recycling technologies in the US.

In such an environment, the trend is for more sorting at source and recycling, with producers assuming more responsibility, as well as partnerships between waste management players and industry to work together in a closed loop. It also becomes a real innovation challenge, requiring greater transparency in supporting sustainable development claims, and will demand more awareness on the part of citizens regarding their consumption and attitudes toward waste. It is not improbable that the trends observed in Sita's markets in Germany and Benelux are but a glimpse of what lies in store for the rest of Europe. Recently, several initiatives on the circular economy have emerged. Their goal is to promote awareness of resource scarcity and create strong examples of closed-loop recycling.

#### Germany

Of a total of over 330 million metric tons of waste generated, 58% is from building and demolition activities, 16% from commercial and industrial activities, 15% from municipalities and households, and 11% from rubble from mining activities. (source: *Waste Management Germany 2013*). Less than 1% of household waste was landfilled in 2010 <sup>(1)</sup> with 37% incinerated and 62% recovered or converted (source: *Eurostat, 2010 data*).

(1) The share of household waste landfilled in Germany is probably "undervalued", because the treatment, which consists of storing waste in salt mines, is classified by the German authorities as recovery (the volumes stored in these salt mines are therefore probably included in the 62% recovered or converted). The German government has succeeded in limiting such practices. Currently less than 1 million metric tons are put into salt mines, mainly consisting of construction and demolition waste.

## Benelux

Of a total of 120 million metric tons of waste generated in the Netherlands, 66% are from building and demolition activities, 24% from commercial and industrial activities, 10% from municipalities and households, while 5% is hazardous waste. Approximately 1% of the household waste is landfilled, 38% is incinerated, and 61% is recovered (source: Eurostat 2011-2010 data). The Group estimates this sector to be among the most advanced in terms of environmental regulations.

Of a total of 60 million metric tons of waste generated in Belgium, 29% is from building and demolition activities, 63% from commercial and industrial activities, 8% from municipalities and households, while 7% is hazardous waste. The Group estimates that 2% of household waste is landfilled, 42% is incinerated and 56% is recycled or recovered (source: Eurostat 2011-2010 data).

## (b) Description of the activities of Sita Deutschland & Benelux

### Sita Deutschland

Sita Deutschland provided waste collection services to over 23 million people and just under 32,000 commercial and industrial customers in 2013, and treated over 1.3 million metric tons of waste.

The Group estimates that Sita Deutschland is the fourth-largest private operator in Germany.

The Group's presence is concentrated in western and southern Germany, particularly in municipal collection and selective collection. It also has a solid position in the incineration segment through its Zorbau site in the Leipzig region, as well as in the sorting of household packaging through its recently modernized site in Ochtenburg, near Koblenz. By acquiring the remaining 31.6% of the outstanding capital, in October 2010 Sita Deutschland became the sole shareholder of BellandVision GmbH, a German company active in services and royalties relating to the recycling of industrial and large-scale distribution packaging. In 2011, BellandVision was highly successful and became one of the main players in Extended Producer Responsibility, ranking second in the market behind DSD (Duales System Deutschland).

### Sita Nederland and Sita Belgium

Sita Nederland is active throughout the entire waste cycle: in 2013, Sita Nederland provided waste collection services to nearly 1.2 million people and more than 72,000 commercial and industrial customers, and treated about 2.6 million metric tons of waste. The Group believes that Sita Nederland is one of the two largest private operators in the Netherlands.

In 2010 the Group also improved its positions in energy recovery, through the commissioning of the EVI incinerator on the Netherlands-Germany border. Sita Nederland is also working to improve its customer interface, and in 2010 set up a website for online container sales. In October 2011, Sita Nederland also opened a new waste-to-energy plant in Roosendaal, in the south of the country. This facility can handle 290,000 metric tons of waste and generates power for 70,000 homes.

In September 2011, Sita Nederland opened a plastic-packaging sorting plant in Rotterdam, probably the most modern facility of its kind in Europe. It sorts a quarter of the Netherlands' plastic packaging. It can handle 30,000 metric tons per year. The sorting plant includes a visitor center, where stakeholders can learn about the workings of a circular economy and recycling and where producers can use the infrastructure as a test laboratory for new packaging designs. The site is therefore positioned as an eco-design hub, in keeping with Sita's position as a partner of sustainable industry.

The Group estimates that Sita Belgium is the leading operator in the Belgian waste sector due to its very solid position in collection and treatment operations, mainly from industrial and commercial waste activities. In 2013, the Group provided collection services in Belgium to 2.7 million people and nearly 52,000 commercial and industrial customers.

Sita also opened a new production plant for Recyfuel, a joint venture created by CBR and Sita to produce alternative fuel for the cement industry. This fuel is produced from hazardous waste (solvents and paint) and sawdust. A glass recycling plant at Antwerp ("High five") was opened, also in partnership; although it went into operation in 2013, its official launch is not scheduled until 2014.

In 2012, Sita introduced an office paper (Fastprint Eco) that is 100% recycled and carbon neutral. It is produced jointly with Buhrmann Ubbens, the largest paper merchant in Benelux.

Sita also launched Eco-Scan, the first market tool for industrial customers that detects the environmental footprint of their waste, divided into seven categories, including energy, CO<sub>2</sub>, water, toxicity and particles. Eco-Scan is available throughout Benelux and Germany.

These two tools put Life Cycle Analysis methods into practice, and were developed in collaboration with consultants from the company "Delft not for profit CE".

### ➔ 6.5.3.4 Central Europe

The Group is active in the waste sector in various Central and Eastern European countries:

- in Poland, through its subsidiary Sita Polska, a key player in the industrial and household waste and urban wastewater treatment sectors. In 2013, Sita Polska achieved €138 million in revenues, making it the market leader in waste in Poland. Poznan's selection in a PPP tender in April 2013 (to build and operate an incinerator of close to 200,000 metric tons) has consolidated this position;
- in the Czech Republic and Slovakia, through its subsidiaries Sita CZ and Sita SK, which collect and treat municipal and industrial waste. With revenues of €63 million, the Group believes it is the third-largest private operator in the waste sector in these two countries.

In these countries, the Group has developed significant expertise in the treatment of hazardous waste.

The waste treatment sector in Central and Eastern Europe is characterized by significant growth potential based on improved standards of living and the need for these countries to comply with European environmental regulations.

### 6.5.4 Presentation of the Group's International activities

In addition to Europe, the Group operates in the water and waste sectors in more than 15 countries. As a result of selective growth abroad, this position is based primarily on a strong presence in four regions:

- North America;
- Asia-Pacific;
- Mediterranean Basin;
- and the Middle East.

A joint organizational structure in water and waste activities has generated synergies in operating expenses, and combined product offers. In addition, depending on the country, the Group has been able to rely on its commercial growth already achieved by each of the activities as a basis for further development, as in China and Australia, for example.

#### ➔ 6.5.4.1 Degrémont

Degrémont is at the core of the Group's international growth strategy due to its presence and contracts on five continents.

For over 70 years, Degrémont, a wholly owned subsidiary of SUEZ ENVIRONNEMENT, has designed, built, equipped and operated drinking water plants and industrial process water plants, desalination plants for sea and brackish water, urban and industrial wastewater treatment and recycling, and sludge treatment plants. Degrémont has a presence in over 70 countries and employed approximately 4,960 people as of December 31, 2013.

Degrémont contributed €1.1 billion to the Group's consolidated revenues in 2013. Design-build activities represented 38% of Degrémont's total revenues, "BOT" contract management and services represented 40%, and the equipment business 22%. Approximately 1 billion people are served by nearly 10,000 facilities designed, built or equipped by Degrémont worldwide since the company was created.

#### (a) Degrémont's activities

To respond to the needs of its water treatment customers (local authorities and other public and industrial entities), Degrémont provides a global offering based on plants designed for the:

- production of drinking water (over 3,000 sites designed, built or equipped worldwide) and process water;
- desalination of sea water or brackish water by reverse osmosis (at least 255 sites designed, built or equipped worldwide);
- purification and recycling of urban or industrial wastewater (more than 2,500 wastewater treatment centers built worldwide);
- treatment and recovery of sewage sludge (34 Innodry 2E™ drying units and 51 Thermylis™ oxidation systems worldwide).

In the industrial sector, in addition to wastewater purification, Degrémont has the capacity to produce industrial process water that

meets the needs of the most sensitive industries (oil refining, steel, thermal plants or paper and food industries).

To adapt to the operating methods and specific needs of its customers, Degrémont also provides a varied package that includes design-build, operating and related services, and high value-added equipment. Degrémont also has related expertise in developing and managing BOT contracts with project financing.

Degrémont serves its customers under four types of contract:

- "DB" (design-build) contracts, under the terms of which Degrémont is generally responsible for the design and building of a project, as a result of a public tender process;
- "DBO" (design-build-operate) contracts, under the terms of which Degrémont is responsible for the design, building and operation of a site;
- "BOT" (build-operate-transfer) contracts, under which Degrémont is responsible for financing the project, designing and building the site, and transferring it to the owner at the end of a given operating period. For this type of project, Degrémont is usually not the sole investor;
- equipment contracts, under which Degrémont is responsible for providing sites operated by its customers with the necessary equipment, and related services.

Degrémont offers all the following services:

#### Design and build

This is the traditional activity of Degrémont. It is conducted under turnkey contracts that state that Degrémont guarantees its customers the completion and satisfactory performance of their plant within a predetermined period. This service includes engineering, provision of plans, purchase of equipment, building site supervision, installation of equipment and the preliminary operation of the facility.

#### Operation and services

Degrémont's operation and services activities are based on its exceptional know-how, in offering the Group's customers expertise as a builder-operator that distinguishes itself in its market.

Degrémont's product offer in operation and services is adapted to customer needs, from the operation and overall maintenance of a site to the supply of replacement parts, after-sale services, renovation of plant, and employee training.

Plants built and operated by Degrémont benefit from the dual expertise of a builder-operator (ergonomics are incorporated into the design stage, and commissioning is taken care of). The plants also benefit from the innovations and know-how developed by the entire Group. Teams supervise the preservation of the resources entrusted to them, and ensure continuity of public service while controlling operating costs through predefined, transparent investment policies.

Nearly 20 million people receive drinking water and nearly 26 million people have their wastewater treated by facilities operated by Degrémont.

### Equipment

Degrémont offers high value-added equipment "packages" that can improve and/or diversify the performance of existing facilities: Sludge drying and incineration, water disinfection by ozone and UV, ultrafiltration, reverse osmosis, ion exchange, industrial process water treatment, biological treatment and separation are just some of the ways in which internationally renowned brands such as Innoplana, Ozonia, Ameriwater, Triogen, Aquasource, Infilco, Anderson, and Water & Power Technologies apply Degrémont's wealth of expertise.

### BOT contracts

Under the terms of a BOT contract, Degrémont is responsible for the design, construction and operation of the site. It is also responsible for financing the project although it is not generally the sole investor. At the end of the operating period, the infrastructure is transferred to its owner, which then takes over the operation.

### Degrémont Industry

Degrémont Industry is fully dedicated to meeting the water needs of industrial groups. It combines the activities of Ondeo IS in Europe and all of Degrémont's industrial activities worldwide, working with industrial customers mainly in Europe, Brazil, China, North America and the Middle East. It specializes in the optimization and global management of the water cycle in industry: engineering and provision of treatment facilities, supply of equipment and associated services, operation, maintenance and technical assistance, specialist services and mobile solutions.

Degrémont Industry provides solutions tailored for specific problems relating to business sectors including energy, oil and gas, refining and petrochemicals, fine chemicals, pharmaceuticals, cosmetics, chemicals, metals and mining industry, pulp and paper, agri-food, microelectronics and healthcare facilities. Degrémont Industry brings together and makes available to its customers experience and expertise on the entire water cycle and its uses in industry: water resources, process water, used water, sludge and by-products.

Degrémont Industry manages over 200 operating and service contracts worldwide with industrial customers and to date has built over 1,800 process water treatment plants and over 2,200 wastewater treatment plants, and has equipped more than 5,000 sites housing industrial water treatment systems.

Within Degrémont Industry, Ondeo IS operates through its subsidiaries in France, Italy, the UK, Spain and Benelux, employing 700 people as of December 31, 2013.

In 2013, Degrémont Industry won several contracts for engineering and facilities provision, services and equipment supply with Dow, Tractebel Energia, ENI, Bechtel, YunnanPetroChina, Dalian PetroChina, Shepherd Neame, Duro Felguera, Petrobras and Unilever. Degrémont Industry also finalized the acquisition of Industrial Water Management (IWM) from BASF, via Ondeo IS. IWM, supplies, markets and develops conditioning products and technical services for cooling circuits, boiler systems and industrial wastewater treatment. A recognized player on its markets, the company has also developed know-how in support services: equipment sales and development,

chemical analysis, specific research and training, and the use of pilot units to validate product performance.

Degrémont Industry's areas of excellence include the oil and gas markets (exploration & production), refining and petrochemicals, energy, paper and pulp in Latin America, and the steel industry in China. Degrémont Industry offers highly-tailored solutions to improve the business and environmental performance of its industrial customers.

### (b) Research and development

Degrémont is known for the quality of its technological innovation and for its contribution to innovation in water treatment processes. In 2013, the company invested around €18 million in research and innovation, involving around 90 people. As of December 31, 2013, Degrémont held a portfolio of 175 patents. Four of Degrémont's new innovations involve bio-solids, with the technologies Drainis™ Turbo (biological sludge thickening workshop, which includes a preliminary concentration phase), Evaporis™ LE (low-energy sludge drying workshop), Thermylis™ 2R (sludge incineration workshop for energy recovery and production), and Digelis™ Fast (anaerobic sludge digestion accelerated by a thermophile process).

### (c) Degrémont's international presence

In 2013, 77% of Degrémont's revenues were generated outside France. Degrémont carries out its international activities through numerous subsidiaries:

- In Europe (Switzerland, Belgium, Spain, Italy, Portugal, the Czech Republic and Norway) and Russia

In 2013, Degrémont built and inaugurated the Bouillides wastewater treatment plant, the first French plant to be equipped with a channel designed to eliminate wastewater micropollutants, located in Sophia Antipolis (Alpes Maritimes). While French regulations do not require the treatment of micropollutants at treatment plants, the Syndicat Intercommunal decided to establish tertiary wastewater treatment by ozonation, instead of a simple disinfection by final chlorination. The aim is to eliminate micropollutants from wastewater and to anticipate regulatory changes in this area.

In 2013, Degrémont won the operation of the Marseille sludge plant for a total of €135 million over 15 years. It inaugurated the wastewater plant at Mietesheim (Bas-Rhin), which is equipped, amongst other things, with a Combigreen™ and a solar drying greenhouse for sludge dehydration. As part of a consortium, Degrémont also won the contract for the new Perreau drinking water production plant in Saumur (Maine-et-Loire). With a capacity of 950 m<sup>3</sup>/h or 19,000 m<sup>3</sup>/day, this facility will be able to serve a population of over 60,000 through the catchment of infiltration from the Loire drawn on the Petit Puy site. It will be equipped with Pulsazur™ active carbon reactors for the treatment of organic matter and micropollutants (lowest energy use on the market), an Aquazur V sand filtration system, and an Aquaray™ H<sub>2</sub>O ultraviolet disinfection unit by Ozonia (over 60 reactors in France today). An 8,500 m<sup>3</sup> treated water reserve will also be created to safeguard the supply of the Urban Community of Saumur.



In Italy, Degrémont won a contract to design and build 27 drinking water production plants near Viterbo. These facilities, located in a region where drawn water is noted for its concentration of arsenic and fluorides that exceeds the limits of Italian regulations, will be designed to eliminate these elements. The plants will produce 1,000 m<sup>3</sup> of water per day.

In Spain, Degrémont won a tender for the expansion and restoration of the wastewater treatment plant in the city of Burgos. This contract is part of a joint venture in which Degrémont has a 33% stake. It represents total revenues of €41.5 million for the Group and its construction company partners, Socamex, Copasa and Passavant. With a current capacity of 85,000 m<sup>3</sup>/day, the treatment plant will by 2015 handle a daily flow of 150,000 m<sup>3</sup>/day, or 1,310,000 population equivalent.

- In Latin America (Mexico, Chile, Argentina, Brazil, Peru, Colombia, and Panama)

In Panama, Degrémont obtained delivery of the water line of the municipal residual water treatment plant on May 12, 2013, nearly four months ahead of the contractual date. This marks the beginning of four years of operations by Degrémont's teams. With a capacity of 238,000 m<sup>3</sup>/day, the plant treats municipal residual water from Panama City. Biogas from sludge digestion will produce 18% of the plant's energy needs. The plant is the country's first and one of the largest in Central America.

In Brazil, Degrémont, together with Keppels FELS and on behalf of Petrobras, won the supply of two sulfate removal units and two seawater desalination units that will equip two floating production, storage and offloading (FPSO) vessels for the development and production of offshore oil, off the Brazilian coast. Each sulfate removal unit will treat sea water in order to make it fit to inject. This process avoids clogging the porous rock of the reservoirs and thus improves enhanced oil recovery (EOR). Second, the reverse osmosis units will transform the seawater into fresh water in order to lower the salinity of the crude oil.

- In the Near and Middle East (Lebanon, Jordan, United Arab Emirates, Oman, Bahrain and Saudi Arabia)

Degrémont won two equipment contracts in Riyadh to furnish modular desalination units for 14 sites, for total revenues of €40 million. Saudi Arabia's National Water Company (NWC) selected Degrémont to supply and install the modular units in the Riyadh area to produce drinking water from brackish groundwater. The contracts cover the installation and commissioning of 33 such modular processing units. The first contract provides for 26 containerized modules, each processing 5,000 m<sup>3</sup>/day of water across 13 sites. The largest of these is the Salboukh site, which will process up to 30,000 m<sup>3</sup>/day. The second contract pertains to the Al Buwaib site, where 7 modules processing up to 35,000 m<sup>3</sup>/day will be housed inside a building.

- In Africa (Egypt, Algeria, Morocco, South Africa, Nigeria, Senegal, Burkina Faso, Angola, Ethiopia, etc.)

In Morocco, in 2013 Degrémont completed construction of the Médiouna wastewater treatment plant in the Casablanca region. The plant can treat 3,800 m<sup>3</sup>/day of wastewater (40,000 population equivalent). It is the first North African plant to be equipped with a membrane filtration system coupled with

upstream biological treatment. This process produces purified urban water of high enough quality to feed the groundwater and irrigate nearby grain fields. In 2013, Degrémont also won the contract to build the plant that will pretreat Casablanca's wastewater prior to its discharge into the sea.

In 2013, Degrémont won several contracts in Africa. In Angola, Degrémont won a €28 million contract for the remediation of a drinking water plant in Luanda. In Burkina Faso it won a contract to remediate an existing drinking water plant in Ouagadougou and to install a compact unit with a capacity of 22,000 m<sup>3</sup>/day. The contract is worth a total of €6.4 million, including €4.6 million for Degrémont. In Ethiopia, Degrémont won a €3.6 million contract for the remediation of an existing drinking water treatment plant and the construction of an extension equal to 42,000 m<sup>3</sup>/day in the city of Addis Ababa. Finally, Degrémont won a contract in Tanzania for the construction of several water treatment plants in the Muwasa region.

In 2013, Degrémont won the contract to operate the wastewater treatment plant at Gabal El Asfar (Egypt), for a five-year term and a total of €27.8 million. In association with two Egyptian partners, Degrémont will rehabilitate the digesters and five gas generators of 2.3 MW each. The plant, with a capacity of 500,000 m<sup>3</sup>/day, was commissioned in 2005 and Degrémont's teams in Egypt have operated it continuously since that date.

- In Asia

Degrémont has operated in India for 30 years. It has built over 153 plants in the country, 17 of which it operates.

In 2013, Degrémont won the contract for the supply and installation of water treatment equipment at the new steel mill built by China Steel Corporation at Dahej (Gujarat) for a total of €7 million.

Degrémont has been active in China for 30 years, having built over 200 plants there for industrial customers and local authorities.

In 2013, Degrémont opened a new Ozonia production facility in Tianjin-Wuqing to make CFV ozone generators and DK excess ozone destroyers.

- In Australia and New Zealand

In 2013, the AquaSure Consortium, in which SUEZ ENVIRONNEMENT holds a 21% stake, reached an agreement on refinancing the seawater desalination plant in the State of Victoria in Australia, thus achieving a significant reduction in financial costs. The signing of this AUD3.7 billion refinancing agreement attests to the banks' confidence in this production unit at the forefront of technology in the water sector.

Operation of the Melbourne plant began in December 2012 for a 27-year term. It represents cumulative revenues of €800 million. With a capacity of 450,000 m<sup>3</sup> of drinking water per day, this facility is the largest desalination plant in the world to be operated under a public-private partnership.

Degrémont won a contract for the design, construction and commissioning of a new membrane filtration system, called "SmartRack™", to treat 1,000 m<sup>3</sup> per day of wastewater at the Thales Australia site in Mulwala, in the State of New South Wales.

Protected by two patents, SmartRack™ is the first system to implement a metal structure capable of receiving different brands of ultrafiltration membrane modules, independently of their sizes and specific connections. It thus enables the interchangeability of ultrafiltration modules, and the scalability of the water treatment plants that use them. The solution can be used in drinking water production, desalination, in the treatment of industrial process water and in residual water reuse.

■ In North America (United States and Canada)

Degrémont was selected to design and supply 17 Climber® Screen mechanical bar screens for the US Army Corps of Engineers' Permanent Canal Closures and Pumps (PCCP1) facilities, near Lake Pontchartrain in New Orleans, Louisiana. The permanent facilities will allow channel waters to be retained or drained by pumps. The 17 Climber® Screens will retain channel debris and safeguard the integrity of the project's three pumping stations. These gigantic screens, between 7 and 9 meters wide, will be able to handle a daily flow of 59 million m<sup>3</sup>. With 17 units reaching a depth of 15 meters, the PCCP project will be one of the largest screening projects entrusted to Degrémont to date.

In the rest of the world, Degrémont has the ability to deploy its sales, building and operating teams to pilot major projects.

➔ **6.5.4.2 The Group's other international activities**

In 2013, the other activities of the Group's International division contributed €2.5 billion to Group revenues.

**(a) North America**

**United States (Water)**

The Group manages water and wastewater services in the United States through SUEZ ENVIRONNEMENT North America (SENA) and its wholly-owned subsidiaries United Water Inc. (UW) and Utility Service Group (USG). The latter is now under the management control of Agbar (see the description of its activities in section 6.5.2.2.(b)), and is therefore booked under Water Europe.

United Water has facilities in 21 states, mainly in the Midwest and Northeast of the country, and is active in two types of businesses:

- "regulated" activities (primarily in the field of drinking water services): the water production/treatment assets are operator-owned; this sector is characterized by its high capital intensity and lower financial risk, since rates are fixed by the regulators (Public Utility Commissions) in individual states, partly based on the investment required;
- service contracts (primarily in the field of wastewater services): operators enter into operations and maintenance contracts with municipalities relating to processing sites or other assets that continue to be city property; this sector is characterized among other things by low capital intensity and lower margins. These contracts are generally for between 3 and 10 years.

In 2013, these activities contributed €594 million (excluding USG) to the Group's consolidated revenues, 67% of which came from regulated activities and 33% from service contracts. These activities employed approximately 2,090 people as of December 31, 2013 (excluding USG). SUEZ ENVIRONNEMENT has developed a balanced portfolio between these two key activities which are considered complementary by the Group.

United Water Inc. continues to hold an 8% market share of the private sector involved in producing and distributing drinking water and providing wastewater services in the United States (in terms of revenues). Its drinking water and wastewater services cover 5.5 million people in 21 states. In 2013, United Water Inc. had a portfolio of 16 "regulated" operations in 6 States. As part of its effort to focus on its services activity and streamline its portfolio, in July 2012 it announced plans to sell its regulated activities in Arkansas (the disposal was finalized in February 2013). In September 2012, it completed the sale of its regulated activities in Connecticut. These changes are part of the Group's strategy on a larger scale, which also includes the effort to reduce small contracts (the company has sold a series of contracts in the Northeastern United States to Whitewater Inc. in the past two years). It now has a portfolio of about 90 contracts across the country.

The Group estimates that it is the second-largest private operator <sup>(1)</sup> in the water sector in the United States in terms of total revenues in the two above-mentioned primary fields of activity ("regulated activities" and service contracts). In 2012, United Water Inc. launched a new contractual approach through the Bayonne (New Jersey) contract which was very well-received by the markets and generated much trade interest in 2013. The US water market is worth around USD107 billion (*source: GWI Study, 2011*) and the Group believes that private operators represent about 8% of the operating activities sector. This sector is characterized by long-term stability and increasingly high expectations for quality and service. It is a very fragmented market (with almost 52,000 water supply systems and approximately 16,000 wastewater systems) and offers major opportunities for consolidation.

**Mexico (Water)**

Present in this field since the mid-1960s through Degrémont (see section 6.5.4.1(c)), the Group first entered into a service contract for Mexico City in 1993.

Since that date, the Group's activities in public service contracts have been provided by a local company, Bal-Ondeo, jointly owned by the Group and the Mexican company Peñoles, a subsidiary of the BAL Group, which specializes in mining and refining non-ferrous metals.

Bal-Ondeo's activities are primarily expanding in Mexico City, where the Group has entered into two service contracts with the city to cover the management of customer accounts and provide maintenance for the secondary drinking water supply network and for the water meters in eight city districts representing one-half of the urban community.

At the end of 2013, the Group sold its equity interest in the company managing the Cancun concession.

(1) Estimate based on the information available when drafting this document.

The Group is also active in Mexico through activities conducted by Agbar (see section 6.5.2.2).

The Group estimates that it is the largest private operator in water-related services in Mexico.

## (b) Asia

In 2013, the contribution of the Asia-Pacific Business Unit to the Group's consolidated revenues totaled €517 million. In this area the Group employed nearly 3,000 people as of December 31, 2013.

### China

#### Water

The Group has a presence in China through its water and electricity management concessions in Macao and its 25 subsidiaries established through partnerships with local authorities for the production and distribution of drinking water and wastewater services. It operates under several types of contracts, such as BOT contracts for building and renovating water treatment plants and concessions.

The Group has two concession contracts awarded by the Government of the Macao Special Administrative Region. The first, a concession contract for the provision of water services, started in 1985 (for a period of 25 years) and was renewed in November 2009 for a further 20 years. The second contract – through CEM (Companhia de Electricidade de Macau) – is a concession contract for the production and distribution of electricity. It was extended for 15 years on December 1, 2010.

The Group is active in the Chinese water sector primarily through its jointly-owned subsidiary Sino-French Holdings, which was incorporated in 1985 and has been owned since 1998 by SUEZ ENVIRONNEMENT and Lyonnaise Asia Water Limited and by Beauty Ocean Limited, whose obligations are guaranteed by New World Infrastructure Limited. Relations between the parties are governed by a shareholders' agreement that provides for equal representation on the company's Board of Directors. This agreement also sets forth a right of first refusal benefiting the other shareholders in the event that one of the parties sells all or part of its equity interest.

The Group is continuing to strengthen its presence in China thanks to a policy of entering into partnerships and through the awarding of major contracts from municipal and industrial customers:

- The Group has launched an industrial water production plant, a wastewater treatment plant, and an incinerator for hazardous waste in the Shanghai Chemical Industry Park (SCIP), the largest petrochemical industrial site in Asia. In 2006, it also witnessed the inauguration of the first Research and Development Centre dedicated to industrial wastewater and hazardous waste by the Shanghai city authorities. These events demonstrate the determination to explore new paths for industrial cooperation and improved quality of service;
- In 2008, the Group and its partner, New World, strengthened their relations with their local partner in Chongqing, through the acquisition of a 15% interest in Chongqing Water Group. This equity interest decreased to 13.4% after Chongqing Water Group was listed on the Shanghai Stock Exchange in 2010.

Cooperation with the Chongqing Water Group was expanded in 2010 and 2011 through (i) an extension of the joint venture for water distribution, construction and commissioning of the new Yuelai Water treatment plant (200,000 m<sup>3</sup>/day in the first phase); (ii) the creation of a joint venture for the resumption and expansion of drinking water treatment and wastewater treatment services at the Changshou Chemical Industrial Park, a major industrial development in the municipality of Chongqing. In 2012, assets jointly held by Sino French and Chongqing Water were restructured and regrouped within a single holding structure that is equally owned (50/50).

In 2011, Sino French began a new collaboration with Wuhan Chemical Industrial Park, Degrémont and the Shanghai Chemical Industrial Park for the design, construction and 30-year operation of the wastewater treatment plant to treat all industrial discharge from the park, with a capacity of 10,000 m<sup>3</sup>/day and an ultimate capacity of 60,000 m<sup>3</sup>/day. At the end of 2011, the scope of the joint venture's activity was extended to industrial water with the construction and operation, for the same duration, of a major industrial processing site with a planned capacity of 300,000 m<sup>3</sup>/day.

In 2012, Sino French acquired 65% of Dayi Shangliu, a private company with a portfolio of BOT and O&M contracts for wastewater treatment in the Sichuan province, in the fast-growing region of Chengdu. This acquisition gives Sino French an operating platform capable of supporting more developments in this dynamic region of western China through various business models including joint ventures, BOT and O&M contracts.

In 2013, the joint venture was extended to include the purchase and operation of a new treatment site, Chengzhou, also in the city of Chengdu.

The Group also has a presence in China through Degrémont's activities, primarily in the industrial sector (see section 6.5.4.1(c)). To date, Degrémont has more than 220 contracts in China. In October, Degrémont opened its new ozone treatment equipment production facility in Tianjin-Wuqing to make CFV OZONIA ozone generators.

The Group believes that China's water and wastewater sector will grow significantly, with steady participation from private operators, due to the combined effects of intense urbanization, growing industrialization, rising living standards among the population, increasing pressures on water availability and more stringent regulations on environmental protection and pollution control. China's 12<sup>th</sup> five-year plan, adopted and implemented in 2011, sets out ambitious targets and objectives for environmental protection, water and energy efficiency and recovery of resources. The Group believes that this is one of the most dynamic sectors in the world.

Overall, the Group provides drinking water services to almost 14 million people in China. It estimates that it is one of the five largest private operators in the Chinese market for drinking water and wastewater services.

Finally, in September 2009, the Group, in collaboration with Tsinghua University, inaugurated a laboratory for scientific research and environmental engineering experimentation (water, wastewater treatment, waste and air pollution), thus rounding off its plan for the transfer of its knowledge and expertise to China.

In November 2012, SUEZ ENVIRONNEMENT, Sino French Water Development and Chongqing Water Group created a new joint venture called "Chongqing Sino French Environmental Excellence Research & Development Centre Company Limited" which will provide applied research services, expertise and technical support to partners and third-party managers of water and environmental engineering in China.

#### Waste

The Group has been active in the Hong Kong waste sector since 1998 through Sita Waste Services. Sita Waste Services operates 12 municipal waste transfer stations and two landfills (with close to 3.3 million metric tons of waste landfilled in 2012). In 2012, the Group treated almost 410,000 metric tons of household, commercial and industrial, agricultural and medical waste in Hong Kong and Macao.

In 2012, Sita expanded its activities in the transfer stations sector, winning a tender for a 10-year contract for the renovation and operation of a major transfer station (West Kowloon Transfer Station, which handles 2,400 metric tons/day of waste from the Kowloon region).

In 2013, Sita further expanded its activities with the award by Hong Kong's Department of Drainage Services to transfer sludge from the recently commissioned waste treatment plant to a transfer site located in the north of Lantau Island.

In addition, the Group provides remediation services to Hong Kong public authorities for closed landfills and it monitors these sites for a 30-year period.

In Macao, Sita Waste Services offers, directly or through a subsidiary, collection and cleaning services for the entire city and operating services for the management of a landfill specialized in managing fly ash and residual ash from the local incinerator.

The Group is also established in continental China through a joint venture with local partners. It designed, oversaw the building of, and now operates an incineration plant for hazardous industrial waste with an annual capacity of 60,000 metric tons at the Shanghai Chemical Industry Park (SCIP). This unit is the largest of its kind in China.

China's waste sector is characterized by a gradual opening up to private operators and by strong growth in volumes and urbanization. The Group therefore expects the volume of household waste to increase considerably. China's 12<sup>th</sup> five-year plan also calls for a significant increase in solid municipal waste treatment facilities, mainly by developing waste-to-energy plants. China also produces very large amounts of hazardous waste, which currently does not undergo any effective treatment. This sector now seems ripe for development, particularly since the adoption of more stringent environmental regulations and the creation of regulatory bodies in 2003. The energy recovery segment is strongly supported by local and central authorities through price subsidies for grid-based power distribution and tax credits.

In Taiwan, the Group also operates a waste-to-energy incineration plant with a capacity of 450,000 metric tons of municipal and industrial waste per year.

#### Indonesia (Water)

In December 2013, SUEZ ENVIRONNEMENT signed an agreement with Pembangunan Jaya for the sale of its 51% stake in PT PAM Lyonnaise Jaya (Palyja). Completion of the sale is expected in the first half of 2014.

#### (c) Australia

##### Water

The Group believes that the Australian water sector suffers from acute problems linked to water resources due to recurring, long-lasting droughts and from the impact of global warming. This sector offers significant growth opportunities due to the increased use of desalination and reuse of post-treatment wastewater.

Opportunities related to the recovery of water used in the industrial and mining sectors, in particular, should grow in years to come.

The Group is active in the Australian water sector through Degrémont (see section 6.5.4.1).

##### Waste

Australia's waste sector represented approximately €9.3 billion in revenues in 2013-2014 (source: *IBIS World Report – Waste Disposal Services in Australia, October 2012*), with significant potential for further growth due to a population expanding at a rate of 1.8 % per year and an increase in the amount of waste generated per person, which will grow total volumes in the future. In recent years, most governments have set targets to reduce landfilled waste. These have led to increased landfill taxes (imposed and regulated by each State). This increase is intended to help reduce waste and promote recycling and recovery. In this context, the demand for waste recycling and recovery involving sorting, composting and alternative fuel production continues to grow.

A carbon tax was introduced by the federal government on the waste sector in July 2012 (AUD23 per metric ton). The new Liberal government, formed after general elections in September 2013, has announced the abolition of the carbon tax on July 1, 2014. The Group is present in the waste sector in Australia through Sita Australia, a company 60% owned by the Group and 40% by SembCorp Industries, a Singapore-based group active in engineering, energy and logistics. Sita Australia contributed €783 million to the Group's consolidated revenues. Through its collection services, Sita Australia now serves nearly 56,000 commercial and industrial customers and some 3.7 million people in the continent's main cities. In 2013, Sita Australia strengthened its position in the industrial collection segment by applying a strategy focused on large accounts, and maintained a steady pace of organic growth.

Sita Australia continues to be Australia's leader in both the ARRT (*advanced resource recovery treatment*) market and particularly the MBT (*Mechanical Biological Treatment*) market. Sita Australia's services include resource recovery, recycling and elimination of household, commercial and industrial waste, treatment of organic waste through composting, treatment and recycling of medical waste with secure product destruction, advanced landfill technology and waste production audits.

The Group is the second-largest player in the solid waste segment and the recycling market in Australia.

Sita Australia is committed to maintaining and growing its presence in Australia. Sita is also aiming for significant organic growth with a focus on key national accounts. New market segments are being studied with a focus on the mining and resources sectors.

In 2013, Sita won contracts to provide comprehensive waste management services for two mining companies in the State of Queensland. The Group also won two municipal collection contracts during the year.

#### (d) Africa, Middle East and India

In 2013, the contribution of the Africa, Middle East and India region to the Group's consolidated revenues was €648 million. As of December 31, 2013, the Business Unit employed over 6,800 staff.

##### Africa

###### Water

In Morocco, the Group is active in the water sector through Lyonnaise des Eaux de Casablanca (Lydec), in which it has a 51% stake, with a further 34.75% of Lydec owned by Fipar Holding and RMA Wataniya, and the remainder traded on the Casablanca Stock Exchange since 2005. Lydec is in charge of water distribution, wastewater treatment and the electricity supply for over three million consumers in Casablanca, on the basis of a 30-year contract signed in 1997. In 2013, Lydec contributed €568 million to the Group's consolidated revenues, generated notably from activities related to electricity (58%), drinking water distribution (22%) and wastewater treatment (20%).

As of December 31, 2013, Lydec employed 3,570 people.

Lydec's main objectives for growth are the safety and quality of the drinking water supply and management of the distribution network, development of wastewater treatment infrastructures (particularly flood prevention) and, as to its electricity activities, the development of infrastructures and improvements in the electricity distribution network.

In Algeria, the Group has been present since 2005, with a management contract to which it contributes its expertise and provides employees to the Société des Eaux et d'Assainissement d'Alger (SEAAL) in order to help improve drinking water distribution and wastewater services for the city of Algiers (SEAAL provides drinking water services to approximately 3 million people). In September 2011, the Algerian authorities reaffirmed their confidence in SUEZ ENVIRONNEMENT by renewing and extending the contract for five years to help modernize the water and wastewater management services for Algiers. The contract covers the provinces of Algiers and Tipaza and will eventually serve 3.8 million people. The contract represents some 5,500 employees and nearly €900 million in investments (funded by the State).

In addition, Agbar operates through a contract for SEOR (Société de l'Eau et de l'Assainissement d'Oran), established in April 2008, through which the company provides drinking water to over 1.6 million people.

##### Waste

In Morocco, the Group operates in the waste segment through the companies Sita El Beida and Sita Maroc, respectively responsible for (i) urban cleaning, household waste collection, transportation to processing sites, and an awareness-raising campaign for local residents on the need for environmental protection, and (ii) industrial waste management. Until 2014, Sita El Beida is responsible for overseeing the cleaning of downtown Casablanca, in addition to around 10 other Moroccan cities such as Rabat, Tetouan, Safi and Mohammedia. Sita El Beida continued its commercial development in the municipal market by winning its first waste treatment contract with the Meknes landfill and recovery center (projected revenues of 960 million dirhams, or approximately €96 million, over a 20-year term). The contract includes the remediation of the existing landfill, and the construction and operation of a waste treatment and disposal center to handle annual tonnage projected in 2014 at 180,000 metric tons.

Since 2009, Sita Maroc has handled the waste management for the new Renault plant in Tangiers, as well as that of Casablanca since 2012.

The Group remains attentive to growth opportunities, particularly in Algeria.

##### Middle East

###### Water

The Group has the advantage of a historic presence in the Middle East, notably through Degrémont. It built the first desalination site using the reverse osmosis technique in Saudi Arabia in 1975, entered into 20 DBO contracts in this country between 1975 and 1986, built the world's largest hybrid desalination site in the United Arab Emirates in 2003 and won the contract for the design, build and operation (DBO) of the largest wastewater purification plant in Qatar, intended for the reuse of treated water, in 2005 and inaugurated the largest purification station in the Middle East with the As Samra plant in Jordan at the end of 2008. Finally, the kingdom of Bahrain awarded the construction in Al Dur of the largest desalination plant using reverse osmosis in the Middle East to Degrémont in 2008. This was commissioned in 2011 with flows of 220,000 m<sup>3</sup> per day.

In addition, the Group is present:

- in Saudi Arabia, through its partnership with Aqua Power Development and their 50/50 joint venture, Jeddah Water Services. The Group signed a seven-year contract in 2009 to manage the water and wastewater services in the city of Jeddah. The aim of this contract is to upgrade and modernize the city's water and wastewater services. It sets concrete and ambitious objectives in terms of improving the quality of service (permanent access to drinking water, reducing emergency response times for the drinking water network and preventing overflows in wastewater collection networks). Jeddah, which has a population of 3.5 million, is experiencing steady demographic growth with almost non-existent water resources: recourse to alternative water resources is the only solution to ensure a regular and sustainable water supply to the city. 98% of the water consumed in Jeddah comes from seawater desalination plants. This type of production, in a location where water is at a premium, requires the optimization and preservation of water resources and the elimination of any waste. In 2009, Jeddah Water Services was awarded an extension of the contract covering wastewater management;

- in Jordan, through its subsidiary Disi Amman for Operation and Maintenance (DAOM), the Group signed a contract in 2009 for the operation and maintenance of a water distribution system supplying the city of Amman. The city began to be supplied with water in July 2013.

#### Waste

The Group is present in the waste sector in the Middle East:

- in the United Arab Emirates through its subsidiary Sita Trashco, mainly positioned in the collection of waste generated by industrial and commercial activities in the Emirates of Dubai, Abu Dhabi, Sharjah and Ajman;
- in Oman, through Sita Al Basheer, 60% owned with Omani partners. Under this joint venture, the Group signed a contract in 2005 to operate a landfill in Muscat;
- in Lebanon, SUEZ ENVIRONNEMENT won a contract in 2013 to remediate a landfill in Saida. This landfill, located on the Mediterranean coast and a real environmental burden, will be transformed into a public park, offering residents recreational spaces with an outdoor theater, vegetation and landscaping of the site inspired by Saida's history and culture. The completion of the work and services is planned for late 2015.

The Group is also on the lookout for development opportunities, particularly in Bahrain, Kuwait, Qatar, Saudi Arabia and Turkey.

#### India (Water)

Since 2009, SUEZ ENVIRONNEMENT has actively followed developments in the Indian water sector, particularly the emergence, supported by plans and policies at the federal and national level, of projects in the form of public-private partnerships that are aimed at improving and expanding the water supply and the distribution infrastructure and services in Indian cities. SUEZ ENVIRONNEMENT believes that in the water services sector, India is a promising market in which its know-how and expertise in the field of water management and improvement services can be deployed on a large scale through long-term contracts.

SUEZ ENVIRONNEMENT is now present in three major cities:

- in Delhi, where in 2012 the Group signed a first long-term contract with India's main water authority, the Delhi Jal Board, for the management and operation of the water supply network in Malviya Nagar, an area of New Delhi with 400,000 inhabitants;
- in Bangalore and in Pimpri, where SUEZ ENVIRONNEMENT won two contracts in 2013 for the purpose of improving the water supply system, including network performance.

This market momentum was confirmed in 2013 with the participation in the Mumbai tender process on a package of integrated services related to water access and network reliability. The results are expected to be announced in 2014. The Group is also attentive to opportunities in the waste segment.

## 6.6 Dependence factors

Information on dependence factors can be found in chapter 4 of this document.

## 6.7 Legal and regulatory framework

The Group's regulatory framework derives from both interdisciplinary regulations, and regulations specifically related to the business lines.

The Group's activities in Europe are governed by European regulations, applicable directly and in a standardized manner to all Member States, by European directives that are transposed into domestic law, and, where applicable, by legislative provisions specific to each country.

The Group's activities outside Europe are also subject to regulations on the environment, health and safety, among other things.

A general presentation of the most significant applicable regulations is set out below.

## 6.7.1 Interdisciplinary regulations

### ➔ 6.7.1.1 Regulations on the awarding of public contracts

Generally, methods for awarding contracts vary depending on the nature of the public-private partnership (long-term concession of public services, PFI in the United Kingdom, BOT, or short-term provision of service) or the method of regulation. A clear definition of the regulatory framework is of the utmost importance for the growth of the Group's activities.

#### (a) European law

In the European Union, contracts signed by the Group with local public authorities are classified as either public works or services contracts, or concession contracts. In contrast to a public contract, the concession is defined as a right to operate a public service, with transfer of all or a portion of the risks borne by the delegating authority to the delegated agent.

European Directives (2004/17/EC and 2004/18/EC) regulate the terms and conditions for awarding contracts based on competitive bidding: public notice and award procedures. They also set various rules that apply to public works concessions. Only the general principles of the European Treaties currently apply to services concessions. In December 2011, the European Commission published a draft amendment to the public contracts directives as well as a draft directive on concessions overall. These proposals should be formally adopted in the first quarter of 2014 and implemented within three years.

#### (b) French regulations

In France, public contracts are awarded through two main methods:

- service and building contracts are subject to the French Public Contract Code;
- delegation of public service contracts (DPS) are governed by Law No. 93-122 of January 29, 1993 regarding the prevention of corruption and the transparency of economic transactions and public proceedings (so-called "Sapin Law"), which defines the procedures applicable to such awards. These contracts are used particularly in the water sector; local authorities (municipalities or groupings of municipalities) have the choice between direct control, the public services market, or delegation. In the case of public service contracts, the delegated management contract defines the respective obligations of the delegated agent and the delegating party, as well as the pricing policy; no transfer of ownership of existing assets to the delegated agent (which is only the operator) is provided for. The operator is required, under Law No. 95-127 of February 8, 1995 on public contracts and delegation of public service, to submit a technical and financial report on an annual basis to the delegating authority.

Alongside these two traditional methods of awarding public contracts, partnership contracts come under a special system. As a result of Ordinance No. 2004-559 of June 17, 2004, such contracts have been reformed, with the adoption of Law No. 2008-735 of July 28, 2008 and Law No. 2009-179 of February 17, 2009 – allowing local authorities, under certain conditions, to entrust a company

with an all-encompassing mission of financing, design, construction, maintenance and long-term management of works necessary to the execution of a public service. They are just starting to develop and may play a bigger role in the waste segment and water segment.

#### (c) Spanish regulations

In Spain the awarding of public contracts is governed by the Royal Decree-Law 3/2011 of November 14, 2011 reforming the law on public sector contracts, which transposes EU Directives 2004/18 and 2004/17.

This law governs the more traditional modes of delegated management (concessions, semi-public entities, regulated and collective management) and requires them to comply with the same public information and competition standards as public works, services and supply contracts.

It defines the contractual arrangements of the public-private collaboration contract (similar to the French public-private partnership contract). It is intended to meet complex public sector needs, which are not satisfied by traditional contractual agreements, and consists of awarding to a company a global mission for construction, management, maintenance and renewal as well as requiring it to contribute to financing the project.

An upcoming decree should soon consolidate all the provisions relating to public contracts into a single law.

#### (d) United States regulations

In the United States, the federal government plays a role in the water sector, but the individual states retain authority in the areas of resource management, regulation of services and investment planning. There are two broad, coexisting contract methods: a regulated method, comparable to the UK system, in which the assets belong to the operator, and a non-regulated mode, in which the local authority entrusts the management of its assets to an operator following competitive bidding. In regulated activities, each State has a Public Utility Commission that sets both prices (for water and wastewater treatment services) and the return on shareholders' equity allowed per company operating in the regulated sector. For public-private partnership agreements in the non-regulated sector, the rules for allocation of projects and operating conditions vary for each municipality. As a general rule, operators are selected by calls for tenders.

### ➔ 6.7.1.2 General environmental regulations

#### (a) European law

##### Environmental Liability

Directive 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage (transposed in France as Law No. 2008-757 of August 1, 2008) establishes a legal framework for environmental liability founded on the "polluter pays" principle, with a view to preventing and remedying damage

to protected species, natural habitats, water resources and land. Damage may be recognized (by administrative bodies) without any evidenced fault, even if the facility that is the source of the damage is compliant with applicable licenses and authorizations. According to the Environmental Liability Directive, the operator is the first party to incur liability. The text of the law does however impose non-retroactivity, and will therefore only apply to damage for which the generating event occurred after April 30, 2007 (the deadline for transposition by the Member States).

Particular vigilance is now required with regard to areas in which remarkable habitats and environments are protected: the "ecoregions" identified at world level, the "Natura 2000" sites in Europe and – specific to France – sensitive rivers and corridors or reservoirs of biodiversity defined in the "Grenelle" laws.

In terms of criminal liability, in accordance with Directive 2008/99/EC on the protection of the environment through criminal law, Member States must establish criminal sanctions that are effective, proportionate and dissuasive for serious violations of the provisions of EU law relating to the protection of the environment. This EU law relates in particular to the release of substances or ionizing radiation into air, soil or water, the treatment and transfer of waste, the destruction or capture of specimens of protected species of wild fauna and flora and the commercialization of substances that will weaken the ozone layer.

#### The European pollutant release and transfer register

Regulation (EC) No. 166/2006 established a European Pollutant Release and Transfer Register (known as the E-PRTR Register) to monitor the release of pollutants into water, air and soil at EU level (replacing the European Pollutant Emission Register (EPER)). This new register, which is an electronic database accessible to the public since November 9, 2009, is aimed at facilitating access to information concerning the emission of pollutants. The vast majority of waste and some wastewater system activities are affected by this regulation (although certain thresholds do, however, exist) and, consequently, the operators concerned must provide precise data on their emissions every year (the initial year of reference was 2007).

#### Seveso III

The Seveso Directive on the control of major-accident hazards involving dangerous substances requires Member States to ensure that all operators concerned by the Directive have implemented a policy for the prevention of major accidents. Operators that handle hazardous substances above certain thresholds are required to regularly inform the public likely to be affected by the consequences of an accident, by establishing safety reports, a safety management system and an internal emergency plan. Directive 2012/18/EU of July 4, 2012, known as "Seveso III" amends and, as from June 1, 2015, will replace the previous regulation (Directive 96/82/EC of December 9, 1996, known as "Seveso II"). Among other things, it harmonizes the list of chemicals with that of the new classification system for hazardous substances of the CLP Regulation (1272/2008/EC).

#### REACH

The Registration, Evaluation, Authorization and Restriction of Chemical substances (REACH) regulation has been in force since June 1, 2007. In order to offer better protection of human and environmental health against risks that may derive from chemical substances, the REACH regulation makes industry responsible for

evaluating and managing the risks of the said substances and for providing adequate safety information to users.

REACH involves specific communication throughout the life cycle of substances, so as to guarantee regulatory compliance and to ensure that the planned uses (including at end-of-life) are taken into account. Henceforth, the Group – like all those in the industry – must therefore check with their suppliers that the substances they use in the context of their activities are indeed REACH-compliant.

Since December 1, 2010, companies must also have registered all substances produced above the threshold of 1,000 metric tons per year and per legal entity with the European Chemicals Agency (ECHA), unless the product in question is subject to exemption. The Group's activities are affected by this registration obligation in the context of the sale of recycled substances (secondary raw materials) as well as for certain substances produced *in situ*. The number of substances registered is very low, as the majority of recycled substances sold on the market are exempt due to their similarity with existing substances.

#### The Energy-Climate Package

On December 17, 2008, the European Parliament adopted several proposals aimed at both fighting climate change and guaranteeing the European Union a safer and more sustainable energy supply.

The "Energy-Climate Package," as it is commonly known, brings together:

- a directive which modifies and extends the greenhouse gas emission allowance trading scheme, from which the Group's facilities in the water and waste sectors continue to be excluded;
- a decision relating to the distribution of effort among the Member States in domains that are not covered by this scheme, such as transport, construction or environmental services;
- a directive intended to promote renewable energies, such as biogas and energy produced from waste biomass or wastewater treatment by-products;
- a directive on the geological storage of CO<sub>2</sub>;
- new guidelines concerning state aid for the conservation of the environment, published April 1, 2008 and aimed at supporting the investment effort necessary to achieve these objectives as set forth in the aforementioned laws.

This initiative is part of the ambitious "climate" action plan, adopted by the European Council in March 2007. The main recommendation of the plan is a European Union commitment to reduce its greenhouse gas emissions by at least 20% by 2020, a compulsory objective of 20% of renewable energy in energy consumption within the same timescale, and lastly a 20% increase in energy effectiveness (program known as "3x20").

#### (b) French regulations

In order to implement the commitments made in 2007 within the context of the Grenelle Environment Forum (*Grenelle de l'Environnement*), four legislative proposals were adopted in 2009 and 2010:

- programming Law No. 2009-967, relating to the implementation of the Grenelle Environment Forum, known as the "loi Grenelle I" (Grenelle Law I), defined the main orientations: it translated the commitments made at the "Grenelle" into legal terms;



- Law No. 2010-788 for a national environmental commitment, known as the “loi Grenelle II” (Grenelle Law II), set out the conditions for implementing the commitments made in 2007;
- the initial finance law for 2009, No. 2008-1425, detailed the financing methods for the measures adopted within the context of the “Grenelle”, as well as the new ecological tax instruments;
- the amending draft finance act for 2007, No. 2007-1824, took note of the measures decreed prior to the adoption of the “Grenelle Laws,” such as the “Bonus/Malus” (bonus/penalty) scheme for vehicles.

The “Grenelle Laws” and the regulatory provisions supplementing them, represented both new obligations and new opportunities for the environmental sector.

In the water sector, Grenelle Law II introduced a large-scale program for regaining water quality by forcing the various economic players to take responsibility: local authorities must meet wastewater treatment standards, farmers must reduce their use of pesticides and manufacturers whose activities pollute must fulfill new obligations. The main measures were:

- new or increased use of renewable energy or recycling in water treatment;
- limiting losses in water distribution networks;
- provisions for rainwater management and use, plus taxes on ground that is rendered impermeable;
- allocation of new tasks to the public regional water boards (*Établissements Publics Territoriaux de Bassin*, or EPTB) in order to implement mandatory water management and development programs;
- creation of land and water corridors to prevent the loss of biodiversity;
- concerted policies to reduce phytosanitary products by 50% as part of the Ecophyto 2018 plan.

Within the domain of waste management, the main objectives were:

- to reduce the production of waste by 7% per person per year for the next five years;
- to reduce the quantity of waste landfilled or incinerated by 15% by 2012, notably by raising the general tax on polluting activities (French TGAP) on landfilling and the creation of a TGAP on incineration;
- to improve the recycling rates of packaging, household, industrial and commercial, building and public works waste;
- to promote incentivizing measures through the establishment of proportional pricing on waste collection, greater enforcement of Extended Producer Responsibility and the application of tax measures on products that generate high levels of waste;
- finally, to roll out planning measures by strengthening local plans to prevent the production of waste.

At the end of 2012, the Grenelle Law, which generated nearly 45 decrees on waste-related matters, was largely completed.

### (c) Chinese regulations

China continues to reinforce its environmental policy and regulations to set higher standards, notably in marine, air and soil pollution, and the protection of groundwater, species and natural habitats. The State Council of the People’s Republic of China in December 2011 approved the twelfth “Five-Year Plan on Environmental Protection,” which sets out policies for the reduction of carbon emissions, pollution control and environmental risk management in China for the 2011-2015 period. Although this Plan is a high-level policy document which does not set legal requirements, it puts in place a wide range of policies to protect the environment in order to guide the provinces and municipalities, including the rules and new or revised objectives for the management and protection of the environment.

In 2013, the Ministry of Environmental Protection (MEP) circulated public announcements revealing major pollution incidents and naming the polluters (including some State-owned enterprises). The MEP also invited the media to attend and to provide public oversight of offenders. On June 18, 2013, the Chinese Supreme Court and the Justice Department jointly issued a new legal explanation that imposes tougher sanctions on polluters. This legal document lays down more specific criteria concerning convictions and sentences and lists 14 types of activities that will be considered “crimes of weakening the protection of the environment and resources”.

In terms of public contracts, the law on the public tender process, adopted in 2000, regulates construction projects funded by the State, including the large-scale infrastructure projects and bids by State-owned companies. The law covers the principles of openness, fairness, impartiality and good faith, and states that for construction projects a public tender process must be the primary method of awarding contracts. The terms for applying the law were issued by the Council of State in December 2011.

Regarding concessions, the Administrative Measures on Urban Public Services Concessions issued by the Ministry for Construction in March 2004 (water, wastewater treatment and waste treatment) establish a legal framework (including a tender process) for so-called urban utility works and service concessions.

### (d) Australian regulations

Environmental matters in Australia traditionally fall within the jurisdiction of State governments rather than the federal government, and each state has its own air, water, soil and biodiversity protection regulations.

At the federal level, the Renewable Energy Target (RET) scheme sets a goal of increasing the proportion of power from renewable sources to 20% of the country’s total electricity generation by 2020.

The 2007 National Greenhouse and Energy Reporting (NGER) Act established a national framework for businesses to file their greenhouse gas emission, energy consumption and energy production reports.

The so-called “Clean Energy Future” package, adopted on November 8, 2011, set a price for carbon emissions and included an Australian carbon tax applicable from July 1, 2012.

The election of the coalition government led by Tony Abbott on September 7, 2013 caused a significant change in policy at the federal level. Although the new government intends to maintain the Kyoto targets agreed by the Labour Party, to reduce carbon emissions in Australia by 5% (compared to 2000) by 2020, it intends to replace the Carbon Price Mechanism (CPM) through direct funding of projects to reduce emissions. The government has committed to a broader consultation process to determine the composition of the future Emissions Reduction Fund (ERF). A Green Paper on the design

of this fund is expected in late 2013, followed by a White Paper in early 2014, with the aim of repealing the current CPM on July 1, 2014.

In accordance with the NGER Act, the reporting of greenhouse gas emissions and energy consumption data will continue under the carbon policy of the new coalition. These data will be used to determine emission reductions under the ERF and to indicate emission reductions beyond the overall baselines determined for industries.

## 6.7.2 Regulations related to activities

### ➔ 6.7.2.1 Water services

#### (a) European law

##### Framework for an EU policy in the water sector

Directive 2000/60/EC establishing a framework for the European Union's water sector policy, as revised in 2008, aims at restoring the quality of groundwater and surface water between now and 2015.

In addition to this outcome objective, it sets forth requirements with regard to the methods to be implemented: reducing the release of "priority" substances, which are considered to be most harmful for the environment and human health, drafting and implementing master plans and action plans, monitoring the results of the actions aimed at restoring the quality of environments and reporting on this to the European Commission.

The directive recommends that water usage and its impact be analyzed on an economic basis, and provides for increased public participation and consultation. It sets the objective of full recovery of service costs and establishes the polluter pays principle.

The directive also sets forth a strengthened legal and institutional framework for the water resource management policy, which is very similar to the French system of management through large river basin districts.

Three European Commission progress reports on implementation of the directive, published on March 22, 2007, April 1, 2009 and November 14, 2012, specify this approach by recommending the establishment of river-basin management plans combined with the setting up of programs of measures that are now operational in almost all EU Member States (with the exception of Spain, Portugal, Greece and Belgium). The third progress report indicates that the Directive's environmental objectives will not be achieved across Europe by 2015. Meanwhile, an action plan to safeguard Europe's water resources was published on November 14, 2012 to provide Member States with tools to help achieve these goals. The plan urges better implementation of the water framework directive of 2000 but does not impose additional obligations on States. It also proposes the issuance, by 2015, of a new EU regulation to make the best use of water reuse techniques.

The 2000/60/EC directive is separated into two implementation directives (known as daughter directives) which specify the "good condition" to be reached for ground and surface water between now and 2015.

Directive 2013/29/EC, published on August 12, 2013, and amending Directive 2008/105/EC relative to environmental quality standards applicable to surface water, sets concentration thresholds for 45 chemical substances or groups of chemical substances identified as a priority because of the significant risk they present to the environment and/or to human health via the aquatic environment. Twenty-one of these substances have been classified as hazardous; emissions of these substances into surface water must cease by 2021. The other substances are subject to national reduction targets, to be defined by the Member States. Three pharmaceutical substances were placed on a watch list. By 2017 the European Commission will assess the future inclusion of pharmaceuticals among the priority substances.

The goals of Directive 2006/118/EC on the protection of groundwater against pollution and deterioration are primarily the good chemical status of water and the prevention or limitation of the introduction of pollutants into groundwater. In France, the directive has been transposed within the context of the Law on Water and Aquatic Environments (LEMA No. 2006-1772 of December 30, 2006) and the corresponding regulatory measures amending the Environment Code.

##### Directive on drinking water

Directive 98/83/EC on the quality of water intended for human consumption has raised requirements in terms of several parameters (turbidity, chlorites, arsenic, volatile organohalogenates and nickel) and notably concerning lead (25 µg/l end-2003 and 10 µg/l end-2013), which means that eventually there may be no contact between drinking water and lead pipes, hence the replacement of all existing lead pipes and the work required in private and public properties to achieve this goal. It also raised requirements regarding public information on the quality of water distributed. After consulting the stakeholders concerned in 2003 and 2008, the Commission decided in 2011 not to revise this directive, and to restrict itself to amending the details in various annexes.

##### Directives on wastewater activities

European Directive 91/271/EEC, concerning urban residual water treatment, introduced several major categories of obligations to:

- efficiently collect and provide for secondary treatment of wastewater in municipalities with over 2,000 inhabitants;
- define "sensitive areas" at a national level, where treatment of nitrogen and/or phosphorus is required;

- require a high degree of reliability of wastewater treatment systems and impose the obligation to monitor these systems; and
- pursue the option of using non-collective wastewater treatment “when the organization of a collection system is not justified, whether because it is not in the best interests of the environment or because the cost would be excessive”, provided that the system provides “an identical level of environmental protection”.

Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources is intended to protect water resources, and requires the definition of “vulnerable areas” where codes of best agricultural practices must be established.

Directive 2006/07/EC concerns surface water that could serve as bathing water. Member States must provide for the supervision and assessment of their bathing water. Information regarding the classification, description of swimming water, and potential water pollution must be easily accessible to the public and provided close to the area concerned.

Both the 2006/44/EC directive on the quality of fish farming water, and the 2006/113/EC directive on the quality required for shellfish farming water apply to water that requires protection or quality improvement to be fit for raising fish and shellfish respectively.

#### (b) French regulations

In France, a number of laws regulate water pollution, and numerous public authorities are in charge of implementing them. Some discharges and various other activities that potentially have a negative impact on the quality of surface water or groundwater are subject to authorization or declaration. Public authorities must therefore be informed of any installation of a pumping system for groundwater that exceeds predetermined volumes and the law forbids, or limits, the release of various substances into water. Violation of these laws is subject to civil and criminal sanctions and the company may itself be held criminally liable.

Law No. 2006-1772 on water and aquatic environments, dated December 30, 2006, is intended to modernize the legal framework for water management and improve water quality in order to achieve the objectives of good ecological and chemical status set forth in Directive 2000/60/EC by 2015. It is also intended to improve public water and wastewater services (access to water and transparency).

The delays observed in the application of the directive on urban residual water treatment (91/271/EEC) have required the government to step in where local authorities have been slow to comply. A schedule of measures and dedicated financing has been implemented within the context of the “Borloo Plan to standardize the treatment of wastewater from French municipalities” to meet the goal of 100% compliance by all wastewater treatment plants before the end of 2011, as defined in the framework of the “loi Grenelle I”. The targets were essentially met by the end of 2011, although work continues at some sites.

#### (c) Spanish regulations

In Spain, private contract law governing water, dating from 1879, was entirely superseded in 1985 by public provisions under which all surface and ground water was considered as belonging to the

public domain. The private use of such water requires a concession or administrative license. The Water Law of 1985 transposed all EU requirements contained in the previously adopted directives.

The water laws (RDLeg 1/2001, of July 20, 2001) also impose processes for water desalination and re-use, presented as solutions for increasing the availability of water resources. As for water conservation, the law introduces the general obligation to measure water consumption using standardized metering systems, or for an administrative definition of standard water use in irrigation.

To guarantee the good ecological status of water, the operating permits impose strict limits on authorized ecological flows and discharges.

#### (d) United States regulations

In the United States, the primary federal laws regarding water distribution and wastewater services are the Clean Water Act of 1972, the Safe Drinking Water Act of 1974, and the regulations issued to implement these laws by the Environmental Protection Agency (US EPA). Each state has the right to impose higher standards and stricter criteria than those established by the EPA, and several States have done so.

The main regulatory changes of the past few years are as follows:

In the drinking water sector, in 2002 the EPA adopted the Interim Enhanced Surface Water Treatment Rule for systems with more than 10,000 population equivalent (PE) and the Long-Term 1 Enhanced Surface Water Treatment Rule for systems with less than 10,000 population equivalent (PE).

In 2006, this text was updated to strengthen protective measures against contaminants required for high-risk public water networks. The EPA also tightened up regulation relating to disinfection by-products (Stage 2 Disinfectants and Disinfection Byproducts Rule). Finally, the Ground Water Rule establishes multiple restrictions designed to prevent drinking water from being contaminated by bacteria or viruses. The proposed revisions to the standards relating to coliform bacteria (Total Coliform Rule) should prompt those systems vulnerable to microbiological contamination to adopt more effective operating practices.

Since 2010, the EPA has developed a new strategy to protect public health against contaminants which promotes a “grouping” approach to contaminants, stimulates technological innovation and strengthens the implementation of existing legislation, such as the Toxic Substances Control Act (TSCA). In wastewater treatment, many facilities are now required to add a third treatment stage to remove phosphorus and eliminate nutrients in order to preserve fragile environments. Many of these are also now required to control their toxic emissions and comply with quality standards aimed at restoring favorable conditions for bathing and fishing in the receiving environment. As part of the national emissions licensing system, the EPA uses a method that analyzes total effluent toxicity. Under the provisions of the Clean Water Act, the municipalities are also led to invest in the renovation of their wastewater treatment infrastructures as well as in the reduction of flows at source, in order to improve control of diffuse discharges – rainwater and wastewater from sewers, in particular – in the natural environment.

### (e) Chinese regulations

On October 2, 2013, Chinese Prime Minister Li Keqiang signed the urban wastewater and wastewater treatment regulations, set to take effect on January 1, 2014. The regulations require authorities at the province government and higher administrative levels to include urban wastewater and wastewater treatment in their plans for economic and social development. Companies, public institutions and individual businesses engaged in industrial, construction, restoration or medical activities and discharging their wastewater into urban wastewater equipment must apply for a wastewater discharge permit. Moreover, these regulations clarify regulatory requirements, strengthen liability investigations and impose strict legal obligations in the event of a violation.

The foreign investors' Brochure, revised in 2011, still states that the construction and operation of the water supply and sewage system in cities with a population of over 500,000 people belongs to the "restricted" category – *i.e.*, the Chinese domestic partner must hold 51% of the share capital in the joint company when the project is located in a city of this size.

#### ➔ 6.7.2.2 Waste services

In many countries, waste treatment sites are subject to laws that require service providers to obtain authorizations from public authorities to operate their sites. Obtaining these authorizations requires that specific studies be presented covering environmental impacts, human health and assessment of the risks pertaining to the facility concerned. Operators of landfills must provide specific financial guarantees (often in the form of bank guarantees) that cover the restoration of the site and monitoring after the closing of the site (for a 30-year period in most countries). Operators must also observe specific standards with respect to discharges and emissions arising from processes; incineration plants, for example, are subject to regulations intended to limit emissions of pollutants and to encourage energy recovery. Waste flows are also subject to specific regulations depending on their type.

### (a) European law

#### Waste Framework Directive

The new Waste Framework Directive (2008/98/EC) was published in the OJEU on November 22, 2008. This directive simplifies existing legislation by repealing the former directive on waste, the directive on hazardous waste and part of the directive on the disposal of used oils. Member States had two years to transpose the directive into national law.

By establishing a new framework for waste management services in Europe, European authorities wish to encourage national waste prevention programs and to promote recycling and recovery.

The new directive thus reinforces the principle of hierarchy in waste treatment methods, encouraging Member States to employ, in order of priority, prevention, reuse, recycling, energy recovery and finally – as a last resort – disposal in a landfill. An analysis based on the "life-cycle" approach will, however, allow certain adjustments to be made within this hierarchy. At the same time, the Member States have been set ambitious recycling targets: 50% of municipal waste and 70% of non-hazardous construction and demolition waste by 2020.

The directive clarifies the definitions of recycling and recovery and recognizes incineration with energy recovery – if certain efficiency criteria are met – as a recovery operation. It also introduces two new notions: that of the by-product and that of the "end-of-waste status"; regarding the latter, more precise criteria are currently being defined through the comitology process. This same process was also used in 2011 to define a method for measuring waste-recovery efficiency against targets.

#### Regulations relating to cross-border shipment of waste

Regulation 1013/2006/EC governs cross-border shipments of waste; the objective being to provide management that is ecologically rational. It establishes a preliminary authorization system for the shipment of waste, drawing a clear distinction between waste that is destined for recovery – whose movement is, in principle, unrestricted – and waste destined for definitive disposal (landfill, incineration), for which export is, in principle, prohibited unless there is a specific agreement between Member States. This regulation also incorporates Basel Convention provisions on the control of cross-border hazardous waste movements and disposal.

The regulation provides for more rigorous performance measures. It requires Member States to carry out inspections and spot checks. It also authorizes physical controls of transferred waste, in particular the opening of containers, and requires Member States to notify the European Commission of their domestic legislation covering illegal transfers and corresponding sanctions. A proposal to revise the regulation was published by the European Commission on July 11, 2013 (COM(2013) 516).

#### Directive on landfilling of waste

The 1999/31/EC directive on landfilling waste sets the technical and operational requirements applicable to both waste disposal sites and the waste deposited. It aims to prevent or reduce the environmental impact of the landfill of waste – in particular on surface water, groundwater, soil, air and human health. It defines the various categories of waste (municipal, hazardous, non-hazardous and inert) and distinguishes between three types of facilities: landfills for hazardous waste (known as "Class I" in France), landfills for non-hazardous waste (known as "Class II" in France), and landfills for inert waste (known as "Class III" in France).

The objective it sets out is for Member States to reduce the quantity of landfilled biodegradable waste: as of 2009, the quantity of landfilled biodegradable waste could not exceed 50% of the total biodegradable waste produced in 1995, with the goal being to not exceed 35% by 2016. The directive also stipulates that only waste that has been subjected to prior treatment shall be allowed, and that decommissioned sites shall be subject to surveillance and analyses as long as the competent authorities deem it necessary (a 30-year period in France).

#### Industrial emissions directive

Directive 2010/75/EU on industrial emissions, published in the OJEU on December 17, 2010, incorporates Directive 96/61/EC on Integrated Pollution Prevention and Control (IPPC) along with six sector-based directives, including the directive on incineration (2000/76/EC) and the directive on limiting emissions of certain pollutants into the air from large combustion plants (2001/80/EC). Following a two-year deadline for transposition, the directive should come into effect in early 2014, or early 2016 for existing facilities.

Today, as a complement to the environmental thresholds put in place by the directive on the incineration and co-incineration of waste, the IPPC directive stipulates that certain industrial and agricultural activities – including waste management – must be subject to prior authorization that requires certain environmental conditions to be met. Companies are responsible for preventing and reducing pollution that they might cause, through the adoption of specific measures (for example: recycling, accident prevention and treatment of sites at end-of-life), and through meeting operating requirements (for example: limits to the emission of polluting substances and monitoring of discharges). The new directive introduces more stringent BREFs (documents defining the best available techniques), a modification to the limit values for emissions, and broadens the scope of application to new types of facilities, including recycling facilities.

#### Directives relating to specific waste

Directive 94/62/EC aims to reduce the environmental impact of packaging and packaging waste. This directive established quantified targets for December 31, 2008 for the recycling and recovery of packaging used in the European market:

- a minimum of 60% of packaging waste must be recovered or incinerated at energy recovery facilities;
- between 55% and 80% of packaging waste must be recycled;
- the following objectives must be met for materials contained in packaging waste: 60% for glass, paper and cardboard; 50% for metals; 22.5% for plastics and 15% for wood.

The directive was revised in 2004 to clarify the definition of the term "packaging," then again in 2005 to allow new Member States extra time for implementation.

Directive 2002/96/EC on waste electrical and electronic equipment (WEEE) imposes measures concerning product design, the establishment of collection, treatment and especially recovery systems and manufacturers' participation in these measures in such a way as to encourage them to integrate recycling measures into the design stage. The directive introduces the principle of extended producer responsibility, making it mandatory for them to fund collection from the drop-off sites and treatment, recovery and disposal of WEEE (for both households and businesses). These obligations are accompanied by quantified targets for selective collection, recovery and reuse.

Directive 2012/19/EU entered into force on August 13, 2012, amending the previous directive. Targets for collection rates were thus increased to 45%, by 2016, of the average household and commercial EEE on the market in the preceding three years, and 65% by 2019. In addition, recycling and recovery targets, currently set by equipment category at between 50% and 75% for reuse and recycling and between 70% and 80% for recovery, will be raised by 5% by 2018. Finally, the scope was expanded to include, in principle, all electrical and electronic equipment (with the exception of a few equipment categories that are specifically excluded).

Similarly, Directive 2011/65/EU on the Restriction of Hazardous Substances (RoHS) in electrical and electronic equipment was published in the OJEU on July 1, 2011.

The 2006/66/EC directive lays down the rules for the collection, recycling, treatment and disposal of batteries and accumulators. It prohibits the sale of certain batteries containing mercury or cadmium in a proportion greater than a preset threshold, and sets two collection targets (25% minimum by September 26, 2012 and 45% minimum by September 26, 2016). This directive was modified by the 2008/12/EC directive, which came into force on March 30, 2008, and which specifically introduced changes in the implementing powers conferred on the European Commission.

The 2000/53/EC directive, relating to end-of-life vehicles, requires owners of end-of-life vehicles (ELVs) to return them to an authorized operator for destruction, on penalty of being unable to deregister their vehicle. Destruction involves extracting all materials and optimizing their reuse, recycling or recovering what can be recovered. The recycling rate must reach 80% and the recovery rate 85% beginning in 2006, and respectively 85% and 95% by 2015.

The 86/278/EEC directive on the protection of the environment, and in particular of the soil, regulates the use of sewage sludge in agriculture, so as to avoid harmful effects on soil, plants, animals and humans. Thus, in order for sludge from wastewater treatment plants to be recovered for agricultural purposes, it must comply with traceability requirements with regard to organic compounds and the various metallic trace elements that it may contain (heavy metals such as cadmium, mercury or lead). French standard NFU 44-095, drafted in 2002 and now applicable in France, goes further, defining a strict framework for recovery into soil conditioner of remaining substances after composting, produced by the treatment of wastewater or by the organic portion of household waste.

#### (b) French regulations

In France, in compliance with Articles L. 511-1 *et seq.* of the ICPE (Environmental Code regarding Plants Classified for the Protection of the Environment), ministry and prefecture decrees and orders define the rules governing the treatment of waste. They specifically regulate the design, building, operation and monitoring after closure of these facilities. Hazardous waste is subject to strict tracking obligations throughout the entire treatment chain. Traceability of hazardous waste is provided by a waste tracking form (BSD). Energy recovery units are subject to numerous restrictions, notably limitations on emissions of pollutants. A third ICPE system that complements the reporting and authorization systems, known as the registration system, was introduced in 2009. It helps speed up the licensing process by replacing the public inquiry procedure with a public information process.

The waste management section of the Grenelle Law is largely completed. Its measures include the establishment of separate biowaste collection by large producers, a planning reform making waste management plans compulsory for construction projects and, lastly, the implementation of a greenhouse gas emissions analysis.

In addition, France now has nearly 20 Extended Producer Responsibility (EPR) mechanisms, with the most recent covering furniture waste, special household waste and medical waste.

## 6.8 Group environmental, corporate and social responsibility policy

Since the 2001 NRE (New Economic Regulations) law, French listed companies must report on their environmental and social impact in their management report. The Grenelle Law II (Article 225) reinforces these obligations by specifying the information that companies must report in three areas:

- environmental policy (section 6.8.1);
- employee relations policy (section 6.8.2);
- corporate social commitments to sustainable development (section 6.8.3).

### 6.8.1 Environmental Policy

Due to the nature of its water and waste activities, the Group is involved in the following environmental issues:

- accompanying the growth of the world population and urbanization;
- environmental preservation, involving: water, air, soil and public health, and control of potential impacts from the operation of water and waste treatment plants;
- mitigation and adaptation to climate change and reduction of greenhouse gas emissions;
- control of energy resources and the need to develop renewable energies;
- reducing the pressure on natural resources, through the preservation of commodity resources and the need to develop, improve and diversify recycling processes;
- protection of biodiversity.

SUEZ ENVIRONNEMENT's customers cover a very wide spectrum:

- local authorities with which water and waste management contracts are signed, as well as community residents – the end users of these services;
- industrial companies and service companies, managers of industrial parks, urban development companies, natural heritage managers and farmers.

Regarding protection of the environment, SUEZ ENVIRONNEMENT offers them solutions to treat their waste and discharge and to recover, through a circular economy, the recoverable portions of waste or energy.

SUEZ ENVIRONNEMENT is thus a major contributor towards efforts to reduce pollution and hazards and to preserve resources and habitats.

Alongside this positive impact on the environment, there are nevertheless "negative contribution" aspects, as for all industrial activities, resulting from the operation of waste or water treatment centers, although they have a quantitatively lower impact on the environment. For this reason, they are governed by regulatory provisions applying to building and operating activities, in order to protect the environment.

The remaining risks of impact on natural habitats and resources must be measured, controlled, and reduced to a minimum in a process of continuous improvement, through veritable environmental management of the facilities and procedures used.

Potential environmental nuisances or damage expose the Group to various risks, which are likely to generate additional costs, but also affect its image and reputation.

In general, and particularly for "service businesses activities", the Group's environmental performance is related to its operating performance. Because of increasingly strict regulatory restrictions in terms of environment, the local authorities are often required to call upon the expertise of qualified professionals to manage their assets and services.

#### ➔ 6.8.1.1 Environmental management

The Group has implemented a process aimed at improving its environmental management, minimizing the impacts of its activities and being proactive in its approach. Furthermore, complying with local, regional and national regulations is an ongoing concern:

- the Group develops innovative solutions in order to offer customers, whether they be municipalities or businesses, solutions that will solve their environmental problems efficiently and at the lowest possible cost, and to assume the water and waste management responsibilities entrusted to them by the legislative authorities more effectively;
- the Group constantly monitors the adequacy of all the plants and services it provides or manages to ensure that they meet the growing demands of environmental regulations. It also anticipates new legislation in order to be in the optimum position to meet the expectations of its customers and interested parties;
- it encourages its subsidiaries to implement their own environmental policies in line with the shared principles defined for the entire Group based on their activities, local economic conditions, and the needs of their industrial and municipal customers.

**ENVIRONMENTAL RISK MANAGEMENT**

SUEZ ENVIRONNEMENT takes special care in monitoring environmental risks. SUEZ ENVIRONNEMENT's environmental management is reviewed annually by the Board of Directors' Ethics and Sustainable Development Committee. Following the committee's recommendation and challenge, the Executive Committee approved a proposal to review this management.

As a result, a new Environmental Risk Management Policy was signed by the General Management in 2012, reaffirming the Group's commitment in this area.

This policy clarifies the respective roles of the business units and head office. It also aims to define the Group's rules for environmental management and to specify standards that are to be applied

worldwide. The rollout of this policy began in 2012 and was continued in 2013.

Where risks are identified, action plans to minimize the potential impact of an incident or environmental accident are implemented and monitored until their conclusion.

Section 4.2.2 of this Reference Document describes the management mechanisms for reducing industrial and environmental risks.

**ENVIRONMENTAL MANAGEMENT SYSTEMS CERTIFICATION**

The Group encourages site managers and entities in charge of the services it offers to obtain EMAS, ISO 14001 or equivalent international standard certification.

The indicators below show the extent of the Group's certifications and/or implementation of environmental management systems by activity:

Indicator	2013 Data
<b>Waste</b>	
Relevant activity, in metric tons processed, covered by a certified environmental management system	36.2 Mt
Portion of waste treatment activity covered by an environmental management system (EMS)	87%
<b>Water</b>	
Relevant activity, in volume, covered by a certified environmental management system	5,498 Mm <sup>3</sup>
Portion of activity covered by an environmental management system	74%

**THE ENVIRONMENT IN THE SUSTAINABLE DEVELOPMENT ROADMAP**

The environment is an integral part of the new Sustainable Development and Corporate Social Responsibility Roadmap for the 2012-2016 periods.

Validated at the end of 2012 by the SUEZ ENVIRONNEMENT Executive Committee, new commitments and objectives were formalized in 3 priorities and 12 commitments. Commitments specific to the environment are defined in priority 1:

**Commitment 1: Help our customers to better manage the water cycle as a whole****Quantified targets**

- Reduce losses in drinking water networks to avoid wasting a volume of water equivalent to the annual consumption of a city of 2 million inhabitants;
- Aim to equip more than 20% of our customers with smart meters.

**Progress target:**

- Expand the reuse of treated wastewater.

**Commitment 2: Help our clients to optimize the management and recovery of their waste****Quantified target**

- By 2016, achieve a ratio in Europe of two metric tons of waste intended for recovery for every one metric ton of waste intended for disposal.

**Progress target:**

- Develop channels for the production and marketing of alternative solid fuels.

**Commitment 3: Improve the environmental footprint of our facilities and services****Quantified targets**

- By 2016, achieve a ratio of two metric tons of greenhouse gas emissions avoided for every one metric ton emitted (Waste Europe scope);
- Increase the production of useful energy by 15% (about 700 GWh more than in 2011) (Waste Europe scope) equal to the annual power consumption of over 100,000 Europeans;
- Biodiversity: increase the number of regulatory and voluntary action plans implemented at sensitive sites in or near protected areas.

**Progress targets:**

- Improve the energy efficiency of drinking water production and wastewater treatment plants at equivalent service levels;
- Increase the energy output/energy consumption ratio for the Water business (indicator: kWh of energy generated/kWh of energy consumed).

**Commitment 4: Improve customer satisfaction and trust****Quantified targets**

- Target rate of 80% customer (consumer) satisfaction in the Water business;
- Target rate of 80% customer (company and local authority) satisfaction in the Waste business.

**Progress target:**

- Boost the number of contracts that include targets for environmental performance and service quality.

The table below shows the results of indicators audited by the statutory auditors with reasonable assurance at SUEZ ENVIRONNEMENT level.

Indicator	2013 Data
Production of useful energy by the Group's activities (Waste Europe scope <sup>(a)</sup> ) (XXX)	5,139 GWh
Consumption of energy (primary and secondary sources) by the Group's Water activities (XXX)	6,043 GWh
Direct greenhouse gas (GHG) emissions from Waste activities in Europe <sup>(a)</sup> , from processes or equipment owned or controlled by SUEZ ENVIRONNEMENT, and indirect emissions associated with the consumption of power and heat by SUEZ ENVIRONNEMENT and the consumption of fuel of its suppliers (XXX)	4.4 Mt CO <sub>2</sub> eq
Technical yield of the networks (XXX)	77.5%

See meaning of (XXX) in section 6.8.1.8.

(a) Waste Europe scope consisted of SUEZ ENVIRONNEMENT's European subsidiaries and Sita France's international subsidiaries

**EMPLOYEE TRAINING AND INFORMATION ON ENVIRONMENTAL PROTECTION**

The Group keeps its employees informed about its performance, actions and best practices in environmental protection via its intranet, management reports and dedicated meetings. Related training is also provided. Specifically, the Group has launched "Ambassador", its first "Serious Game", the purpose of which is to help all employees, particularly new recruits, to understand the Group's businesses and challenges, especially those involving sustainable development. In an urban environment, Ambassador simulates relationships between water and waste, the environment and society. The employee plays the central role, aiming to achieve and maintain a high level of customer satisfaction by resolving various problems.

At the subsidiary level, training and information activities tailored to the local context are also organized.

**AN ORGANIZATION AND SYSTEMS FOR MEASURING AND CHECKING ENVIRONMENTAL AND OPERATIONAL PERFORMANCE**

Since 2003, SUEZ ENVIRONNEMENT has employed a special reporting system to manage the deployment of its environmental actions, to control environmental risks and to keep stakeholders informed about its environmental performance and operating results. This system was developed on the basis of recommendations resulting from work carried out in forums for international dialogue such as the "Global Reporting Initiative" (GRI) and the "World Business Council for Sustainable Development" (WBCSD). It meets the requirements of the NRE law and covers the information required by Article 225 of the French Grenelle II Act of July 12, 2010 and its implementing decree of April 24, 2012.

Companies are now increasingly moving to measure their ecological impact in order to raise awareness among their customers and to promote their products and services. The evaluation criteria are based on strong internal environmental protection requirements.

The reporting exercise carried out in 2013 and the Group's practices in the area have continued, through a process of continual improvement, to improve the procedures for gathering and disseminating information on the environment, among other subjects.

This information is also disseminated via SUEZ ENVIRONNEMENT's Annual Report and the reports published by its business units.

Environmental reporting is closely linked to operating performance reporting and thus becomes a genuine management tool. Through its network of environmental officers and via annual reporting, SUEZ ENVIRONNEMENT monitors its subsidiaries' environmental activities and ensures that best practices are shared.

Indicators for measuring and improving environmental and operating performance are reported to headquarters, and the results are relayed to the operating managers. The indicators show the progress made and provide an overall view as well as specific views of each of the business units with comparable activities within the Group (benchmarking-type analysis).

This desire to make the environment an integral part of its management is supported by the Group's General Management and is implemented in the field by the operating teams.

In an annual Environmental Compliance letter, the CEOs and environmental officers of SUEZ ENVIRONNEMENT's business units and subsidiaries express their commitment to the following:

- environmental and performance data conveyed through the reporting process, audited and deemed fair and consistent;
- the Business Unit applies the Group Environmental Risk Management Policy. Significant and critical risks are identified and appropriate action plans are established, which are quantified and monitored.

➔ **6.8.1.2 Health protection**

**WATER: QUALITY MONITORING**

Concern for consumers' health is the motive for the implementation of major control mechanisms within the Group, as well as for the methods and tools for preventing potential health crises. The Group's sites are subject to systematic surveillance, for example via remote monitoring and a round-the-clock operating alert system.

Apart from this constant monitoring, the Group has procedures in place for managing health crises. Susceptible critical activities and personnel are identified to ensure service continuity.



Regulation defining quality standards develops in response to the identification of new risks. Aside from bacteriological and physicochemical criteria, certain "emerging" substances (*i.e.* chemical molecules, endocrine disruptors, etc.) are of particular concern to experts and operators in the water and environment sector. The Group has put in place specific research programs in

this area so as to be better able to detect, monitor, understand and handle such new molecules.

Wastewater treatment helps to reduce the resulting concentrations of organic material, nitrogen and phosphorus released into the environment.

The indicators set out below show measures put in place by the Group in order to limit the release (linked to its activity) of substances in water and soil:

Indicator	2013 Data
<b>Waste</b>	
Quantity of leachates treated (landfills in operation – non-hazardous waste)	3.1 Mm <sup>3</sup>
<b>Water (wastewater treatment)</b>	
Purification yield on organic substances in BOD <sub>5</sub>	91%

#### WASTE: CONTROLLING POLLUTING ATMOSPHERIC EMISSIONS

In the waste sector, emissions are constantly monitored.

The indicators below show the consolidated figures for the emission of major pollutants:

Indicator	2013 Data
<b>Incineration (non-hazardous waste)</b>	
SO <sub>x</sub> emissions	297 t
NO <sub>x</sub> emissions	3,894 t
Emissions of dust and particles	53 t
<b>Hazardous waste treatment</b>	
SO <sub>x</sub> emissions	57 t
NO <sub>x</sub> emissions	521 t
Emissions of dust and particles	24 t

#### WATER AND WASTE: LIMITING NOISE AND ODOR POLLUTION

SUEZ ENVIRONNEMENT (through its Innovation and Industrial Performance Department) has recently developed "NOSE", a service that objectively evaluates and models the impact of the olfactory footprint of residual water treatment activities and sites, sludge recovery and waste management on local residents.

This service enables the Group to suggest solutions for controlling the olfactory footprint, by keeping it below the level of two units of odor per m<sup>3</sup> (UO.m<sup>-3</sup>) and thus meeting regulatory requirements (footprint below the threshold of five units of odor per m<sup>3</sup>) when these exist.

Specific measures to prevent or treat noise and odors are planned from the design phase of the facilities. In existing facilities, preventive and corrective measures are implemented. The following examples illustrate these actions:

- design and installation of dedicated treatment units;
- installation of biogas capture and processing systems;

- operational practices to minimize the generation and dispersion of odors;
- application of masking agents (*e.g.*, in the working areas of landfills in operation);
- measurement and verification of compliance with regulatory thresholds for day/night noise levels;
- soundproofing of technical facilities and noisy machines;
- use of hybrid or all-electric waste collection vehicles.

#### → 6.8.1.3 Conservation of resources

##### WATER CONSERVATION

Population growth, changing eating habits and the resulting agricultural demand for water and the inadequacy of cleanup systems have resulted in growing pressure on water resources. In some regions, particularly those experiencing an increasing incidence of droughts, climate change risks are adding to this pressure.

Water is a very unevenly distributed resource, which must be protected. Some countries have already experienced water stress situations, which are harder to manage when the country is at a low level of economic development. By 2025, two thirds of the world's population may be living in regions affected by strains in the water supply, particularly the Middle East and certain regions of Africa, Asia and Latin America.

Reduction of water usage has received particular attention throughout the world, through programs to manage demand. These include infrastructure measures (reducing leaks) and other measures targeting user behavior: putting in place rate structures to encourage water saving, awareness campaigns to combat waste. In addition, the objectives of such programs increasingly exceed the mere optimization of economic efficiency (reducing costs of consumable materials), and include careful management of the resource as an objective in itself. The use of "non-conventional" water resources is expected to grow significantly. In particular, the reuse of wastewater for agricultural and industrial purposes, the upkeep of public parks, and even the replenishment of groundwater reserves, is likely to increase significantly in the years to come.

Through its activities as a drinking water and wastewater treatment services operator, the Group's contribution to the protection of water resources and ecosystems falls into three specific categories:

- optimization of existing water resources by close status monitoring, ongoing precautionary sampling and encouraging users to consume water intelligently. The Group works to limit water wastage – since the resource is scarce and increasingly costly to produce, particularly in highly water-stressed regions – by reducing leaks in water distribution systems and improving yield. Furthermore, awareness initiatives encourage users to change their behavior and use water more responsibly;
- protection of water resources to prevent deterioration. Preventing pollution by controlling the quality of water released into the environment and by monitoring protected zones are key priorities in the protection of water resources;
- development of alternative sources by, for example, reusing water, replenishing water tables and desalinating seawater are options proposed where conditions so require.

The indicators presented below concern the water consumption linked to the Group's activities:

Indicator	2013 Data
<b>Waste</b>	
Water consumption for industrial use	9.3 Mm <sup>3</sup>
<b>Water (drinking water)</b>	
Linear Loss Index for distribution networks	11.0 m <sup>3</sup> /km/day

**WASTE RECOVERY ACTIVITY**

In the waste sector, resources are preserved through the development of waste recovery and recycling. This involves the operation of dedicated facilities such as:

- voluntary drop-off centers/amenity centers;
- sorting and recycling centers;
- production of Solid Recovered Fuels (SRF);
- disassembly and dismantling facilities: waste electrical and electronic equipment, end-of-life vehicles, bulky waste, furniture, etc.;
- facilities for reprocessing of specific, pre-sorted recyclable materials: transformation into secondary raw materials.

The indicators below illustrate these activities:

Indicator	2013 Data
Number of material recovery centers (sorting, dismantling and disassembly included)	349
Amount of waste treated in material recovery and recycling centers	7.6 Mt
Amount of outgoing materials (recovered, recycled or sorted) from materials recovery and recycling or transfer centers	8.6 Mt
Quantity (output) of recycled raw materials	3.5 Mt

In its waste recovery, sorting, and recycling activities, SUEZ ENVIRONNEMENT has set itself the goal of improving its material and energy recovery rates from household, commercial and industrial waste in order to put continually increasing quantities of secondary raw materials and energy on the market.

Biological treatment also represents opportunities for recovery:

- composting platforms: household waste, urban and industrial sludge, green waste, livestock sludge, grease, etc.;
- mechanical and biological treatment.

Sita is continuing to develop solutions for eliminating non-recoverable residual waste (which cannot be transformed into new resources) in conditions that respect the environment and are affordable.

#### SOIL REMEDIATION

As part of its operations, the Group is stepping up its efforts to clean up contaminated soil sent to it for treatment. A specialized subsidiary, Sita Remédiation, provides soil decontamination and

remediation services for the private and public sector. These treatments are conducted either *in situ* or by excavating and transporting the soil to the appropriate Group-owned facility. For example, Sita FD, a subsidiary of Sita Spécialités, the division that handles all hazardous waste-related activities for Sita France, has developed multimodal treatment platforms capable of treating most pollutants: hydrocarbons, non-biodegradable organic substances, organic materials and heavy metals.

Indicator	2013 Data
Tonnage of contaminated soil treated <i>in situ</i>	414,912 t
Tonnage of contaminated soil treated <i>ex-situ</i>	1,115,744 t

This treatment is performed under close environmental supervision and ensures traceability, which makes all parties in the chain more accountable.

The Group's activities also have an impact on land use, particularly its landfill operations. Remediation of existing landfills may be assigned to Group companies for their transformation into useful or recreational space for the community.

#### ➔ 6.8.1.4 Energy management

##### ENERGY EFFICIENCY

The issue of energy efficiency is addressed by Commitment 3 of the current Sustainable Development Roadmap: "Improve the environmental footprint of our facilities and services".

It should be noted that SUEZ ENVIRONNEMENT reports that its activities are increasingly energy-intensive due to improvements in the services rendered (more effective pollution treatment and a greater proportion of waste recovered), partly to tackle growing amounts of pollution (requiring ever more technical treatment solutions) and partly to meet the ever-increasing stringency of environmental regulations. Improving the energy efficiency of its processes is therefore a challenge.

The Group's contribution to reducing energy consumption leads to a reduction in greenhouse gas emissions. The Group strives to improve the energy efficiency of all processes it manages. Specifically, the Group focuses on reducing consumption linked to its treatment processes and its waste collection and transportation and urban

wastewater activities, for which it operates a fleet of more than 12,500 trucks. It strives to reduce fuel consumption by optimizing collection rounds (frequency and distance traveled, for example) and by introducing new engines and alternative fuels, as well as by training drivers to drive more economically. In waste treatment facilities, actions include purchasing green energy, implementing new technologies, installing variable speed mechanisms, controlling consumption through metering, correcting the power factor and using new lighting systems (solar, LED, etc.).

In the water sector, context-specific action plans are also in place, including: renovating facilities and introducing more efficient equipment; implementing variable-speed pump systems; installing systems to modulate pressure in drinking water supply networks; establishing automated tools for checking treatment processes and creating inspection plans to identify potential energy savings.

##### PRODUCING ENERGY

Commitment 3 of the above-mentioned Sustainable Development Roadmap includes a quantified objective for the Waste Europe segment: increase the production of useful energy by 15% (about 700 GWh more than in 2011), equal to the annual power consumption of over 100,000 Europeans. The total useful energy produced (sum of electrical energy produced and thermal energy sold) from incineration plants, methanization plants and biogas recovery from landfills has increased in recent years.

An improvement objective was also set for the Water segment: increase the energy output/energy consumption ratio (indicator: kWh of energy generated/kWh of energy consumed).

Indicator	2013 Data
Generation of electric power (Waste)	3,631 GWh
Generation of thermal power (Waste)	12,721 GWh
Generation of electric power (Water)	102 GWh
Generation of thermal power (Water)	149 GWh
Consumption of electric power (Waste)	558 GWh
Consumption of electric power (Water)	4,543 GWh

➔ 6.8.1.5 Preventing climate change

**REGULATORY FRAMEWORK FOR CLIMATE CHANGE**

In recent years, there has been a significant increase in regulation relating to reducing emissions of CO<sub>2</sub> and other greenhouse gases (GHGs) at the global and European Union level in particular.

The institutional framework regulating carbon constraints is the result of the United Nations Framework Convention on Climate Change dated May 9, 1992, the Kyoto Protocol of December 11, 1997 and, in Europe, Directive 2003/87/EC of the European Parliament and of the Council of October 13, 2003 relating to the European Union Emissions Trading Scheme (EU ETS).

In France, Decree 2011-829 – Article 75 of the Grenelle Law II – of July 11, 2011 relating to greenhouse gas emissions and the EU Climate and Energy Package (CEP) requires companies with more than 500 employees to produce an annual greenhouse gas emissions report. This decree sets the framework of legal obligations and defines the content of the report and how it must be made available.

**IMPACT ON WATER AND WASTE ACTIVITIES**

Although the contribution of water and waste management activities to greenhouse gas emissions is modest, and the latter are not currently covered by restrictive regulatory provisions, the Group's companies play an active role in controlling such emissions. The Group believes that it is responsible for making every effort to avoid contributing to global warming.

Several French subsidiaries of SUEZ ENVIRONNEMENT are affected by Decree 2011-829 and are required to publish a report on their greenhouse gas emissions.

In Australia, the carbon tax on CO<sub>2</sub> emissions, which took effect on July 1, 2012, also covers waste management activities, a world first. The Group's waste activities in Australia are thus directly affected by this tax. The new Liberal government formed after general elections in September 2013 announced the abolition of the tax in July 2014.

**MITIGATION OF THE IMPACT OF GROUP ACTIVITIES ON CLIMATE CHANGE**

More than three-quarters of SUEZ ENVIRONNEMENT's greenhouse gas emissions are related to its waste activities (virtually all of these emissions being directly linked to landfill and waste incineration operations). The remainder, related to its water activities, consist mainly of indirect emissions linked to the electricity consumption of various processes. SUEZ ENVIRONNEMENT is therefore committed to curbing its emissions by:

- designing infrastructures that allow it to limit CO<sub>2</sub> emissions from incinerators and methane emissions through biogas capture at landfill sites (direct emissions);
- rethinking waste collection and management of the Group's facilities;
- the implementation of operational practices and measures to reduce electricity and primary energy consumption.

This challenge is formalized by Commitment 3 of SUEZ ENVIRONNEMENT's Sustainable Development Roadmap: "Improve the environmental footprint of our facilities and services". The following indicators show the Group's direct and indirect emissions of greenhouse gases:

Indicator	2013 Data
Direct GHG emissions, waste sector	4.90 Mt CO <sub>2</sub> equ.
Indirect GHG emissions, water sector	1.66 Mt CO <sub>2</sub> equ.

Efforts to reduce energy consumption automatically lower greenhouse gas emissions. Additional efforts are being made to use alternative fuels that do not contribute as much to the greenhouse effect, such as biofuels and natural gas.

In addition, SUEZ ENVIRONNEMENT, through its efforts in material recovery (sorting and recycling) and energy recovery (incineration and landfill), helps other players to reduce their greenhouse gas emissions and thus contributes to avoided emissions.

Landfills are a major sector where the Group is active in combating climate change. Methane, which is released by the decomposition of fermentable waste, is a greenhouse gas with a greater warming potential than CO<sub>2</sub>. It can be recovered to produce electricity, heat or fuel for vehicles. If not recovered, methane is at least captured and flared.

In 2013, the Group continued its efforts to improve and spread the capture and recovery of biogas from its landfills.

**ADAPTING TO CLIMATE CHANGE**

SUEZ ENVIRONNEMENT's businesses can provide solutions to the challenge of adapting to the impact of climate change. Water, in particular, lies at the heart of this issue. SUEZ ENVIRONNEMENT and its subsidiaries supply their customers with products and services in order to continue growing in a world constrained by the impact of global changes, particularly urban and climate change. Integrated water resources management, network yield maximization, alternative water resources development, safety and diversification and wastewater and rainwater management tailored to the constraints of the receiving environment are just some of the services offered by SUEZ ENVIRONNEMENT's subsidiaries. SUEZ ENVIRONNEMENT constantly strives to transfer its know-how in adaptation, particularly in emerging countries, which are hardest hit by the anticipated effects of climate change. Finally, SUEZ ENVIRONNEMENT contributes to the capacity building of administrative and technical water resource managers through its training and sponsorship programs.

Established in 2009 at the Institut de France, the "Paris Tech – SUEZ ENVIRONNEMENT – Water for All" Business Chair aims to contribute to developing research and training for the advancement and dissemination of knowledge, know-how, operational management practices and the techniques needed to improve access to water and wastewater in emerging and developing countries.

### ➔ 6.8.1.6 Protection of biodiversity and ecosystems

SUEZ ENVIRONNEMENT acts to protect biodiversity for local authorities and industry. The Group's activities in offering water and waste treatment solutions limit the physical, chemical and biological impact that human activities would have on the environment, if not for the treatments provided by the Group. Nonetheless, the Group increasingly incorporates the preservation of natural heritage into its sites' operating practices and, where appropriate, carries out biodiversity impact assessments. Biodiversity risk prevention plans are prepared for various sensitive sites in partnership with local stakeholders and organizations specializing in the protection of nature (MNHN – the French National Natural History Museum; FNE – France Nature Environnement; LPO – League for the Protection of Birds, etc.).

In France, SUEZ ENVIRONNEMENT subscribes to the National Biodiversity Strategy (SNB), which reinforces the Group's commitment to reversing biodiversity loss.

### ➔ 6.8.1.7 Environment-related expenditure

#### EXPENDITURE RELATED TO ENVIRONMENTAL PROTECTION

By the very nature of its activities, the Group has a direct impact on the environment. It is therefore not relevant to distinguish between expenses that impact the environment directly and expenses that impacts it indirectly.

Expenses aimed at preventing the environmental consequences of the Group's operations are diverse, and include investments to render facilities compliant, expenses on employee training in environmental protection, costs associated with environmental certification programs, and investments in R&D to reduce the environmental impact of the Group's activities.

Specifically, the Group establishes provisions intended to cover the expense of long-term monitoring of landfills after they have been decommissioned and closed, in accordance with European Regulations. Other provisions are also recorded to deal with potential environmental risks:

Indicator	2013 Data
Provisions for closure and post-closure	€552.4 million
Provisions for environmental risks	€6.9 million
Provisions for dismantling non-nuclear facilities	€10.8 million

#### EXPENDITURE RELATED TO ENVIRONMENTAL INCIDENTS

The following table shows complaints, convictions and compensation for incidents impacting the environment and caused by Group activities:

Indicator	2013 Data
Number of complaints leading to a lawsuit related to accidents or incidents impacting the environment	11
Number of convictions regarding any accidents or incidents impacting the environment and the subject of legal proceedings	3
Cost of compensation paid for convictions related to accidents or incidents impacting the environment, excluding legal expenses.	€22,000

### ➔ 6.8.1.8 Reporting methodology and scope

SUEZ ENVIRONNEMENT operates a variety of business activities that rely on extremely varied technical processes: from waste collection and transfer with a fleet of several thousand vehicles, to chemical, thermal, biological and mechanical processes carried out at several thousand facilities. This broad technical diversity complicates the task of defining, distributing and smoothing indicators, as well as collecting and computing statistical data. SUEZ ENVIRONNEMENT is continuing its efforts to achieve greater rigor and provide reliable, audited data, in order to report on the continuous improvement of its performance.

#### METHODOLOGICAL FACTORS IN THE 2013 ENVIRONMENTAL REPORT

Regarding the environmental data published in this report, the following information should be noted:

##### 1/ Scope

The figures published in this report relate exclusively to fully consolidated companies whose operations are controlled by SUEZ ENVIRONNEMENT. When a company becomes fully consolidated, 100% of its environmental data are incorporated, irrespective of the percentage held by the Group in its capital. The scope of consolidation

is set on June 30 of each year. For transfers occurring after that date, the entity is expected to fill in the environmental questionnaire with the data available up until the date of transfer. Acquisitions completed after June 30 are not normally taken into account. Legal entities included within the scope of environmental reporting are those whose activity is relevant in terms of environmental impact (therefore excluding financial, construction and engineering entities). Water service management contracts are not included in the environmental reporting. Comparisons between reporting periods are made on a like-for-like basis. Limited scopes may be applied to certain variables. These are indicated in each case.

#### Waste business

The report covers subsidiaries based in:

- Europe: Germany, Belgium, Finland, France (including overseas departments and territories), Spain, the UK, Ireland, Luxembourg, the Netherlands, Poland, Portugal, the Czech Republic, Romania, Slovakia, Slovenia, and Sweden;
- the Middle East and Asia-Pacific: Australia, China, UAE, Oman and Turkey;
- North Africa: Morocco;
- North America: Canada.

Waste management includes collection, sorting and recycling, material, biological or energy recovery, incineration, landfilling, and the treatment of hazardous waste, including soil remediation. Closed landfills are not included in the published indicators.

#### Water business

The report covers contracts located in:

- Europe: Spain, France, the United Kingdom, Italy, Portugal, the Czech Republic and Slovakia;
- Asia-Pacific: Australia, Bangladesh, Indonesia, India, New Zealand, Taiwan;
- Central/North America: the United States and Mexico;
- South America: Brazil, Chile and Colombia;
- North Africa and the Middle East: Morocco, Egypt, Jordan and Qatar.

The report covers all the activities of the water cycle, including the treatment and distribution of drinking water, the collection and treatment of wastewater, as well as sludge treatment and recovery.

Data associated with activities not directly managed by SUEZ ENVIRONNEMENT are not presented or included in the calculations.

#### 2/ Reporting tool

Since 2003, SUEZ ENVIRONNEMENT has been using a computer-based environmental reporting system, developed by GDF SUEZ in cooperation with Enablon. This software facilitates the management and documentation of the environmental reporting scope, the input, control and consolidation of indicators, the publication of reports, and finally the provision of the documentation needed to collect data and monitor the reporting process.

#### 3/ Procedures

For its environmental reporting, SUEZ ENVIRONNEMENT uses the procedures, tools and supporting documents available online. Depending on the organization and distribution of current responsibilities, SUEZ ENVIRONNEMENT's procedures and IT tools are directly deployed through the business units' central management. The process for the reporting and validation of information at lower levels (subsidiaries, regional offices, operational sites) is organized in accordance with internal procedures and checks put in place by each business unit. Internal procedures and IT tools tailored to each local organization are used at these levels.

A Group-wide network of environmental officers, formally appointed by each reporting entity, is responsible for applying all of the procedures and instructions. The working procedures and instructions at Group level provide a detailed description of the various phases for gathering, checking, consolidating, validating and communicating environmental data to the corporate entity responsible for organizing the process. They are supported by technical documents laying down methodological guidelines for calculating certain indicators.

#### 4/ External control

For 2013, the Group engaged the specialized services of the statutory auditors to verify four environmental indicators (indicated by the symbols XXX) and obtain a reasonable assurance. The nature of the work and findings of the statutory auditors can be found in section 6.8.4 of this Reference Document.

## 6.8.2 Employee relations policy

The table below presents the employment-related disclosures as defined in the decree implementing Article 225 of the Grenelle Law II and their corresponding sections in this Reference Document:

Subject/Disclosure	Corresponding chapter(s) and section(s)
<b>Employment</b>	
<ul style="list-style-type: none"> <li>■ the total number and breakdown of employees by gender, age and geographical area</li> <li>■ new hires and layoffs</li> <li>■ compensation and changes thereto</li> </ul>	<ul style="list-style-type: none"> <li>■ Chapter 17, section 17.2.1</li> <li>■ Chapter 17, section 17.2.2 (New hires/Departures)</li> <li>■ Chapter 17, section 17.2.2 (Compensation)</li> </ul>
<b>Organization of work</b>	
<ul style="list-style-type: none"> <li>■ the organization of working time</li> <li>■ absenteeism</li> </ul>	<ul style="list-style-type: none"> <li>■ Chapter 17, section 17.2.2 (Working hours)</li> <li>■ Chapter 17, section 17.2.2 (Absenteeism)</li> </ul>
<b>Employee relations</b>	
<ul style="list-style-type: none"> <li>■ the organization of employee dialogue, including procedures for informing, consulting and negotiating with staff</li> <li>■ review of collective bargaining agreements</li> </ul>	<ul style="list-style-type: none"> <li>■ Chapter 17, sections 17.1.3 (Employee relations), and 17.2.4</li> <li>■ Chapter 17, sections 17.1.3 (Employee relations), and 17.2.4</li> </ul>
<b>Health and safety</b>	
<ul style="list-style-type: none"> <li>■ health and safety conditions at work</li> <li>■ review of agreements with trade unions or employee representatives on health and safety in the workplace</li> <li>■ accidents at the workplace, including their frequency and severity, as well as professional illnesses</li> </ul>	<ul style="list-style-type: none"> <li>■ Chapter 17, sections 17.1.5 and 17.2.2 (Workplace safety)</li> <li>■ Chapter 17, sections 17.1.3 (Social relations), 17.1.5 and 17.2.2 (Workplace safety)</li> <li>■ Chapter 17, section 17.2.2 (Workplace safety)</li> </ul>
<b>Training</b>	
<ul style="list-style-type: none"> <li>■ training policies implemented</li> <li>■ total number of training hours</li> </ul>	<ul style="list-style-type: none"> <li>■ Chapter 17, section 17.1.3 (Training)</li> <li>■ Chapter 17, section 17.2.3</li> </ul>
<b>Equal opportunity</b>	
<ul style="list-style-type: none"> <li>■ measures taken to promote gender equality</li> <li>■ measures taken to promote the employment and integration of the disabled</li> <li>■ anti-discrimination policy</li> </ul>	<ul style="list-style-type: none"> <li>■ Chapter 17, sections 17.1.3 (Social Relations), 17.1.4, 17.2.1 and 17.2.2 (Breakdown of employees by gender/ Compensation), and 17.2.3</li> <li>■ Chapter 17, sections 17.1.4 and 17.2.2 (Disabled workers)</li> <li>■ Chapter 17, section 17.1.4</li> </ul>

"Promotion of and compliance with the core conventions of the International Labour Organization" is discussed in the next section (chapter 6, section 6.8.3).

### 6.8.3 Corporate commitments to sustainable development

#### TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF OPERATIONS

As a public services operator, SUEZ ENVIRONNEMENT is deeply involved in the territories in which it operates.

As part of its operations in developing countries, SUEZ ENVIRONNEMENT is committed to achieving the Millennium Development Goals. Indeed, since 1990, the Group has connected another 12.8 million people to drinking water systems and provided 6.6 million more people with access to wastewater services in developing countries. The company is committed to the operational implementation of the right to water and wastewater. The Group's know-how, developed since its inception, in the Water for All program is applied locally by performing local diagnostics to find targeted solutions for disadvantaged and marginalized populations in countries in both the northern and southern hemispheres.

SUEZ ENVIRONNEMENT also intends to have an active role in the economic and social life (jobs, economic and social insertion, regional attractiveness, etc.) of the communities in which the company operates, and to establish itself as a partner to local authorities and businesses in their sustainable development initiatives, insofar as they relate to the Group's activities.

Concerned with promoting the economic vitality of the regions and their balanced development, the Group signed the inter-company relations charter (*Médiation du Crédit*) and the SME Pact – initiatives that allow it to strengthen its collaboration with SMEs. SUEZ ENVIRONNEMENT also participates in competitiveness clusters related to its activities and is involved in the work of COSEI (strategic orientation committee of eco-industry sectors). SUEZ ENVIRONNEMENT is committed to an ambitious employment policy, with the aim of offering young people from deprived neighborhoods one-to-one support so that they can find permanent work or become entrepreneurs in their own right. This commitment is reflected in the Group's "Equal opportunities, social progress and commitment" program, which promotes access to jobs and economic and social insertion. In this respect, SUEZ ENVIRONNEMENT has created "La Maison pour Rebondir" (literally: "Bounce-Back House", a halfway-house program) to support people in difficulty, to create social links and to energize economically depressed neighborhoods by helping young people to find steady jobs or set up their own businesses. This project, supported by the SUEZ ENVIRONNEMENT INITIATIVES FUND, is consistent with the Group's public service commitment.

The Group's main subsidiaries deploy regional development and employment programs (Sita Rebond, Lyonnaise des Eaux Disability Initiative, etc.) in their own particular regions. These societal action plans are developed in consultation with local stakeholders. SUEZ ENVIRONNEMENT also participates in regional development through its procurement policy, particularly as it relates to the protected sector (see the section below on subcontracting and suppliers).

#### STAKEHOLDER RELATIONS

Dialogue with stakeholders at the local and institutional level is essential for our operational performance. The Group identified

this as the fourth priority in its 2008-2012 Sustainable Development Roadmap: "Involve all stakeholders in fostering our development." This commitment was included in the new 2012-2016 Sustainable Development Policy in Commitment 10: "Work together on solutions and have an open dialog with our stakeholders".

To broaden its thinking, from 2004 to 2013 the Group led the Foresight Advisory Council (FAC), which comprises 23 independent environmental and development experts of various nationalities. Twice during the year, the Group's Management Committee presented its strategy, research and initiatives to the FAC. The experts freely discussed the issues before making their recommendations.

To make its stakeholder relations work, SUEZ ENVIRONNEMENT takes a structured approach and organizes regular consultation meetings, at all pertinent levels, to ensure that its corporate strategy matches the expectations of civil society. Since 2007, the Group has organized eight stakeholder sessions between the functional departments at head office and over 30 external stakeholders representing French and international civil society (charities, universities, unions, public institutions and ratings agencies). Its subsidiaries are also involved in this institutional review. The stakeholder session held on September 14, 2012 allowed participating external stakeholders to voice their opinions on the draft 2012-2016 Roadmap: first, through a dedicated extranet set up ahead of the session, and then during the plenary meeting. The stakeholders were later informed about the inclusion of their comments and suggestions.

Locally the Group has developed tools to support managers and teams which are in the process of being deployed. These are designed to help local teams understand their territory, analyze the issues objectively, and build action plans that include partnerships and communications that meet the expectations of local players, regardless of the business line (water, wastewater or waste) or type of contract (public service, plant operation, etc.).

#### LOBBYING

SUEZ ENVIRONNEMENT engages in ongoing dialogue with public institutions at the local, national, European, and international levels. As a part of its lobbying activities, the Group regularly communicates with European institutions through position statements, direct contact and participation in professional bodies and think tanks. The main issues addressed include such general subjects as public-sector contracts, adapting to and combating climate change, efficient management of natural resources, and sustainable production and consumption. They also cover issues that are more directly related to the Group's daily operations, such as the implementation of the Water Framework Directive, the Waste Framework Directive, the Industrial Emissions Directive and inspection of waste transfer operations.

The Group is registered as a representative of interest to the European institutions in 2013 and adopted a Code of Conduct for responsible practices in lobbying, in line with its Code of Ethics.



### PARTNERSHIP AND SPONSORSHIP INITIATIVES

To reinforce its regional roots and affirm its social responsibility credentials, the Group operates a partnership and sponsorship policy based on support, dialogue and innovation. The actions supported by SUEZ ENVIRONNEMENT focus on three main themes:

- urban environment and culture, through actions that promote urban socioeconomic development, cultural awareness and access to culture for all, as well as the economic and social insertion of young people in difficulty;
- environment and biodiversity, through actions focused on protecting the environment and biodiversity and on raising public awareness of these themes;
- solidarity through the SUEZ ENVIRONNEMENT INITIATIVES FUND.

With a budget of €4 million per year, this endowment is one of the Group's social commitments included in its 2012-2016 Sustainable Development Roadmap.

It includes several priorities:

- support and assist with projects to provide access to basic services – water, wastewater and waste management – for the poor in developing countries;
- support urgent actions, especially through Aquassistance, the Group's employee volunteer association;
- support and assist with projects to integrate disadvantaged populations, in France, through employment and training;
- strengthen the skills of local players and disseminate their know-how through a flagship project: the SUEZ ENVIRONNEMENT Chair at ParisTech – "Water for All";
- stimulate innovation, mainly through the SUEZ ENVIRONNEMENT Initiatives Award at the Institut de France.

With its partners, the Fund ensures that conditions exist for lasting improvements to the living standards of populations concerned by the projects, and that the results are sustainable.

A range of academic partnerships have been set up in the social sciences. SUEZ ENVIRONNEMENT supports five university chairs in France, and partners with six universities around the world (in China, Spain and the Netherlands). The Group also supports various social science research projects every year.

The Company intends to boost its contribution to the challenge of providing sustainable access to drinking water, wastewater and waste management, by using the experience it has acquired in this field. In these three areas, it intends to reinforce the skills of local players and address the challenges of urban growth in partnership with specialist players and by calling on the extensive know-how of the Group's employees.

### SUBCONTRACTING AND SUPPLIERS

SUEZ ENVIRONNEMENT requires its business partners, suppliers and subcontractors to comply with the Group's ethics and environmental and social rules as well as to ensure that their practices are compatible with the Group's commitments.

The Group also operates a responsible procurement policy based on joint efforts to cut costs, reduce the Company's environmental impact and require suppliers to comply with sustainable development clauses. Its responsible procurement policy has led to the creation of several tools and procedures for the Group and its operating entities:

- the SUEZ ENVIRONNEMENT Code of Ethics, Ethics Handbook and the Ethical Guide to Supplier Relations;
- a sustainable procurement policy (Waste division);
- Lyonnaise des Eaux's sustainable procurement guide (Water division);
- a supplier evaluation questionnaire;
- a social and environmental risk control initiative for SUEZ ENVIRONNEMENT's top 100 suppliers.

The contracts signed by SUEZ ENVIRONNEMENT subsidiaries with their suppliers now include environmental, corporate and social criteria that require suppliers to comply with the Group's Code of Ethics.

The Procurement Department coordinates technical purchases and related action plans for the Group's main waste and water subsidiaries. The purpose of this international coordination is to:

- conduct negotiations in strategic categories (tires, pumps, centrifuges, process and laboratory instrumentation, meters, water pipes, etc.);
- develop long-term relationships with strategic suppliers (negotiating framework agreements at Group level, supplier improvement plans, etc.);
- ensure that the key suppliers treat sustainable development as a real, properly managed goal;
- manage innovation and ensure that it is coordinated with suppliers and the Group's technical and research functions.

Finally, SUEZ ENVIRONNEMENT is helping to develop the protected and adapted sector through its responsible procurement policy. The Group's Disability Initiative involves growing the market share of our purchases in the protected sector (occupational rehabilitation centers and adapted businesses) by encouraging the Group's subsidiaries to use this sector when purchasing. The Disability Initiative also aims to support the French National Paralysis Association and the French National Disability Employers Association (HESSOR, D3E, printers, etc.) as well as to outsource certain local services (green spaces, administrative services, etc.).

### ETHICS IN PRACTICE

SUEZ ENVIRONNEMENT has made ethics an indispensable element of its global performance. The Group's policy in this respect is described in section 4.2.5.

### HUMAN RIGHTS

The companies that make up SUEZ ENVIRONNEMENT have long been committed to a culture of human rights and human dignity.

SUEZ ENVIRONNEMENT's principles are in line with international standards, in particular:

- the Universal Declaration of Human Rights, and additional pacts;
- the International Labour Organization (ILO) conventions;
- the Guidelines for Multinational Enterprises adopted by the Organization for Economic Cooperation and Development (OECD);
- the United Nations Convention against Corruption.

Employees are asked to ensure that their actions and decisions or those of a colleague or Group entity do not injure the integrity or dignity of any person. The Group also strives to consistently defend human rights in sensitive situations, for example by upholding the rules on protection of property in sensitive regions of the world.

In this respect, all SUEZ ENVIRONNEMENT employees must ensure that their words and actions are non-discriminatory, particularly in terms of age, gender, ethnic, social or cultural origin, religion, political or union affiliation, lifestyle choice, physical characteristics or disability.

### 6.8.4 Statutory auditors' independent third-party report on consolidated social, environmental and societal information presented in the management report

To the Shareholders,

In our quality of statutory auditors', designed independent third-party of which the admissibility of the application for accreditation has been accepted by the COFRAC, we present you our report on the consolidated social, environmental and societal information established for the year ended on December 31st, 2013, presented in the management report (hereafter referred to as the "CSR Information"), pursuant to the provisions of the article L.225-102-1 of the French Commercial Code (*Code de commerce*).

#### ➔ Responsibility of the Company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105-1 of the French Commercial Code (*Code de commerce*), in accordance with the protocols used by the Company (hereafter referred to as the "Criteria"), available on request from the Company's environment and performance evaluation department, HR performance department and Health and Safety department and of which a summary is included in the management report.

#### ➔ Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial Code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

#### ➔ Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial Code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in accordance with the Criteria (Fairness report regarding CSR Information);
- to express, at the request of the Company, a reasonable assurance conclusion that the information selected by the Company and identified by the symbol XXX in chapters 6.8 and 17 of the management report, has been established, in all material aspects, in accordance with the Criteria.

We requested the assistance of our CSR experts to conduct this verification work.

Our verification work was undertaken by a team of fifteen people between October 2013 and February 2014 for an estimated duration of 20 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000<sup>(1)</sup>.

#### 1. ATTESTATION OF PRESENCE OF CSR INFORMATION

- We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the Company and its societal commitments, as well as, where appropriate, resulting actions or programs;
- We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial Code (*Code de commerce*);
- In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, paragraph 3, of the French Commercial Code (*Code de commerce*).
- We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial Code (*Code de commerce*) with the limitations specified in the Methodological Note presented in sections 6.8.1.8 et 17.2.5 of the management report.

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

#### 2. LIMITED ASSURANCE ON CSR INFORMATION

##### Nature and scope of the work

We undertook interviews with around 30 people responsible for the preparation of the CSR Information in the different departments in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and

(1) ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important<sup>(1)</sup>:

- at the level of the consolidated entity and of the Environment and performance evaluation department, the HR performance department and of the Health and Safety department, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of the representative selection of entities that we selected<sup>(2)</sup>, based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented 52% of the headcount and between 73% and 97% of quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion. An assurance of a higher level would have required more extensive verification work. Due to the use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

**Qualification expressed**

The lack of understanding of the indicator "Amount of wastes treated in material recovery and recycling centers" that was observed for some subsidiaries of the waste services division does not allow

to issue a limited assurance conclusion on the calculated group information.

**Conclusion**

Based on our work, and under this qualification, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

**3. REASONABLE ASSURANCE ON A SELECTION OF CSR INFORMATION**

**Nature and scope of work**

Regarding the information selected by the Company and identified by the sign XXX, we undertook work of the same nature as those described in paragraph 2 above for the CSR Information considered the most important, but in a more in-depth manner, in particular in relation to the number of tests.

The sample selected represents on average 52% of the headcount and between 78% and 100% of quantitative environmental information identified by the sign XXX.

We consider that this work allows us to express a reasonable assurance opinion on the information selected by the Company and identified by the sign XXX.

**Qualifications expressed**

The lack of reliability observed for the power consumption data provided for Water branch leads to an uncertainty of this information.

**Conclusion**

In our opinion, and under this qualification, the information selected by the Company and identified by the XXX sign in the management report has been established, in all material aspects, in compliance with the Criteria.

**Observations**

Without qualifying our conclusion above, we draw your attention to the following point: for the indicator "Consumption of electric power (Waste)", the data provided by one of SUEZ ENVIRONNEMENT'S subsidiary refers to 2012 and not to the current period.

Courbevoie and Paris-La Défense, February 20, 2014.

The statutory auditors

**Mazars**

Emmanuelle Rigaudias

Partner in charge of the CSR and Sustainable Development Department

Isabelle Massa

Partner

**Ernst & Young et Autres**

Christophe Schmeitzky

Partner, Sustainable Development Department

Charles-Emmanuel Chosson

Partner

(1) **Information verified under reasonable assurance and following information:** Purification yield on organic substances in BDOs, Amount on outgoing materials (recovered, recycled or sorted) from centers for materials recovery and recycling or transfer, Quantity (output) of recycled raw materials, Generation of electric power (Waste), Generation of thermal power (Waste), Generation of electric power (Water), Generation of thermal power (Water), Consumption of electric power (Waste), Consumption of electric power (Water), Breakdown of workforce by age group (permanent employees only), Hiring rate, Turnover, Number of training hours via e-learning, Number of fatal accidents (employees), Severity rate of workplace accidents, Number of new cases of occupational illnesses.

(2) **Social information:** Lydec, Lyonnaise des Eaux France, OCEA, United Water, Agbar, Sita Holding UK, Sita El Beida (excluding health and safety), Sita Ile de France, Sita Centre Est, Sita Nederland BV, SE Deutschland GmbH, Sita Sverige, Sita Australia and Degrémont (health and safety only).

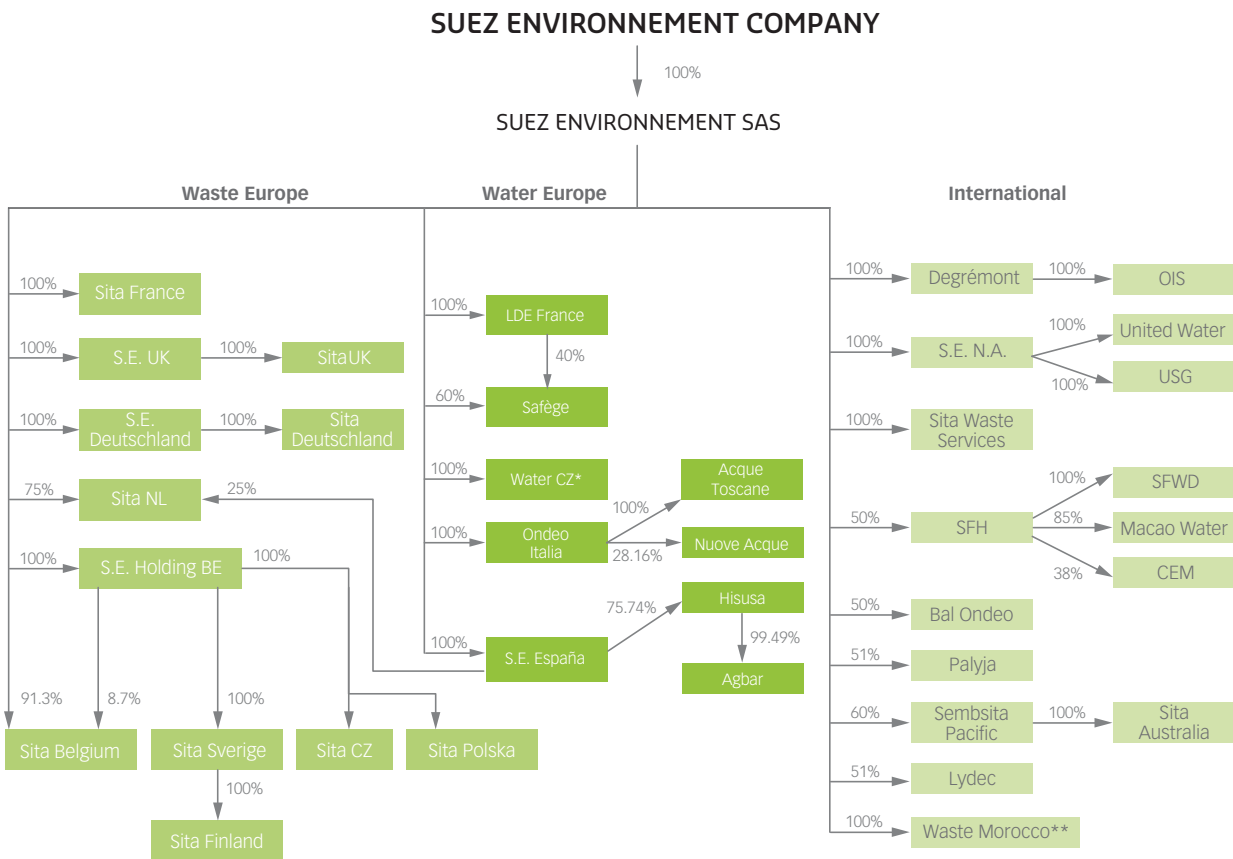
**Environmental information:** Lyonnaise des Eaux, Degrémont, Agbar, United Water, Sita France, Sita UK, Sita Vlaanderen, Sita Nederland, Sita Australia and Sita Sverige.



# 7

## ORGANIZATIONAL CHART

### 7.1 Simplified Group organization as of December 31, 2013



\* Interests in water companies in the Czech Republic

\*\* Subsidiaries of Waste Morocco : Sita El Beida and Sita Morocco

## 7.2 Presentation of the Group's main subsidiaries

The presentation of the Group's main subsidiaries is found in chapter 6 of this document. Note 26 to the consolidated financial statements in chapter 20.1 gives the list of the Group's main companies.

## 7.3 Relations with subsidiaries

SUEZ ENVIRONNEMENT COMPANY is a holding company. As of December 31, 2013, its sole shareholding was 100% of the share capital of SUEZ ENVIRONNEMENT SAS. It carries the Group's bond debt (see chapter 10.3 of this Reference Document).

On January 1, 2008, a tax consolidation group was created in France between the Company and the subsidiaries in which it holds at least 95% of the capital. As a result of this tax group, SUEZ ENVIRONNEMENT COMPANY and each of the tax group member companies have entered into tax consolidation agreements. Every year, subsidiaries might leave or enter the tax group; in the latter case, new agreements are signed between SUEZ ENVIRONNEMENT COMPANY and each joining subsidiary.

The Group has established a centralized cash management system for its main French and international subsidiaries, which optimizes net cash positions at SUEZ ENVIRONNEMENT SAS level.

Other cash flows within the Group consist primarily of loans granted by SUEZ ENVIRONNEMENT SAS to some of its subsidiaries.

In addition to cash flows related to cash management and financings, SUEZ ENVIRONNEMENT SAS receives dividends from its subsidiaries; for fiscal year 2012, these dividends totaled €354.3 million, and were almost fully paid out in 2013.

In addition, SUEZ ENVIRONNEMENT SAS provides various types of services to the other Group subsidiaries, particularly administrative and financial services, as well as technical assistance. In exchange for these services, SUEZ ENVIRONNEMENT SAS bills the other Group's subsidiaries. In 2013, total compensation received by SUEZ ENVIRONNEMENT SAS in connection with these services was €102 million, versus €108 million in 2012.



# REAL ESTATE AND EQUIPMENT

## 8.1 Group real estate and equipment

The Group operates several drinking water production plants, wastewater treatment plants and water distribution and wastewater collection networks.

The Group also operates a number of waste treatment plants: waste incineration plants, waste sorting plants, waste landfills, composting platforms, hazardous waste treatment plants etc.

Information on some facilities and plants operated by the Group as of December 31, 2013, is provided in the table below:

Sector	Country	City/Area/State	Activity	Capacity
WATER	Australia	Perth	Desalination Plant	155,000 m <sup>3</sup> /day
		Sydney (PWP)	Production of drinking water	3,000,000 m <sup>3</sup> /day
	Chile	Santiago	Production of drinking water	2,900,000 m <sup>3</sup> /day
		Santiago	Wastewater treatment plant	1,300,000 m <sup>3</sup> /day
	China	Baoding	Production of drinking water	260,000 m <sup>3</sup> /day
		Changshu	Production of drinking water	675,000 m <sup>3</sup> /day
		Chongqing	Production of drinking water	540,000 m <sup>3</sup> /day
		Chongqing Tangjiatuo	Wastewater treatment plant	300,000 m <sup>3</sup> /day
		Macao	Production of drinking water	330,000 m <sup>3</sup> /day
		Qingdao	Production of drinking water	726,000 m <sup>3</sup> /day
		Sanya	Production of drinking water	245,000 m <sup>3</sup> /day
		Shanghai SCIP	Industrial wastewater treatment plant	50,000 m <sup>3</sup> /day
		Tanggu	Production of drinking water	280,000 m <sup>3</sup> /day
		Tanzhou	Production of drinking water	150,000 m <sup>3</sup> /day
	Tianjin	Production of drinking water	500,000 m <sup>3</sup> /day	
	Zhengzhou	Production of drinking water	300,000 m <sup>3</sup> /day	
	Zhongshan	Production of drinking water	1,000,000 m <sup>3</sup> /day	
	Colombia	Cartagena	Production of drinking water	270,000 m <sup>3</sup> /day
	Egypt	Gabal El Asfar	Wastewater treatment plant	625,000 m <sup>3</sup> /day
	Spain	Barcelona	Production of drinking water	933,000 m <sup>3</sup> /day
Granada		Production of drinking water	285,000 m <sup>3</sup> /day	
Murcia-ESTE		Wastewater treatment plant	100,000 m <sup>3</sup> /day	
Santander		Wastewater treatment plant	159,000 m <sup>3</sup> /day	
	Valladolid	Wastewater treatment plant	214,000 m <sup>3</sup> /day	



Sector	Country	City/Area/State	Activity	Capacity
WATER	France	Aubergenville	Production of drinking water	140,000 m <sup>3</sup> /day
		Bordeaux	Production of drinking water	316,000 m <sup>3</sup> /day
		Cannes	Production of drinking water	52,000 m <sup>3</sup> /day
		Cannes	Wastewater treatment plant	41,000 m <sup>3</sup> /day
		Clos de Hilde	Wastewater treatment plant	100,000 m <sup>3</sup> /day
		Dijon	Production of drinking water	110,000 m <sup>3</sup> /day
		Dijon	Wastewater treatment plant	120,000 m <sup>3</sup> /day
		Grimonpont	Wastewater treatment plant	285,000 m <sup>3</sup> /day
		La Feyssine	Wastewater treatment plant	91,000 m <sup>3</sup> /day
		Le Pecq-Croissy	Production of drinking water	160,000 m <sup>3</sup> /day
		Louis Fargue	Wastewater treatment plant	210,000 m <sup>3</sup> /day
		Marseille (SERAM)	Wastewater treatment plant	325,000 m <sup>3</sup> /day
		Mont Valérien	Production of drinking water	115,000 m <sup>3</sup> /day
		Morsang	Production of drinking water	225,000 m <sup>3</sup> /day
		Mougins Sicasil	Production of drinking water	242,000 m <sup>3</sup> /day
		Nantes (Tougas)	Wastewater treatment plant	111,500 m <sup>3</sup> /day
		Nice (Haliotis)	Wastewater treatment plant	220,000 m <sup>3</sup> /day
		Strasbourg	Wastewater treatment plant	190,000 m <sup>3</sup> /day
		Valenton	Wastewater treatment plant	800,000 m <sup>3</sup> /day
		Viry-Châtillon	Production of drinking water	120,000 m <sup>3</sup> /day
	India	Bisalpur	Production of drinking water	400,000 m <sup>3</sup> /day
		Chembarambakkam	Production of drinking water	530,000 m <sup>3</sup> /day
		Rhitala	Wastewater treatment plant	182,000 m <sup>3</sup> /day
		Sonia Vihar	Production of drinking water	635,000 m <sup>3</sup> /day
		TK-Hali	Production of drinking water	400,000 m <sup>3</sup> /day
	Indonesia	Jakarta	Production of drinking water	490,000 m <sup>3</sup> /day
	Italy	Milan San Rocco	Wastewater treatment plant	350,000 m <sup>3</sup> /day
	Morocco	SEOER	Production of drinking water	163,000 m <sup>3</sup> /day
	Mexico	Aguakan	Production of drinking water	238,000 m <sup>3</sup> /day
		Ciudad Juarez Norte	Wastewater treatment plant	140,000 m <sup>3</sup> /day
		Ciudad Juarez Sur	Wastewater treatment plant	170,000 m <sup>3</sup> /day
		Culiacan	Wastewater treatment plant	145,000 m <sup>3</sup> /day
		Doha West	Wastewater treatment plant	175,000 m <sup>3</sup> /day
	Czech Republic	Brno	Production of drinking water	245,000 m <sup>3</sup> /day
	United Kingdom	Bristol	Production of drinking water	552,000 m <sup>3</sup> /day
	Taiwan	Kaohsiung	Production of drinking water	450,000 m <sup>3</sup> /day
	USA	Belmont	Wastewater treatment plant	455,000 m <sup>3</sup> /day
		Haworth	Production of drinking water	610,000 m <sup>3</sup> /day
		Idaho	Production of drinking water	340,000 m <sup>3</sup> /day
		Jackson	Wastewater treatment plant	175,000 m <sup>3</sup> /day
Jersey City		Production of drinking water	303,000 m <sup>3</sup> /day	
New Rochelle		Production of drinking water	340,000 m <sup>3</sup> /day	
New York		Production of drinking water	219,000 m <sup>3</sup> /day	
Southport		Wastewater treatment plant	470,000 m <sup>3</sup> /day	
Springfield		Wastewater treatment plant	254,000 m <sup>3</sup> /day	

Sector	Country	City/Area/State	Activity	Capacity
WASTE	Germany	Laar/Coevorden	Waste incineration	364,000 t/yr
		Zorbau	Waste incineration	300,000 t/yr
	Australia	Cairns	Composting	125,000 t/yr
		Eastern Creek	Non-hazardous landfill	550,000 t/yr
		Epping	Composting	50,000 t/yr
		Lucas Heights	Non-hazardous landfill	575,000 t/yr
		Mindarie	Pre-treatment of household waste	100,000 t/yr
		Neerabup	MBT	100,000 t/yr
		Newline Road	Non-hazardous landfill	200,000 t/yr
	Belgium	Raymond Terrace	Waste sorting and recycling plant	40,000 t/yr
		Beveren ROX	Waste incineration	380,000 t/yr
		Maasmechelen	Waste sorting plant	82,000 t/yr
		Grimbergen	Treatment of bottom ash	140,000 t/yr
		Bruges	Non-hazardous waste sorting and transfer station	84,000 t/yr
		Sleco	Fluidized bed waste incineration	466,000 t/yr
		China	Hong Kong – NENT	Non-hazardous landfill
	Hong Kong – WENT		Non-hazardous landfill	2,300,000 t/yr
	Shanghai SCIP		Hazardous industrial waste incineration	60,000 t/yr
	France	Argenteuil	Waste incineration	185,000 t/yr
		Bègles	Waste incineration	252,000 t/yr
		Bessières	Waste incineration	170,000 t/yr
		Carrières-sur-Seine	Waste incineration	140,000 t/yr
		Créteil	Waste incineration	235,000 t/yr
		Gennevilliers	Pre-treatment of household waste	190,000 t/yr
		Hersin-Coupigny	Non-hazardous landfill	600,000 t/yr
		Issy-les-Moulineaux	Waste incineration	460,000 t/yr
		La Roche-Molière	Non-hazardous landfill	500,000 t/yr
		Lagny	Waste incineration	150,000 t/yr
		Les Aucrais	Non-hazardous landfill	300,000 t/yr
		Lyon	Waste incineration	165,000 t/yr
		Pont-de-Claix	Hazardous industrial waste incineration	80,000 t/yr
		Roussillon	Hazardous industrial waste incineration	200,000 t/yr
		Satolas	Non-hazardous landfill	300,000 t/yr
		Vedène	Waste incineration	180,000 t/yr
		Villeparisis	Hazardous landfill	250,000 t/yr
		Villeparisis	Treatment of polluted soil	60,000 t/yr
		Villers-Saint-Paul	Waste incineration	156,000 t/yr
		Ivry-sur-Seine	Waste incineration	680,000 t/yr
	The Netherlands	Roosendaal	Waste incineration	291,000 t/yr
		Amsterdam	Non-hazardous waste transfer station	52,000 t/yr
	Poland	Radom	Pre-treatment of industrial waste	95,000 t/yr
Ryman		Non-hazardous landfill	220,000 t/yr	
Starol-Chorzow		Production of RDF	250,000 t/yr	
Czech Republic	Spovo	Hazardous waste incineration	18,500 t/yr	
	Nemcice	Hazardous and non-hazardous landfill	55,000 t/yr	

Sector	Country	City/Area/State	Activity	Capacity
WASTE	United Kingdom	Billingham-Teesside	Waste incineration	390,000 t/yr
		Cleveland	Waste incineration	756,000 t/yr
		Clifton Marsh	Non-hazardous landfill	525,000 t/yr
		Fareham	Pre-treatment of non-hazardous waste	300,000 t/yr
		Kirklees (Huddersfield)	Waste incineration	136,000 t/yr
		Packington	Non-hazardous landfill	1,400,000 t/yr
		Path Head	Non-hazardous landfill	220,000 t/yr
		Sidegate Lane	Non-hazardous landfill	400,000 t/yr
		Stoneyhill	Non-hazardous landfill	100,000 t/yr
		Whinney Hill	Non-hazardous landfill	700,000 t/yr
	Sultanate of Oman	Mascate	Non-hazardous landfill	200,000 t/yr
	Taiwan	Ren Wu	Waste incineration	440,000 t/yr

At the beginning of a project, the client awards the Group the right to use pre-existing buildings and facilities, which are made available for the duration of the contract. Any initial investments, at least specific investments, are generally subject to a clause that provides for return to or takeover by the client or the Group's successor once the

contract has ended. For the duration of the contract, and depending upon the legal systems involved, the Group may or may not be the legal owner, but it almost always controls the assets needed for the operations and provides for their maintenance and renewal, as necessary.

## 8.2 Environmental constraints that may affect the Group's use of its fixed assets

Environmental issues that may affect the use of the various facilities fully owned or operated by the Group are described in section 6.8.1 of this Reference Document.

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# 9

## FINANCIAL REVIEW

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The following financial review for the Group should be read in conjunction with the consolidated financial statements set out in chapter 20.1 of this document.

## 9.1 General Information

### 9.1.1 Introduction

In 2013, in an adverse economic climate, SUEZ ENVIRONNEMENT posted a -3.0% decline in **its revenues**.

**Current operating income** increased by +3.3% and **EBITDA** rose by +2.9% (see section 9.2.2 for details about these changes). The COMPASS Program enabled cost savings of €180 million in 2013. The program was initially expected to generate cost savings of €150 million, but was accelerated mid-year *via* additional measures aiming at offsetting a downturn in waste and water volumes in Europe.

**Net income Group share** amounted to €352 million, an increase of €101 million, or +40.2%, compared to 2012.

**Free cash flow** <sup>(1)</sup> before disposals and development capex was €1,007 million, down -26.0% compared with 2012 (but down -3.3% excluding the impact of the securitization program in 2012).

**Net financial debt** stood at €7,245 million at December 31, 2013. The debt was down by -2.6% compared to December 31, 2012. Net debt amounted to 104.9% of total equity at the end of 2013 versus 108.4% at the end of 2012. Net debt/EBITDA was 2.9 at end-2013, down from end-2012.

A resolution will be proposed at the SUEZ ENVIRONNEMENT COMPANY General Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2013 to pay a cash dividend of €0.65 per share, totaling €330.8 million <sup>(2)</sup>, subject to approval by the General Shareholder's Meeting on May 22, 2014.

The table below shows the key figures of the statement of financial position for the years 2013 and 2012:

<i>In millions of euros</i>	2013	2012
Non-current assets	18,550.4	18,881.4
Current assets	8,157.5	7,755.1
<b>TOTAL ASSETS</b>	<b>26,707.9</b>	<b>26,636.5</b>
Shareholders' equity, Group share	4,963.0	4,863.9
Non-controlling interests	1,946.6	1,995.3
Other liabilities	19,798.3	19,777.3
<b>TOTAL LIABILITIES</b>	<b>26,707.9</b>	<b>26,636.5</b>

(1) The Group uses the free cash flow indicator to measure cash generated from existing operations before development capex. The reconciliation of cash generated from operations before financial expenses and income tax with free cash flow can be found in section 9.3.1 of this document.

(2) Based on the number of shares as of December 31, 2013, excluding treasury shares.

## 9.1.2 Significant events in the period

### COMMERCIAL PAPER ISSUE

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up to €1,500 million. As of December 31, 2013, the outstanding notes totaled €679 million.

### SUEZ ENVIRONNEMENT COMPANY WORLDWIDE INCENTIVE SCHEME

On January 17, 2013, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY decided to implement a new worldwide financial incentive scheme to benefit its employees, who will eventually receive 38 SUEZ ENVIRONNEMENT COMPANY shares each.

### SALE OF UNITED WATER ARKANSAS (UNITED STATES)

On February 1, 2013, United Water Inc., a subsidiary of SUEZ ENVIRONNEMENT, finalized the sale of its regulated water activities in Arkansas for €20.8 million.

### PUBLIC TENDER OFFER FOR AGUAS DE SABADELL

On June 12, 2013, the Board of the Spanish Securities and Exchange Commission (CNMV) approved the public tender offer filed by Agbar to purchase shares of the company "Companyia d'Aigues de Sabadell, SA (CASSA)".

Following the offer period, whose results were officially published on July 16, 2013 by the CNMV, Agbar held 77.7% of CASSA.

CASSA provides water services to approximately 350,000 inhabitants in more than 40 municipalities (mainly in Catalonia), with concession contracts. The revenues as of December 31, 2013 were €36.4 million.

### SETTLEMENT AGREEMENT WITH THE URBAN COMMUNITY OF LILLE

On July 3, 2013, the dispute between the company "Société des Eaux du Nord" (SEN) and the Urban Community of Lille (LMCU) ended by signing a settlement agreement providing mutual financial commitments, including:

- the payment of €60 million by SEN relating to renewal costs, amount increased by €8.7 million in order to take into account the conclusion of the independent expertise released in February 2014. The total payable amount is therefore €68.7 million;
- the acquisition in 2013 by LMCU of the production, storage and transport assets belonging to the SEN for an amount of €54 million.

### TERMINATION OF THE SHAREHOLDERS' AGREEMENT RELATING TO SUEZ ENVIRONNEMENT COMPANY

As indicated in press releases dated December 5, 2012 and January 22, 2013 (see section 18.3.1 and chapter 19 of the 2012 Reference Document), the shareholders' agreement relating to SUEZ ENVIRONNEMENT COMPANY was terminated on July 22, 2013.

This decision resulted in GDF SUEZ losing control of SUEZ ENVIRONNEMENT COMPANY. As of July 22, 2013, the 35.68% stake held by the GDF SUEZ Group is accounted for under the equity method in the consolidated financial statements of GDF SUEZ.

GDF SUEZ has also expressed its intention to remain the Company's main shareholder and a long-term strategic partner. GDF SUEZ has affirmed its commitment not to reduce its stake in the Company and to support its development strategy. The Company's governance has been modified to reflect these changes. The number of Directors representing GDF SUEZ has been reduced, Gérard Mestrallet remaining as Chairman.

### NEW BOND ISSUE

On October 8, 2013, SUEZ ENVIRONNEMENT COMPANY completed the placement of a €500 million bond issue maturing on October 9, 2023 with a fixed annual coupon of 2.75%.

### AGBAR TO MANAGE THE ENTIRE WATER CYCLE (WATER AND WASTEWATER) IN THE BARCELONA METROPOLITAN AREA FOR 35 YEARS

Agbar, a subsidiary of SUEZ ENVIRONNEMENT, and the Barcelona Metropolitan Area (AMB), have created a joint venture company dedicated to water and wastewater management of 24 municipalities, including the city of Barcelona and the surrounding communities. This contract, which has a duration of 35 years, will generate total revenues of €3.5 billion.

This new company is a public-private partnership in which Agbar has an 85% stake and the Barcelona Metropolitan Area holds the remaining 15%. The company will operate under the name Aguas de Barcelona, and will supply water and wastewater services to 3 million inhabitants.

### SUCCESSFUL REFINANCING AND RESOLUTION OF LEGAL DISPUTES CONCERNING THE SUEZ ENVIRONNEMENT DESALINATION PLANT IN AUSTRALIA

AquaSure, in which SUEZ ENVIRONNEMENT holds a 21% stake, reached an agreement on refinancing the seawater desalination plant in Melbourne (Victoria) for a total of AUD\$3.7 billion (or €2.4 billion), thus achieving a significant reduction in financial costs.

SUEZ ENVIRONNEMENT has also obtained a satisfactory resolution to the legal disputes related to the desalination plant's construction. All outstanding claims were ended and the remaining provisions were reversed on December 31, 2013.

### SITA FRANCE SELLS ITS STAKE IN THE NICOLLIN GROUP

Sita France, a subsidiary of SUEZ ENVIRONNEMENT, and the Nicollin Group have concluded an agreement to sell Sita France's 36% stake in Nicollin.

## 9.2 Analysis of income statements

### 9.2.1 Explanation on main income statement items

#### REVENUES

Revenues generated by water supply are based on volumes delivered to customers, either specifically metered and invoiced or estimated based on the output of the supply networks.

The price for wastewater services and wastewater treatment is either included in the water distribution invoice, or is sent in a separate invoice to the local authority or industrial client.

Revenues arising from waste collection are generally based on the tonnage collected and the service provided by the operator.

Revenues from other forms of waste treatment (primarily sorting and incineration) are based on volumes processed and services rendered by the operator, plus the additional revenues from recovery operations, such as the sale of raw materials for sorting centers (paper, cardboard, glass, metals, plastics etc.) and the sale of energy (electricity or heat) for incinerators.

Revenues from engineering, construction and service contracts are determined using the percentage of completion method. Depending on the contract concerned, the stage of completion may be determined either based on the proportion that costs incurred to date represent in the estimated total costs of the contract, or on the physical progress of the contract based on factors such as contractually defined milestones.

#### PURCHASES

Purchases primarily include purchases of unpurified water intended for treatment prior to delivery to customers, as well as purchases of equipment, parts, energy, combustibles and recyclable materials.

#### OTHER OPERATING INCOME AND EXPENSES

Other operating income includes re-invoicing direct charges and overheads.

Other operating expenses primarily include costs relating to subcontracting and other external services, maintenance and repair costs for waste collection and treatment equipment, production costs, water and waste treatment costs, and administrative costs.

This item also includes other routine operating expenses such as rental expenses, external personnel costs, commissions and fees to intermediaries, and taxes other than corporate income tax.

#### CURRENT OPERATING INCOME

Current operating income is an indicator used to present a certain level of operating performance. It is a subtotal that facilitates interpretation of the Group's performance by excluding elements which, in the Group's view, are insufficiently predictable due to their unusual, irregular or non-recurring nature. These elements relate to asset impairments, disposals, scope effects, restructuring costs and mark-to-market of trading instruments.

#### EBITDA

The Group uses EBITDA to measure its operating performance and capacity to generate operating cash flows.

EBITDA is not defined in IFRS and does not appear directly in the Group's consolidated income statement. Current operating income can be reconciled with EBITDA as follows:

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#### Current operating income

- Depreciation, amortization and provisions
- Share-based payments (IFRS 2) <sup>(a)</sup>
- Net disbursements under concession contracts <sup>(b)</sup>

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#### EBITDA

- (a) *This item includes the allocation of stock options, bonus shares and payments made by the Group in relation to Company savings plans (including employer's matching contributions or matching shares).*
- (b) *This item corresponds to the sum of the renewal expenditure relating to concessions and to changes in assets and liabilities for concessions renewals.*

The reconciliation of current operating income to EBITDA for 2013 and 2012 is set out in Note 3.4.1 to the consolidated financial statements (chapter 20.1 of this Reference Document).

## 9.2.2 Comparison of fiscal years ended December 31, 2013 and 2012

<i>In millions of euros</i>	2013	2012
Revenues	14,643.8	15,101.6
Purchases	(2,976.6)	(3,486.9)
Personnel costs	(3,708.1)	(3,764.4)
Amortization, depreciation and provisions	(974.4)	(1,036.0)
Other operating income and expenses	(5,800.8)	(5,668.5)
<b>CURRENT OPERATING INCOME</b>	<b>1,183.9</b>	<b>1,145.8</b>
Mark-to-market on operating financial instruments	0.1	3.5
Impairment on property, plant and equipment, intangible and financial assets	12.7	(87.5)
Restructuring costs	(74.4)	(78.4)
Scope effects	40.4	63.5
Other gains and losses on disposals and non-recurring items	16.0	5.2
<b>INCOME FROM OPERATING ACTIVITIES</b>	<b>1,178.7</b>	<b>1,052.1</b>
Financial expenses <sup>(a)</sup>	(515.2)	(538.4)
Financial income <sup>(a)</sup>	113.0	119.2
<b>NET FINANCIAL INCOME</b>	<b>(402.2)</b>	<b>(419.2)</b>
Income tax	(205.4)	(185.7)
Share in net income of associates	31.0	22.4
<b>NET INCOME</b>	<b>602.1</b>	<b>469.6</b>
<b>OF WHICH NON-CONTROLLING INTERESTS</b>	<b>249.9</b>	<b>218.2</b>
<b>NET INCOME GROUP SHARE</b>	<b>352.2</b>	<b>251.4</b>

(a) Data presentation at December 31, 2012 has been changed for comparability purposes to reflect the application of IAS 19 Revised (see Notes 1.2.1 and 6.2. in chapter 20.1 of this Reference Document).

### OTHER INCOME STATEMENT ITEM

<i>In millions of euros</i>	2013	2012
<b>EBITDA</b>	<b>2,519.9</b>	<b>2,450.0</b>

### REVENUES

<i>In millions of euros</i>	2013	2012	Change	% change
Water Europe	4,436.7	4,378.6	58.1	1.3%
Waste Europe	6,551.3	6,751.9	(200.6)	-3.0%
International	3,652.2	3,956.7	(304.5)	-7.7%
Other	3.6	14.4	(10.8)	-75.0%
<b>REVENUES</b>	<b>14,643.8</b>	<b>15,101.6</b>	<b>(457.8)</b>	<b>-3.0%</b>

SUEZ ENVIRONNEMENT posted revenues of €14,644 million in 2013, down -3.0% versus 2012. This €458 million fall in revenues breaks down as follows:

- An organic growth of -€104 million (-0.7%). Waste Europe posted an organic decline of -1.2% with rising activity in the UK/Scandinavia, offset by a decline in France and the Benelux/

Germany area. Despite the dynamism of the Asia-Pacific region, the International business was also down, by -2.7%, due to the decreased activity of Degrémont. Finally, the Water Europe segment grew by +2.0%, mainly due to a positive price effect and the momentum of new services, which grew +11% compared to 2012;



- Negative scope effects of -€91 million resulting primarily from the disposals of metal treatment and medical waste activities in the UK and of Altiservice in France, which were respectively finalized in September 2013 and October 2012;
- Negative foreign exchange adjustments of -€262 million, due to the depreciation of major currencies against the euro (US dollar, Australian dollar, pound sterling, Chilean peso).

As of December 31, 2013, the Group generated 36% of its revenues in France and 29% outside Europe.

#### Water Europe

The Water Europe segment contributed €4,437 million to Group revenues in 2013, up €58 million (an increase of +1.3%).

Water Europe posted organic revenue growth of +2.0% (+€86 million):

- Lyonnaise des Eaux posted a slight decline of -0.7% (-€17 million). This change was impacted by the slowdown in public works projects in France. Lyonnaise des Eaux, nevertheless, benefited from a favorable price effect and the momentum of new services;
- Agbar saw organic growth of +5.1% (+€104 million) mainly driven by price increases in Spain and Chile and by the increase in volumes of drinking water sold, also in Chile.

Changes in foreign currencies against the euro had a negative impact on revenues (-€35 million or -0.8%) due mainly to the depreciation of the Chilean peso.

#### Waste Europe

The Waste Europe segment contributed €6,551 million to Group revenues in 2013, down -€201 million (-3.0%) versus 2012.

The segment was affected by a decline in manufacturing activity, resulting in a -3.2% drop in volumes treated at year-end 2013, and by the fall in prices of secondary raw materials (on average by -10% for metal and -9% for paper). Service activities were also down, including industrial waste collection.

The situation nevertheless varies by country: an improvement in the UK/Scandinavia (+5.4% organic growth), but a decline in France (-1.9%), Central Europe (-2.6%) and in the Benelux/Germany area (-5.0%).

The scope effect of -1.1% (-€74 million) is primarily due to the disposal of metal treatment and medical waste activities in the UK.

Changes in foreign currencies against the euro had a negative effect on revenues (-€44 million or -0.6%) due mainly to the depreciation of the pound sterling.

#### International

The International segment contributed €3,652 million to Group revenues in 2013, down -€305 million (-7.7%) versus 2012.

Organic growth fell by -€108 million (-2.7%), reflecting the following trends:

- an organic decline at Degrémont totaling -€233 million, or -17%, related to the conclusion of the Melbourne contract and the completion, in 2012, of certain Design & Build contracts in Europe that had no equivalents in 2013;
- continued dynamic activity in Asia-Pacific (+€80 million, +6.0%), thanks to continued higher volumes in China and strong growth in Waste activities in Australia;
- growth in Africa, the Middle East and India of +€36 million (+5.8%), with sustained growth in Morocco;
- growth in North America (+€9 million, +1.4%) with tariff increases obtained in the regulated activity, which offset the decline in volumes (-1.4%) due to unfavorable weather conditions.

Changes in foreign currencies against the euro had a negative impact on revenues (-€184 million or -4.6%) due mainly to the depreciation of the US and Australian dollars.

#### OPERATING EXPENSES

##### Purchases

Purchases amounted to €2,977 million in 2013, down €510 million (-14.6%) against 2012. This change mainly reflects the completion of construction contracts at Degrémont including delivery of the Melbourne plant in late 2012.

##### Personnel costs

Personnel costs were €3,708 million in 2013, down €56 million (-1.5%) versus 2012 (for a breakdown of personnel costs, see Note 4.2 to the consolidated financial statements found in chapter 20.1 of this Reference Document).

##### Amortization, depreciation and provisions

Net allowances to amortization, depreciation and provisions amounted to €974 million in 2013, down €62 million from 2012. The change in total provisions was mainly due to the end of the dispute between the company "Société des Eaux du Nord" and the Urban Community of Lille and the successful resolution of legal disputes related to the construction of the Melbourne plant.

##### Other operating income and expenses

Other operating income and expenses were -€5,801 million in 2013, up +€133 million versus 2012 (for a breakdown of other operating income and expenses, see Note 4.4 to the consolidated financial statements found in chapter 20.1 of this Reference Document).

**CURRENT OPERATING INCOME**

<i>In millions of euros</i>	2013	2012	Change	% change
Water Europe	526.5	586.3	(59.8)	-10.2%
Waste Europe	303.3	328.5	(25.2)	-7.7%
International	421.5	299.7	121.8	40.6%
Other	(67.4)	(68.6)	1.2	1.7%
<b>CURRENT OPERATING INCOME</b>	<b>1,183.9</b>	<b>1,145.8</b>	<b>38.1</b>	<b>3.3%</b>

The Group's current operating income was €1,184 million in 2013, up +€38 million on 2012. This increase breaks down as follows:

- organic growth of +€67 million (+5.8%) mainly from the International segment (+€136 million) offset by the organic growth of the Water Europe and Waste Europe segments (-€41 million and -€29 million, respectively). This increase is primarily due to the favorable resolution in 2013 of negotiations on the delay in construction of the Melbourne plant;
- a negative scope effect of -€5 million;
- a negative foreign exchange adjustment of -€24 million (due to the depreciation of all major currencies against the euro).

**Water Europe**

The Water Europe segment contributed €527 million to the Group's current operating income in 2013, down -€60 million (-10.2%) versus 2012.

This resulted from a negative scope effect of -€6 million and a negative currency effect of -€13 million (largely due to the depreciation of the Chilean peso). The organic growth amounted to -€41 million and was mainly due to a 5% increase in amortization and concession expenses.

**Waste Europe**

The Waste Europe segment contributed €303 million to the Group's current operating income in 2013, down -€25 million (-7.7%) versus 2012. This change is broken down into an organic decrease (-€29 million), an unfavorable foreign exchange adjustment (-€1 million) and a positive scope effect (+€5 million).

Negative organic growth is mainly due to the decline in volumes treated in a sluggish economy and, to a lesser extent, falling prices of secondary raw materials (paper and metal) in 2013.

**International**

The International segment contributed €422 million to the Group's current operating income in 2013 (+€122 million; +40.6% on 2012).

Current operating income was up sharply for the International segment compared with fiscal 2012. Current operating income was impacted in 2012 by the additional construction costs of the Melbourne desalination plant (-€63 million), while in 2013 it benefited from a reversal of provisions (+€58 million). Excluding this impact, the growth of the International sector remains positive (+7.3%), driven by the business dynamism of the International segment.

Organic growth of current operating income for the International segment came to +€136 million (+45.3%), offset by a negative currency effect (-€10 million), due mainly to the depreciation of the US and Australian dollars against the euro.

**EBITDA**

<i>In millions of euros</i>	2013	2012	Change	% change
Water Europe	1,184.7	1,188.9	(4.2)	-0.4%
Waste Europe	796.7	834.4	(37.7)	-4.5%
International	580.7	463.3	117.4	25.3%
Other	(42.2)	(36.6)	(5.6)	-15.3%
<b>EBITDA</b>	<b>2,519.9</b>	<b>2,450.0</b>	<b>69.9</b>	<b>2.9%</b>

The Group's EBITDA was €2,520 million in 2013, up +70 million (+2.9%) compared to 2012, with an organic growth of +5.0%.

**INCOME FROM OPERATING ACTIVITIES**

Income from operating activities in 2013 was €1,179 million, up +€127 million from 2012.

The main items are detailed hereafter.

**Impairment on property, plant and equipment, intangible and financial assets**

Impairment on property, plant and equipment, intangible and financial assets for 2013 came to +€13 million, against -€87 million in 2012, an increase of €100 million. This change mainly reflects the reversal of impairment losses on financial receivables relating to an International concession contract. In 2012, an impairment loss of €60 million was recorded due to the measurement at fair value of Acea shares, a company listed on the Milan stock exchange.

**Restructuring costs**

In 2013, restructuring costs totalled -€74 million, against -€78 million in 2012. At December 31, 2013, this item mainly included the costs of adaptation plans related to the business slowdown in the Waste Europe and Water Europe segments, and at Degrémont, as well as the latest impacts of the Group's withdrawal from Hungary.

**Asset disposals and scope effects**

Gains on asset disposals and scope effects generated income of +€56 million in 2013, against +€68 million in 2012. In 2013, the major gains resulted from Sita France's sale of its shares in Nicollin Group companies and the sale of the Group's stake in the company managing the Cancun concession. In 2012, the major gains on disposals related to the sales of Eurawasser and Altiservice.

**NET FINANCIAL INCOME**

<i>In millions of euros</i>	2013	2012	Change	% change
Cost of net debt	(373.5)	(410.6)	37.1	9.0%
Other financial expenses and income	(28.7)	(8.6)	(20.1)	-233.7%
<b>NET FINANCIAL INCOME</b>	<b>(402.2)</b>	<b>(419.2)</b>	<b>17.0</b>	<b>4.1%</b>

The Group posted net financial income of -€402 million in 2013, an improvement of €17 million versus 2012 due to reduction in the cost of net debt (see Note 6 to the consolidated financial statements in chapter 20.1 of this Reference Document).

The cost of net debt was -€374 million, versus -€411 million in 2012, with an average rate of 4.88% versus 5.08% in 2012. The average term of net debt was 5.85 years at the end of 2013, versus 6.45 years at the end of 2012. This reduction is mainly due to the €770 million bond issue maturing in April 2014, partly refinanced in October 2013 through a €500 million bond issue maturing in October 2023.

**INCOME TAX EXPENSE**

The Group's income tax expense in 2013 was -€205 million, versus -€186 million in 2012. The difference between the Group's effective tax

rate in 2013 (26.5%) and the prevailing rate in 2013 in France (38.0%) is mainly due to lower tax rates in the various countries where the Group operates (see Note 7 to the consolidated financial statements in chapter 20.1 of this Reference Document).

**NET INCOME GROUP SHARE**

Net income Group share came to €352 million, up +€101 million (+40.2%) compared to 2012. This increase was primarily due to:

- improved operational performance corresponding to the increase of the current operating income by +€38.1 million;
- the impact in 2012 of the impairment of Acea shares (-€60 million).

## 9.3 Financing and net debt

### 9.3.1 Cash flows in fiscal years 2013 and 2012

<i>In millions of euros</i>	2013	2012
Cash flows from / (used in) operating activities	1,823.8	2,357.1
Cash flows from / (used in) investing activities	(987.4)	(1,283.3)
Cash flows from / (used in) financing activities	(497.9)	(1,375.2)
Impacts of changes in exchange rates and other	(79.8)	55.2
<b>TOTAL CASH FLOWS FOR THE PERIOD</b>	<b>258.7</b>	<b>(246.2)</b>
Cash and cash equivalents at the beginning of the year	2,247.3	2,493.5
Cash and cash equivalents at the end of the year	2,506.0	2,247.3

**CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES**

<i>In millions of euros</i>	2013	2012	Change	% change
<b>EBITDA</b>	<b>2,519.9</b>	<b>2,450.0</b>	<b>69.9</b>	<b>2.9%</b>
+ Net disbursements under concession contracts	(337.4)	(244.6)	(92.8)	-37.9%
+ Impairment of current assets	(14.8)	(24.4)	9.6	39.3%
+ Impact of restructuring operations	(79.2)	(41.2)	(38.0)	-92.2%
+ Dividends received from associates	34.6	39.4	(4.8)	-12.2%
- Net allocation to provisions for employee benefits	(16.6)	(14.5)	(2.1)	-14.5%
<b>CASH FLOWS GENERATED FROM OPERATIONS BEFORE INCOME TAX AND FINANCIAL EXPENSES</b>	<b>2,106.5</b>	<b>2,164.7</b>	<b>(58.2)</b>	<b>-2.7%</b>
Tax paid	(214.5)	(112.9)	(101.6)	-90.0%
Change in working capital requirement	(68.2)	305.3	(373.5)	-122.3%
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>1,823.8</b>	<b>2,357.1</b>	<b>(533.3)</b>	<b>-22.6%</b>

Net cash flows from operating activities amounted to €1,824 million in 2013, down by -€533 million versus 2012.

This change mainly reflects:

- the decline in cash flows generated from operations before income tax and financial expenses (-€58 million) related mainly to higher net disbursements under concession contracts of +€93 million (€60 million from the settlement of the dispute with the Urban Community of Lille), and restructuring costs of +€38 million, despite a rise in EBITDA (+€70 million);
- the increase in tax paid (+€102 million) due in particular to the settlement of tax disputes for €20 million by Agbar and a government tax refund received by Agbar in 2012;
- the difference of -€373 million in the change in working capital requirement; in 2012 these were strongly positive because they included an impact of €317 million related to the derecognition of receivables transferred as part of the “deconsolidating” securitization program.

**CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES**

<i>In millions of euros</i>	2013	2012	Change	% change
Investments in property, plant and equipment and intangible assets	(1,138.3)	(1,222.4)	84.1	6.9%
Financial investments	(36.8)	(91.7)	54.9	59.9%
<i>Including acquisitions of entities net of cash and cash equivalents acquired</i>	(28.8)	(71.6)	42.8	59.8%
<i>Including acquisitions of available-for-sale securities</i>	(8.0)	(20.1)	12.1	60.2%
Disposals of property, plant and equipment and intangible assets	125.5	33.8	91.7	271.3%
Disposals of entities net of cash and cash equivalents sold	80.0	79.9	0.1	0.1%
Disposals of available-for-sale securities	5.8	31.0	(25.2)	-81.3%
Interest received on non-current financial assets	8.2	13.4	(5.2)	-38.8%
Dividends received on non-current financial assets	43.0	19.1	23.9	125.1%
Change in loans and receivables issued by the Company and others	(74.8)	(146.4)	71.6	48.9%
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>	<b>(987.4)</b>	<b>(1,283.3)</b>	<b>295.9</b>	<b>23.1%</b>

Net cash flows used in investing activities were -€987 million as of December 31, 2013, versus -€1,283 million as of December 31, 2012.

Total investment in property, plant and equipment and intangible and financial assets fell by -€139 million as a result of the greater selectivity in capital expenditures during an economic downturn.

#### Maintenance and development capital expenditure and free cash flow

Within "investments of property, plant and equipment and intangible assets", the Group distinguishes:

- maintenance capital expenditure, corresponding to investments incurred to replace equipment and machinery operated by the Group, as well as investments made in order to comply with new regulations; and
- development capital expenditure <sup>(1)</sup>, corresponding to investments incurred to build new facilities for operation.

The maintenance capital expenditure as of December 31, 2013 and 2012 is presented in the following table:

In millions of euros	2013	2012
<b>Total maintenance capital expenditure <sup>(a)</sup></b>	<b>(600.1)</b>	<b>(647.8)</b>
Of which maintenance capital expenditure	(605.0)	(666.1)
Of which change in maintenance asset supplier debt <sup>(b)</sup>	4.9	18.3

(a) Total maintenance capital expenditure for 2013 breaks down as follows: €189.8 million for the Water Europe segment, €250.3 million for the Waste Europe segment, €145.7 million for the International segment, and €14.3 million for Other. The 2012 data have been restated for comparative purposes due to the new segmentation carried out in 2013: €210.6 million for the Water Europe segment, €296.6 million for the Waste Europe segment, €136.1 million for the International segment, and €4.5 million for Other.

(b) Change in trade payables concerning the acquisition of maintenance-related property, plant and equipment and intangible assets.

The Group uses free cash flow as an indicator to measure cash generation from the Group's existing operations before development capital expenditure.

The reconciliation of cash flows generated from operations before income tax and financial expenses with free cash flow as of December 31, 2013 and 2012 is presented in the following table:

In millions of euros	2013	2012
Cash flows generated from operations before income tax and financial expenses	2,106.5	2,164.7
Total maintenance capital expenditure	(600.1)	(647.8)
Change in working capital requirement	(68.2)	305.3
Tax paid	(214.5)	(112.9)
Financial Interest paid	(359.1)	(432.1)
Interests received on cash and cash equivalents	36.9	48.1
Interest received on non-current financial assets	8.2	13.4
Dividends received on non-current financial assets	43.0	19.1
Other <sup>(a)</sup>	54.2	0.2
<b>Free cash flow</b>	<b>1,006.9</b>	<b>1,358.0</b>

(a) Includes the impact of the settlement agreement on July 3, 2013 between the company "Société des Eaux du Nord" (SEN) and the Urban Community of Lille (LMCU) (see section 9.1.2 of this Reference Document).

Free cash flow came to €1,007 million at December 31, 2013 against €1,358 million at December 31, 2012, a decline of €351 million. This change is mainly due to the impact (+€317 million) on the change

in working capital requirement of the "deconsolidating" securitization program of receivables in 2012.

(1) Total development capital expenditure in 2013 (€538.2 million vs. €574.6 million in 2012) breaks down as follows: €217.1 million for the Water Europe segment, €181.2 million for the Waste Europe segment, and €139.9 million for the International segment. The 2012 data have been restated for comparative purposes due to the new segmentation carried out in 2013 (see Note 3.2 of chapter 20.1 of this document): €251.3 million for the Water Europe segment, €198.7 million for the Waste Europe segment, and €124.6 million for the International segment.

The breakdown of free cash flow by segment was as follows in 2013:

- Water Europe segment: €496.6 million;
- Waste Europe segment: €364.8 million;
- International segment: €206.9 million;
- Other: -€61.4 million.

In 2012, it broke down as follows:

- Water Europe segment: €567.2 million;
- Waste Europe segment: €602.7 million;
- International segment: €214.4 million;
- Other: -€26.3 million.

#### CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES

<i>In millions of euros</i>	2013	2012	Change	% change
Dividends paid	(556.1)	(601.1)	45.0	7.5%
Repayment of borrowings	(1,350.9)	(1,491.2)	140.3	9.4%
Change in financial assets at fair value through income	(64.3)	(9.0)	(55.3)	-614.4%
Financial Interest paid	(359.1)	(432.1)	73.0	16.9%
Interests received on cash and cash equivalents	36.9	48.1	(11.2)	-23.3%
Flows on financial derivatives qualifying as net investment hedges and compensation payments on financial derivatives <sup>(a)</sup>	57.2	(67.8)	125.0	184.4%
Increase in borrowings and long-term debt	1,743.5	1,157.2	586.3	50.7%
Increase/decrease in share capital	5.9	(0.1)	6.0	6,000.0%
Purchase/sale of treasury shares	(11.6)	20.2	(31.8)	-157.4%
Other	0.6	0.6	-	0.0%
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>(497.9)</b>	<b>(1,375.2)</b>	<b>877.3</b>	<b>63.8%</b>

(a) The Group has applied a new definition of total "Net debt" (see section 9.3.2) since December 31, 2012. In order to ensure consistency with this new definition and clearly present the non-recurring impact of compensation payments associated with the unwinding of financial derivatives, the cash flows related to net investment hedges and compensation payments made/received in connection with the unwinding of financial derivatives are presented in the statement of cash flows on the line entitled "Flows on financial derivatives qualifying as net investment hedges and compensation payments on financial derivatives".

Net cash flows from financing activities amounted to -€498 million at December 31, 2013, up +€877 million from December 31, 2012.

The change in cash flows from financing activities is explained by:

- an increase in gross debt in 2013 (+€586 million) mainly due to a 10-year, €500 million bond issue;
- a €55 million increase in proceeds from the sale of financial assets (under "Change in financial assets at fair value through income") which amounted to -€9 million in 2012;
- a -€45 million reduction in dividends paid, to €556 million in 2013:
  - €376 million in cash dividends paid by SUEZ ENVIRONNEMENT COMPANY, including €36.2 million related to the coupon of the undated deeply subordinated notes, and €10 million corresponding to the French 3% tax on dividends distributed,

- €180 million corresponding to dividends paid to non-controlling interests by other Group companies.

The variance between the changes in financial debt (excluding derivatives) presented in Note 12.2.1 of chapter 20.1 of this document, for €80.2 million, and the increase in borrowings and long-term debt of €392.6 million presented in the consolidated statement of cash flows, consists of the following items:

- Cash flow from derivatives of +€25.6 million;
- Changes in fair value and amortized cost of +€27.9 million;
- Foreign exchange adjustments of +€275.2 million;
- Other items for -€16.3 million.

### 9.3.2 Net debt

#### NET DEBT AS OF DECEMBER 31, 2013 AND 2012

<i>In millions of euros</i>	2013	2012	Change	% change
Bond issues	6,574.2	5,974.9	599.3	10.0%
Commercial paper	679.0	-	679.0	100.0%
Draw-downs on credit facilities	288.2	1,027.7	(739.5)	-72.0%
Borrowings under finance leases	397.4	442.2	(44.8)	-10.1%
Other bank borrowings	987.0	1,056.2	(69.2)	-6.6%
Other borrowings	172.0	424.3	(252.3)	-59.5%
<b>Total borrowings</b>	<b>9,097.8</b>	<b>8,925.3</b>	<b>172.5</b>	<b>1.9%</b>
Overdrafts and current cash accounts	704.6	758.4	(53.8)	-7.1%
<b>Total outstanding financial debt</b>	<b>9,802.4</b>	<b>9,683.7</b>	<b>118.7</b>	<b>1.2%</b>
Financial assets measured at fair value through income excluding derivatives	(91.6)	(23.5)	(68.1)	-289.8%
Assets related to financing	(0.9)	(4.6)	3.7	80.4%
Cash and cash equivalents	(2,506.0)	(2,247.3)	(258.7)	-11.5%
<b>Total net debt (excluding derivative financial instruments and amortized cost)</b>	<b>7,203.9</b>	<b>7,408.3</b>	<b>(204.4)</b>	<b>-2.8%</b>
Impact of derivative financial instruments and amortized cost	40.9	27.5	13.4	48.7%
<b>NET DEBT</b>	<b>7,244.8</b>	<b>7,435.8</b>	<b>(191.0)</b>	<b>-2.6%</b>

In 2012, the Group reviewed its definition of net debt in order to gain economic coherence between the different elements included within the aggregate. Therefore, the derivative financial instruments subscribed to in order to reduce Group exposure related to its investments in consolidated companies with a currency other than the euro, as well as the interest rate component for derivative instruments (not qualifying as hedges or qualifying as cash flow hedges) are henceforth excluded for the definition of net debt.

Indeed, the elements that cause Group exposure (for which derivative instruments are subscribed to in order to reduce the exposure) are not included in this figure.

In addition, the financial assets relating to the debt instruments, essentially deposits pledged as part of project financing arrangements, will from now on be recognized in the deduction of gross borrowings.

**Net debt** amounted to €7,245 million at December 31, 2013, against €7,436 million at December 31, 2012. The €191 million reduction was mainly due to strong free cash flow generation, a decrease in net capital expenditure, and favorable foreign exchange adjustments.

Net debt amounted to 104.9% of total equity at the end of 2013 versus 108.4% at the end of 2012. Net debt/EBITDA was 2.9 at December 31, 2013, down slightly versus 2012 (3.0).

As of December 31, 2013, the Group had a total of €2,691.8 million in undrawn authorized credit facilities.

### 9.3.3 Return on capital employed (ROCE)

ROCE is calculated by dividing net operating profit after taxes (NOPAT) for the period (see details below) by the opening capital employed adjusted for the scope effects on a *pro rata temporis* basis as well as for material foreign exchange rate effects.

Current tax used in the calculation of NOPAT is the tax payable on recurring operations and does not include the tax due on non-recurring operations.

The calculation of NOPAT, capital employed and return on capital employed for 2013 and 2012 are presented in the following tables:

<i>In millions of euros</i>	2013	2012
Current operating income	1,183.9	1,145.8
Share in net income of associates	31.0	22.4
Dividends	36.8	30.3
Interest and income from receivables and current assets	11.9	11.9
Other financial expenses and income	(57.6)	(48.6)
Income tax expense	(215.0)	(161.7)
<b>NOPAT</b>	<b>991.0</b>	<b>1,000.1</b>

<i>In millions of euros</i>	2013	2012
Goodwill (net)	3,256.9	3,264.7
Property, plant and equipment and intangible assets (net)	12,942.8	12,828.5
Available-for-sale securities	388.2	459.9
Investments in associates	490.9	498.2
Provisions	(1,995.1)	(1,834.7)
Impact of material exchange rate fluctuations and scope changes	(212.8)	194.1
Other	(647.6)	(823.0)
<b>CAPITAL EMPLOYED AT JANUARY 1<sup>ST</sup> (a)</b>	<b>14,223.3</b>	<b>14,587.7</b>

(a) Opening capital employed, adjusted for material scope and foreign exchange effects.

The amount for available-for-sale securities used to calculate the capital employed does not include changes in the fair value of financial assets taken to equity, which was €7.7 million at January 1, 2013.

"Other" of -€647.6 million includes:

- net trade receivables and payables of +€934 million;

- net other assets and other liabilities of -€3,120 million;
- actuarial gains and losses on pensions of +€286 million;
- loans and receivables at amortized cost of +€963 million; and
- inventories of +€290 million.

<i>In millions of euros</i>	NOPAT	Capital employed	ROCE (a)
<b>2013</b>	991.0	14,223.3	7.0%
<b>2012</b>	1,000.1	14,587.7	6.9%

(a) To be compared to the weighted average cost of capital (WACC) estimated at 6.3% for 2013 (against 6.6% in 2012).

ROCE by segment breaks down as follows:

- in 2013: Water Europe segment: 6.7%, Waste Europe segment: 4.9%, International and Other segments: 10.4%;

- in 2012: Water Europe segment: 7.7%, Waste Europe segment: 5.0%, International and Other segments: 7.6%.



## 9.4 Provisions

The movements in provisions between December 31, 2013 and 2012 are presented in the following table:

<i>In millions of euros</i>	2013	2012	Change	% change
Pensions and other post-employment and long term benefits	591.3	672.9	(81.6)	-12.1%
Sector-related risks	113.5	117.7	(4.2)	-3.6%
Warranties	24.8	27.5	(2.7)	-9.8%
Disputes, claims and tax risks	144.4	208.8	(64.4)	-30.8%
Site restoration	552.4	561.8	(9.4)	-1.7%
Restructuring costs	48.7	51.5	(2.8)	-5.4%
Other contingencies	325.7	355.0	(29.3)	-8.3%
<b>TOTAL PROVISIONS</b>	<b>1,800.8</b>	<b>1,995.2</b>	<b>(194.4)</b>	<b>-9.7%</b>

The main provisions as of December 31, 2013 were the following:

- **provisions for pensions and other post-employment and long term benefits**, which in 2013 were €591 million, down -€82 million on December 31, 2012, of which -€85 million constituted actuarial gains. For details of provisions for pensions and other post-employment and long term benefits, see Note 16 to the consolidated financial statements in chapter 20.1;
- **provisions for site restoration**, which amounted to €552 million in 2013, down -€9 million from December 31, 2012. The purpose of these provisions and the methods for calculating them are explained in Note 15.4 to the consolidated financial statements (chapter 20.1 of this Reference Document);
- **provisions for other contingencies**, which amounted to €326 million in 2013, a decrease of -€29 million compared to December 31, 2012, is explained by a provision reversal following the settlement of the dispute between the company "Société des Eaux du Nord" and the Urban Community of Lille. "Other contingencies" mainly includes provisions for miscellaneous employee-related and environment-related contingencies and for various business risks;
- **provisions for disputes, claims, and tax risks**, which amounted to €144 million in 2013, down -€64 million versus December 31, 2012, mostly owing to the settlement of tax adjustments in Spain;
- **provisions for sector-related risks**, which totaled €114 million in 2013, down -€4 million on December 31, 2012. This item primarily includes provisions for risks relating to court proceedings involving the Argentinean contracts and to warranties given in connection with divestments that are likely to be called upon.

## 9.5 Contractual commitments

### 9.5.1 Commitments relating to Group financing

#### FINANCIAL DEBT

The Group's total gross debt and its repayment schedule at December 31, 2013 are set out in the following table:

<i>In millions of euros</i>	Total	2014	2015	2016	2017	Beyond 2017
Total borrowings	9,097.8	1,969.7	327.5	318.6	703.6	5,778.4
Overdrafts and current cash accounts	704.6	704.6	-	-	-	-
<b>TOTAL OUTSTANDING FINANCIAL DEBT</b>	<b>9,802.4</b>	<b>2,674.3</b>	<b>327.5</b>	<b>318.6</b>	<b>703.6</b>	<b>5,778.4</b>

**SECURED, PLEDGED, AND MORTGAGED ASSETS**

Items of property, plant and equipment pledged by the Group to guarantee commitments amounted to €150.0 million as of December 31, 2013, against €157.4 million in December 31, 2012. This decrease was mostly related to a pledge (-€10.3 million) given on SFWD's assets as a debt payment guarantee.

The maturities of these commitments are as follows:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
2013	-	3.0
2014	2.7	0.4
2015	0.2	0.4
2016	0.1	0.6
2017	0.1	0.9
Beyond	146.9	152.1
<b>TOTAL</b>	<b>150.0</b>	<b>157.4</b>

**FINANCING COMMITMENTS**

Financing commitments given or received by the Group in respect of the fiscal years ended on December 31, 2013 and December 31, 2012 are presented in the following table:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Personal securities provided for borrowings	1,022.5	228.0
<b>TOTAL COMMITMENTS GIVEN</b>	<b>1,022.5</b>	<b>228.0</b>
Financing commitments received	2,691.8	2,344.6
<b>TOTAL COMMITMENTS RECEIVED</b>	<b>2,691.8</b>	<b>2,344.6</b>

Commitments received related to financing mainly concern undrawn confirmed credit facilities.

Personal securities cover the repayment of the principal amount and interest on the debt if the latter is not recognized as a liability on the Group's statement of financial position. Guarantees are also provided in the context of the receivables securitization program for up to €516 million.

**9.5.2 Contractual investment commitments****CONTRACTUAL COMMITMENTS TO INVEST IN PROPERTY, PLANT, AND EQUIPMENT**

In the ordinary course of their operations, certain Group companies have also entered into commitments to invest in technical facilities, with a corresponding commitment from the related third parties to deliver these facilities to them. These commitments break down by maturity as follows:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
2013	-	364.3
2014	167.6	58.8
2015	40.7	19.6
Beyond	115.2	25.6
<b>TOTAL</b>	<b>323.5</b>	<b>468.3</b>

This change is mainly due to the €124.8 million reduction in Sita UK's commitments for capital expenditure due to the completion of various projects.

**OTHER CONTRACTUAL INVESTMENT COMMITMENTS**

The Group made various commitments to invest in intangible assets and to a lesser extent the purchase of equity investments,

in the total amount of €559 million as of December 31, 2013. These other investment commitments amounted to €362 million as of December 31, 2012.

The change is mainly due to the agreement concluded by Agbar in 2013 for the management of water and wastewater services in the Barcelona Metropolitan Area, for €195 million.

### 9.5.3 Lease-related commitments given

#### COMMITMENTS RELATED TO FINANCE LEASES

The main finance leases entered into by the Group concern the incineration plants of Novergie and Torre Agbar as a result of Agbar taking over in 2010, the rights and obligations of the finance lease previously linking Azurelau to Caixa, the owner and financial leaseholder of the building. The future minimum lease payments under these leases were as follows at December 31, 2013 and 2012:

<i>In millions of euros</i>	Future minimum lease payments at December 31, 2013		Future minimum lease payments at December 31, 2012	
	Undiscounted value	Discounted value	Undiscounted value	Discounted value
During year 1	67.2	64.5	66.4	63.9
During year 2 and up to year 5 inclusive	260.1	223.1	244.0	214.1
Beyond year 5	140.8	110.6	228.3	164.3
<b>TOTAL</b>	<b>468.1</b>	<b>398.2</b>	<b>538.7</b>	<b>442.3</b>

#### COMMITMENTS RELATED TO OPERATING LEASES

Future minimum lease payments under non-cancellable operating leases can be analyzed as follows:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
During year 1	201.1	191.1
During year 2 and up to year 5 inclusive	358.6	388.3
Beyond year 5	311.8	320.3
<b>TOTAL</b>	<b>871.5</b>	<b>899.7</b>

### 9.5.4 Operation-related commitments given

Commitments given in relation to operations amounted to €2.3 billion as of December 31, 2013, versus €3.5 billion at December 31, 2012. They concern guarantees given by the Group in respect of contracts and markets, including bid bonds accompanying tender offers,

advance payment bonds and completion or performance bonds given on the signature of contracts or concession arrangement. The €1.2 billion decline is mainly due to guarantees lapsed on the Melbourne contract following the delivery of the plant in late 2012.

## 9.6 Parent Company financial statements

See chapter 20.3 of this Reference Document which also includes the position of accounts payable by maturity.

## 9.7 Outlook

See section 6.3.4 of this Reference Document.

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# 10

## CASH AND SHAREHOLDERS' EQUITY

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## 10.1 Company shareholders' equity

Total shareholders' equity as of December 31, 2013 amounted to €6,909.6 million, up +€50 million compared to December 31, 2012. This change includes, amongst other things, the impact of dividend payments in cash for fiscal year 2012 in the amount of -€543.4 million and -€23.7 million (net of tax) paid as coupon relating to the undated deeply subordinated notes. It also includes foreign exchange

adjustments (-€387.5 million) and net income for fiscal year 2013 (+€602.1 million).

Group net debt (including amortized cost and impact of derivative instruments) was €7,245 million as of December 31, 2013, versus €7,436 million as of December 31, 2012. Consequently, the net debt/EBITDA ratio improved to 2.9 as of December 31, 2013.

## 10.2 Source and amount of the issuer's cash flows and description of cash flows

### 10.2.1 Cash flows from operating activities

#### CASH FLOWS FROM OPERATIONS BEFORE FINANCIAL INCOME / (EXPENSE) AND INCOME TAX

<i>In millions of euros</i>	2013	2012	Gross change in %
Water Europe	892.4	996.8	-10.5%
Waste Europe	736.6	753.7	-2.3%
International	525.3	453.6	+15.8%
Other	(47.8)	(39.4)	-21.3%
<b>TOTAL</b>	<b>2,106.5</b>	<b>2,164.7</b>	<b>-2.7%</b>

Cash flows from operations before financial income / (expense) and income tax came to €2,107 million at December 31, 2013, down -2.7% compared with 2012.

In total, operating activities generated a cash surplus of €1.8 billion in 2013.

### 10.2.2 Cash flows from investing activities

Cash flows from investing activities in 2013 totaled €987 million and included:

- financial investments of €36.8 million (€91.7 million in 2012), including €17.8 million for acquisitions in the Water Europe segment, €7.4 million in the Waste Europe segment, €4.1 million in the International segment and €7.5 million in the Other segment;
- maintenance capital expenditure of €600.1 million (€647.8 million in 2012), including €189.8 million for the Water Europe segment, €250.3 million for the Waste Europe segment, €145.7 million for the International segment and €14.3 million for the Other segment;

- development capital expenditure of €538.2 million (€574.6 million in 2012), including: €217.1 million for the Water Europe segment, €181.2 million for the Waste Europe segment and €139.9 million for the International segment.

Disposals in 2013 represented €211.3 million, versus €144.7 million in 2012. In 2013, the main disposals came from the sale by United Water Inc. of its regulated water activities in Arkansas and the sale by Sita France of its interest in the Nicollin Group.

In total, cash flows from investing activities resulted in a cash outflow of €987 million, versus an outflow of €1.3 billion in 2012.

### 10.2.3 Cash flows from financing activities

Cash dividends paid in 2013 amounted to €556.1 million <sup>(1)</sup> (versus €601.1 million in 2012). This figure includes the dividends paid by SUEZ ENVIRONNEMENT COMPANY to its shareholders of €340.2 million (including €9.9 million for the French 3% tax on dividends distributed) as well as the coupon for the undated deeply subordinated notes (€36.2 million, or €23.7 million net of tax impact). It also includes the dividends paid by certain subsidiaries to non-

controlling interests in the amount of €176.5 million and withholding taxes in the amount of €3.2 million. Net financial interest paid totaled €322.2 million in 2013, versus €384.0 million in 2012.

Total cash flows from financing activities generated a €0.5 billion cash outflow in 2013, versus a €1.4 billion cash outflow in 2012.

## 10.3 Borrowing terms and issuer's financing structure

### 10.3.1 Debt structure

Gross debt (excluding amortized cost and the effect of financial derivatives) at December 31, 2013 was €9,802 million versus €9,684 million at December 31, 2012, and breaks down as follows:

- bonds (largely subscribed by the parent company SUEZ ENVIRONNEMENT COMPANY) in the amount of €6,574 million (€5,975 million in 2012);
- commercial paper amounting to €679 million (no commercial paper program in 2012);
- bank borrowings in the amount of €1,275 million (€2,084 million in 2012); and
- other borrowings and current accounts totaling €1,274 million (€1,481 million in 2012).

At December 31, 2012, the total gross debt (excluding amortized cost and the impact of financial derivatives) included funding from GDF SUEZ for €144 million.

Including amortized cost and the impact of financial derivatives, 62% of net debt was denominated in euro, 14% in US dollar, 5% in pound sterling, 14% in Chilean peso and 1% in Australian dollar at the end of 2013. In 2012, it was 57% denominated in euro, 15% in US dollar, 5% in pound sterling, 16% in Chilean peso and 2% in Australian dollar.

59% of gross debt and 82% of net debt (after hedging) is fixed-rate. The Group's 2013 objective was to implement a dynamic distribution between the various reference rates, taking into account changes in the market. The average cost of net debt was 4.88%, versus 5.08% in 2012. The average term of net debt was 5.85 years at the end of 2013, versus 6.45 years at the end of 2012. This reduction is mainly due to the €770 million bond issue maturing in April 2014, partly refinanced in October 2013 through a €500 million bond issue maturing in October 2023.

### 10.3.2 Major transactions in 2013

Fiscal year 2013 was marked by the continuation of a financial policy aimed at reinforcing SUEZ ENVIRONNEMENT's financial independence by using bank and bond markets to optimize the cost of debt.

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up to €1,500 million. At December 31, 2013, the outstanding notes totaled €679 million. On January 16, 2013, the Company's Board of Directors also authorized the renewal

of the €6 billion Euro Medium-Term Notes program and the use of a €1.5 billion issuance package. In this context, SUEZ ENVIRONNEMENT COMPANY has completed several transactions, including a €100 million private placement maturing in 2033 with a coupon of 3.30%, and a €500 million bond issue maturing in 2023 with a coupon of 2.75%.

<sup>(1)</sup> €556.1 million corresponds here to dividends paid in cash in 2013, versus the €567.1 million in dividends net of tax impact (€579.6 million before tax), voted for in 2013 and presented in the consolidated statement of changes in shareholders' equity in chapter 20.1 of this Document.

### 10.3.3 Group ratings

SUEZ ENVIRONNEMENT COMPANY has its senior debt rated by Moody's rating agency. The rating confirmed on May 2, 2013 was A3 for long-term debt and Prime 2 for short-term debt, with a stable outlook.

Moody's applied the following main adjustments to the Group's net debt:

- addition of funding shortfall on pension liabilities (see chapter 20.1 Note 16);
- addition of the present value of future minimum payments on operating leases (see Note 18 in chapter 20.1).

## 10.4 Restrictions on the use of capital

As of December 31, 2013, the Group had undrawn confirmed credit facilities (which may be used for such purposes as back-up credit facilities for commercial paper program and treasury bills) totaling €2,691.8 million.

Some loans contracted by Group subsidiaries or by SUEZ ENVIRONNEMENT COMPANY on behalf of its subsidiaries include clauses requiring specific ratios to be maintained. Such ratios, as well as their levels, are known as financial covenants, and are agreed to with the lenders and may be revised during the term of the loan. The liquidity risk arising from the Group's possible breach of financial covenants is described in section 4.1.3.3 of this Reference Document.

For most of the loans relating to subsidiaries and involving negotiation of financial covenants, the lending banks usually require that the relevant company maintains a minimum level of debt coverage (with respect to the principal amount and interest), which is measured by the "DSCR" ratio (debt service cover ratio), or, with respect to interest, by the "ISCR" ratio (interest service cover ratio).

With regard to project financing, lending banks may also require that the concerned company maintains an actuarial ratio for debt coverage for the remaining term of the loan, called the "LLCR" (loan life cover ratio). Within the context of other financing, lending banks may also require the relevant company to observe a balance sheet ratio, which generally takes the form of a debt to equity ratio.

The Group has implemented a semi-annual procedure for monitoring its financial covenants that involves the CFOs of the major subsidiaries sending representation letters indicating (i) whether the subsidiary or other legal entities supervised by this subsidiary have, as of the last account closing, been in default or potential default situations (situations likely to become default situations contingent upon a decision of the lenders or the expiry of time limits), or (ii) whether default or potential default situations may occur at the next half-year closing. These letters of representation are supplemented by an appendix listing the loan agreements, including covenants, types of covenants, and the consequences to the borrower in the event of a breach of such covenants.

## 10.5 Expected sources of financing to meet commitments relating to investment decisions

### 10.5.1 Contractual commitments

The following table shows gross debt maturities as of December 31, 2013:

<i>In millions of euros</i>	Amount per period				Total
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Bond and bank borrowings	1,508.8	1,165.5	1,887.4	5,240.7	9,802.4

### 10.5.2 Expected sources of financing

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At December 31, 2013, cash and cash equivalents (€2,506.0 million), financial assets measured at fair value through income (€91.6 million), net of bank overdrafts and liability current accounts (€704.6 million), amounted to €1,893.0 million and undrawn confirmed credit facilities amounted to €2,691.8 million, of which €631.3 million maturing in 2014.

The Group anticipates that its future financing needs for major capital investments will be covered by its net cash, future cash flows from operating activities and possibly the use of available credit facilities.

Liquidity at December 31, 2013 is sufficient to cover medium-term cash requirements and the split between net cash and unused confirmed credit facilities is optimized to minimize carrying costs.





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# 11 RESEARCH AND INNOVATION, TRADEMARKS, PATENTS AND LICENSES

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## 11.1 Research and Innovation

SUEZ ENVIRONNEMENT bases its strategy on an ambitious Research and Innovation policy that strongly differentiates the Group's offering and helps its customers to become leaders in environmental performance within their sectors. SUEZ ENVIRONNEMENT addresses recent public demand for better use of natural resources and pollution reduction, as well as regulatory changes in our operating regions. It also anticipates future needs in order to generate new sources of growth for the Group.

Research, focused on the key scientific and technical issues of our activities, serves to expand our knowledge, strengthens our skills and meets new technical challenges, supporting progress both in water (advanced analytical methods, new treatment processes, environmental expertise, etc.) and waste (biological processes, recovery, recycling, waste-to-energy and raw materials, etc.).

Another aspect of the Group's commitment to innovation is the continuous improvement of our processes to increase the performance and productivity of our business lines and boost their results.

Research and Innovation drive the ongoing development of our knowledge and expertise. Assigning teams to each business unit fosters a culture of technology within the Group, based on shared skills, expertise and programs. Our programs, aligned with the Group's strategy and ambitions, are important elements of the technological assets and technical expertise that set SUEZ ENVIRONNEMENT apart.

The Group invests heavily in Research and Development, in high-level technical assistance, aiming to increase operational performance through innovative industrialized practices and centralized management of the most extraordinary know-how. Altogether it represents a steady investment of €74 million and contributes to improving the Group's performance through product innovations and operational breakthroughs implemented in our plants and in the regions.

Our Research and Innovation policy is executed through a variety of programs and projects developed in the Group's Research and Development (R&D) centers, and through a strong commitment to "Open Innovation" – a policy of seeking innovations from external partners to accelerate our time-to-market.

This partnership policy takes various forms to adapt to the maturity of the technologies presented to the Group and to the size of the companies or university teams with which we work. Through these partnered projects, we have access to knowledge and technologies that complement our internal expertise and accelerate the time-to-market of innovative products and solutions. This helps us to better control our R&D costs by sharing the risks and benefits of our partners' achievements.

Communicating and promoting our innovations is an important part of our researchers' activities, and is subsequently taken up by our sales forces.

Some of the innovations launched by the Group can be viewed online at <http://www.suez-environnement.com/innovation/our-innovations/expertise/>.

In all, over 400 researchers, experts and technicians around the world – in our R&D centers or the expert networks developed by our technical centers – are active in the Group's research and development. The main centers of expertise and research are located in France (Le Pecq-Croissy and Bordeaux), Spain (Barcelona and Alicante), the United States (Richmond, VA) and China (Shanghai). Their missions range from technical assistance to the operations teams, to implementing advanced research programs that pave the way for the Group's future activities, expertise and technologies. Our teams also help to develop software solutions for the business units. Through scientific and technical communication, they also help strengthen the Group's image as an industry leader and, through training, to disseminate knowledge about SUEZ ENVIRONNEMENT to the teams on the ground.

### Advanced research

In 2012, SUEZ ENVIRONNEMENT defined its priorities by establishing projections to 2020 of its activities in municipal water, industrial water and waste. These projections were used to define broad guidelines, structure specific research programs and better prioritize our actions overall. One result is a program called "Station d'Épuration de Demain" ("Wastewater Treatment Plant of Tomorrow"), which aims at redesigning the treatment process to reduce energy consumption and investment and operating costs, and to treat emerging pollutants. This program is the result of a joint effort by the researchers, operators of Lyonnaise des Eaux, United Water Inc. and Agbar, and the engineering teams of our subsidiary Degrémont.

The aim of redesigning our advanced research activity is to better prepare the Group to meet the challenges of major breakthroughs, whether technological, related to the emergence of new activities, or the rapid evolution of our traditional activities as they are revolutionized by information technology. This heightened focus on major issues will ensure a more rational use of resources.

The Group's advanced research places special emphasis on the strategic priorities set by General Management, whether for information technology to serve our businesses ("smart water", for example), for waste recovery or for industrial water.

## Applied research

Applied research is performed in the Group's research and excellence centers, or, for some cutting-edge technology, in the technical centers managed by SUEZ ENVIRONNEMENT's business units. Pilot programs for industry and demonstrators of new solutions are executed on the ground, in close collaboration with line personnel who contribute their expertise to foster innovation.

The main objectives of applied research are:

### ■ Energy optimization and greenhouse gas reduction

In water and waste, many programs are now dedicated to reducing greenhouse gas emissions, optimizing energy use, and developing the potential of renewable energy. These programs are designed to meet the increasing demand from our customers for the most energy-efficient technology for treating water and waste and generate significant savings in operating costs.

Take, for example, biogas, produced by the anaerobic digestion of sludge at wastewater treatment plants and by the fermentable fraction of household waste, mainly at landfills. Its capture and use can produce energy and help to reduce the environmental footprint of SUEZ ENVIRONNEMENT's activities, as well as those of its customers. The Group's R&D is especially focused on raising the productivity of production processes as well as on technologies for capturing and treating biogas to recover its energy in the form of heat and electricity.

In addition, SUEZ ENVIRONNEMENT devotes considerable effort to energy savings schemes in operating its facilities through more efficient dehydration-drying of sludge, energy recovery from waste incineration units and the use of renewable energy. For instance, the Solar Active System, developed in collaboration with Clipsol, was installed at the Aquaviva wastewater treatment plant in Cannes, where solar panels now produce both electricity and gentle heat which are used to dry sludge.

### ■ Energy or raw material from waste

In its waste business, SUEZ ENVIRONNEMENT has launched major programs to improve the treatment of solid waste based on the recovery of materials (plastics, rubber and metals recycling) and organic waste (compost). These innovative programs have made the Group a leading player today in both of these areas.

In upstream sorting methods, the Group is also working on improving automated sorting techniques, such as demolition waste sorting with robotic arms. The aim of this research is to reduce the difficulty of the operators' task, as well as to increase overall sorting efficiency and improve the recycling rates of the sectors concerned.

Research efforts are also intensifying in the recycling of materials to meet market expectations. To achieve this, close upstream coordination with manufacturers is essential. In partnership with its industrial customers, the Group is developing methods for dismantling large equipment such as aircraft and cars. Such methods emphasize the reuse of parts and recycling of materials (metals and carbon fiber, for example).

Plastic packaging, difficult to recycle as a material, is transformed into fuel thanks to our partnership with Cynar (UK). A first plant is currently serving as a demonstrator.

### ■ Use of new resources for water

In the water sector, Degrémont is strengthening its leadership in desalination through reverse osmosis, a breakthrough technique which continues to make steady progress. Research is being done to further improve energy savings and explore new desalination technologies. Through its subsidiary Degrémont, the Group is active in major desalination markets (as evidenced by the plants in Perth and, recently, in Melbourne, Australia), as well as in smaller markets for freshwater membrane treatments. Degrémont also supplied and installed 14 modular units in the Riyadh area (Saudi Arabia) to produce drinking water from brackish groundwater.

Smartrack, developed by Degrémont, is an innovative metal rack that can accommodate different brands of membranes, making it adaptable to the modules of the leading suppliers in the market. Smartrack equips Degrémont's membrane offerings for water production (Ultrazur), desalination (Ultramarine) and the treatment and recycling of urban or industrial wastewater (Ultrablue).

In ultraviolet (UV) water disinfection, to supplement ozonation, the range of UV products developed by Degrémont Technologies has been extended to meet the needs for higher flow rates. This product range, sold directly by Degrémont Technologies, as well as through incorporation into Degrémont's turnkey offerings, is aimed at drinking water and urban and industrial wastewater markets. The development of these oxidation techniques to treat residual micro-pollutants in wastewater is also being studied.

### ■ Development of new technologies for industry

More generally, since 2012 the Group has ramped up its R&D efforts in industrial technologies, mainly at its Shanghai research center and in collaboration with the Shanghai Chemical Industrial Park. SUEZ ENVIRONNEMENT is working on the treatment of industrial wastewater (particularly on the characterization of hazardous industrial effluents and optimizing their treatment) with a special focus on treating the industrial process water of the oil and mining industries. Water treatment technologies for the oil and mining sectors are also a key area of investigation.

### ■ Optimization of water network yields

With regard to controlling the impact on water resources, major work is currently being carried out to increase the technical yields of drinking water networks and to reduce leakage and avoid waste. This program also addresses the challenges of replacing infrastructures, whether this involves drinking water lines or municipal wastewater networks. Indeed, it is critical to determine the remaining useful life of lines and networks based on local conditions, age and the specific characteristics of the materials used in order to implement a "sustainable maintenance" policy for these underground assets. The significant results obtained in this way will bring changes to the

Group's internal specifications for choosing certain products and finalize the implementation of best practices. The program is focused on three major themes: identification and classification of assets; management and maintenance of these assets; and continuous monitoring of the networks by analyzing real-time data from the various sensors installed across the distribution networks. This is smart management of water networks, and is the future of optimized management.

#### ■ Health and environmental risks

To ensure the complete safety of the water distributed to its customers' faucets at all times, the Group continues to invest heavily in health monitoring programs related to drinking water quality. SUEZ ENVIRONNEMENT has one of the best laboratories in the world in this area. As such, the Group regularly works alongside French and international health authorities on analyzing risks related to emerging pollutants and their potential pathogenic effects, and on adapting technology to eliminate them in current and future treatment processes.

#### ■ Smart Water

Information technology is a vector of productivity and major innovation for our business lines. Major efforts are thus being made to develop a market-leading offer in smart metering. SUEZ ENVIRONNEMENT has already installed or is installing over two million smart meters, which allow the monitoring of individual consumption. New services will soon be developed to prevent water leaks for residential users.

The robustness of solutions and protocols for communication and data processing has enabled the Group to extend this technology to gas meters. GrDF's smart gas meters project has been won by Ondeo Systems, our subsidiary specializing in this field.

#### ■ Strengthening and accelerating innovation through our partners:

The Group maintains many partnerships with a variety of key players in science and technology:

- public, such as IRSTEA, CNRS, Tsinghua University (Beijing), the Nanyang Technological University (China), University of California Los Angeles (UCLA), etc.;
- private, such as the Danish Hydraulic Institute; and

- skills and innovation networks such as competitiveness clusters Axelera (environmental chemistry), Vitagora (water taste), Advancity (sustainable cities and mobility), and DREAM (sustainability of water resources, renewable energy and natural environments), which will address eco-technologies for the water industry, institutes of excellence such as IDEEL, as well as the Montpellier and Alsace Lorraine competitiveness clusters (inland water quality) and European networks (Water Supply and Sanitation Technology Platform, Climate-KIC).

Such partnerships allow the Group to leverage its research and development efforts while benefiting from collaborative work with some of the best research teams in the world.

The Group has also launched Open Innovation actions designed to stimulate, promote and co-finance innovative projects in the technical, commercial and management fields.

Such projects can translate into venture capital for innovative start-ups, through Blue Orange, the corporate investment fund set up by the Group in 2010. They can also take the form of Technological Tests, through which new industrial solutions are executed in real-world conditions.

Since its inception, Blue Orange has helped the Group to identify hundreds of innovative start-ups. In May 2013, Blue Orange and the DEMETER 3 seed fund came together to support the development of COGEBIO, a start-up in Lyon that has developed a gasification technology for energy recovery from biomass. From a variety of agriculture and forestry by-products, the GASCLEAN gasifier can profitably produce clean synthesis gas, directly convertible into energy, while respecting the strictest regulations on atmospheric emissions. Buoyed by its first commercial successes, COGEBIO will extend the use of GASCLEAN to recovering energy from waste (wood waste, compost, etc.).

As of end-2013, over 40 "Technological Tests" had been funded, mainly in partnership with start-ups and small- and medium-sized companies. Some tests led to demonstrators, while others proved highly conclusive and have already led to the effective marketing of new solutions, such as HYBACS®, a hybrid activated sludge process that improves the performance of a treatment plant by limiting the investment costs or the partnership with Finnish firm ZenRobotics, which allowed Sita Finland to implement the very first robotic waste-sorting system.

## 11.2 Trademarks, patents and licenses

The Group protects its industrial property assets, its trademarks and especially its patents. Indeed, SUEZ ENVIRONNEMENT believes that these assets contribute significantly to the added value of the services it offers to its customers.

### 11.2.1 Patents

The Group's patent portfolio represents 283 families of patents.

In 2013, riding a wave of innovation, SUEZ ENVIRONNEMENT filed 33 new patents, continuing its strategy to protect its intellectual assets. The Group filed 31 patents in 2012.

The Group holds approximately 2,000 national patents in total, registered in over 70 countries around the world.

There are a number of potential sources of patentable inventions, which could come from:

- the Group's research centers;
- shared research efforts within the Group;
- one-off collaborations with partners (universities, laboratories, etc.);
- operational subsidiaries (the initial filing is usually handled by the subsidiary; extensions are then carried out by the Group after transfer).

These patents protect products, such as a biological reactor for treating wastewater or a system to recover heat from sewage. They also protect processes, such as biological phosphorus and nitrate removal, and the anaerobic digestion (methanization) of biodegradable waste. Special emphasis is also given to the protection of plant operating techniques and services; as such, many patents cover sensors, settings and processes that streamline operations.

In the environmental sector, where competition is tough, the protection offered by patent law is vital, ensuring that we obtain long-term benefits from research and development innovations. Nevertheless, a large portion of know-how remains protected by confidentiality.

Procedures for reviewing patents have been established based on the activities they cover, so only those patents that cover an existing market are selected.

This rich and varied patent portfolio represents a significant and reliable intangible asset for the Group.

### 11.2.2 Trademarks

As of December 31, 2013, SUEZ ENVIRONNEMENT was managing a portfolio of approximately 600 trademarks.

As regards the institutional trademarks held by SUEZ ENVIRONNEMENT and its subsidiaries, the most prominent in the water sector are: "Ondeo Systems", "Ondeo Industrial Solutions", "Degrémont" and "Safege"; and in the waste sector, the institutional trademark "Sita". The "Sita" name is also often combined with the corporate names of companies involved in the waste sector.

"Lyonnaise des Eaux" is the historic trademark in water-related activities. It has been registered in various forms both as a trade name and as a semi-abstract trademark in Europe and throughout most parts of the world for nine classes, eight of which represent service classes.

Finally, the "SUEZ ENVIRONNEMENT" trademark and its English version, "SUEZ ENVIRONMENT", were filed in France in March 2005 and received international registration in August 2005.

Included in the trademarks representing the Group's products is the "Pulsator" brand, which has outlived the eponymous patent and is now no longer protected. This trademark corresponds to a water-treatment product sold for over 50 years. Along these same lines, we also note the French trademark "Aquasource", which designates the ultrafiltration membranes used in drinking water treatment units.

In 2013, the Group registered around 50 new trademarks (including 7 by SUEZ ENVIRONNEMENT, 41 by Lyonnaise des Eaux, and 3 by Degrémont). These include Marinov, PipeLab, Ecoseastem, and La Fontaine Numérique, to name a few. Within the context of the spin-off/distribution transaction in 2008, SUEZ and SUEZ ENVIRONNEMENT have entered into a trademark licensing agreement, as described in chapter 19 of this Reference Document.



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# 12

## INFORMATION ON TRENDS

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The major trends that have affected the Group's activities since the close of the latest fiscal year are described in chapters 6 and 9 of this Reference Document.





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# 13

## PROFIT FORECASTS OR ESTIMATES

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## 13.1 Forecasts of the Group for 2014 and assumptions relating to the forward-looking information

The Group aims for 2014 at reaching the following targets:

- growing operating results:
  - EBITDA: organic growth equal to or higher than 2%;
  - Free Cash-flow: approximately €1 billion.
- acceleration of its development whilst maintaining its financial discipline:
  - targeted investments depending on the opportunities, resulting in supplemental growth;
  - Net Financial Debt / EBITDA ratio of around 3 times.
- continue an attractive dividend policy:
  - a dividend related to 2014 result equal to or higher than €0.65 per share.

This forecast has been elaborated in accordance with the accounting principles used to prepare the financial statements for the financial year ended December 31, 2013, and with the IFRS as issued by the IASB and endorsed by the European Union. This forecast takes into account the new definition of EBITDA adopted by the Group in 2014 and the impact of new IFRS standards 10 and 11, as from January 1<sup>st</sup>, 2014, respectively relating to the consolidated financial statements and to the joint arrangements.

The new definition of EBITDA, on the basis of which the profit forecast is made, now incorporates the share of the net income of the associated companies which are in the core business of the Group. Thus, EBITDA forecast for 2014 is comparable to EBITDA 2013 which pursuant to the new definition adopted by the Group and in accordance with new IFRS standards 10 and 11 is equal to €2,535 million (see below section 13.2).

EBITDA 2014 forecast has been established taking into account:

- the annual budget exercise approved in the beginning of 2014 for all the Business Units of the Group;
- the activities of the full 2013 financial year (see chapter 9 of the present document).

The forecast is based on numerous assumptions, the main of which are described below:

- constant exchange rates compared to January 1<sup>st</sup>, 2014;
- stable consolidation scope without any significant acquisition or disposal, with the exception of the ongoing sale of Palyja, a subsidiary of SUEZ ENVIRONNEMENT in charge of water production and distribution in the western part of Jakarta (Indonesia);
- GDP growth of 1% in 2014 in Eurozone;
- reasonable progress schedule of the current projects;
- accounting and tax framework unchanged compared to January 1<sup>st</sup>, 2014.

EBITDA forecast above is based on the data, assumptions and estimations considered as reasonable by the management of SUEZ ENVIRONNEMENT. They might be changed and modified due to uncertainties relating in particular to the economic, financial, competitive, regulatory and climate environment. In addition, the occurrence of certain risks described in chapter 4 "Risk Factors" of this Reference Document may impact the activities of the Group and its capacity to realize this forecast. The Group therefore makes no representation or guarantee regarding the occurrence of this forecast.

Implementation of the new IFRS standards 10 and 11 and modification of the EBITDA definition as from January 1<sup>st</sup>, 2014

## 13.2 Implementation of the new IFRS standards 10 and 11 and modification of the EBITDA definition as from January 1<sup>st</sup>, 2014

As from January 1<sup>st</sup>, 2014, the Group applies new IFRS standards 10 and 11 relating to the consolidated financial statements and to the joint arrangements. In addition, the Group decided to modify the EBITDA definition which now incorporates the share of the net income of the associated companies which are considered as core business

of the Group. It should be noted that such share of the net income of the associated companies which are considered as core business of the Group will also be added to the Current Operating Income in order to create a new indicator called: EBIT.

The impacts relating to the implementation of these two standards and of the change of the definition on the main indicators of the Group are presented below, in retreated 2013 amounts:

<i>In millions of euros</i>	Data as of December 31, 2013	IFRS 10 and 11 impacts	Modification of income presentation of the associated companies	Change of the EBITDA definition	Retreated data as of December 31, 2013
<b>Revenues</b>	<b>14,644</b>	<b>(321)</b>			<b>14,323</b>
<b>Current Operating Income (COI)</b>	<b>1,184</b>	<b>(36)</b>			<b>1,148</b>
Share in net income of the associated companies considered as core business with the Group's business (IFRS 10 and 11)	N / A	44	31		75
<b>Current Operating Income after share in net income of the associated companies considered as core business with the Group's business (EBIT)</b>	<b>N / A</b>	<b>8</b>	<b>31</b>		<b>1,223</b>
Share in net income of others associated companies (IFRS 10 and 11)	N / A	12	-		12
Share in net Income of the associated companies (before implementation of IFRS 10 and 11)	31		(31)		N / A
<b>Net income Group share</b>	<b>352</b>				<b>352</b>
<b>EBITDA</b>	<b>2,520</b>	<b>(60)</b>		<b>75</b>	<b>2,535</b>
EBITDA margin rate	17.2%				17.7%
Free cash flow	1,007	(32)			975
Net debt	7,245	(59)			7,186
Net debt / EBITDA	2.9x				2.8x
Return on capital employed (ROCE)	7.0%				7.1%



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# 14

## GOVERNANCE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT

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## 14.1 Composition of governance and management bodies

### 14.1.1 Governance structure of the Company

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The Company is a French corporation (*société anonyme*) with a Board of Directors, which, in accordance with the shareholders' agreement (see section 18.3.1. of this Reference Document), decided to separate the functions of Chairman and Chief Executive Officer, effective July 23, 2008.

Gérard Mestrallet was then appointed Chairman of the Board and Jean-Louis Chaussade Chief Executive Officer. After being reelected as Directors by the Shareholders' Meeting of May 24, 2012, the Board of Directors also reappointed them as Chairman of the Board and Chief Executive Officer, respectively.

Following the expiration of the shareholders' agreement on July 22, 2013, the Board reaffirmed the decision to separate these functions, and confirmed Gérard Mestrallet and Jean-Louis Chaussade in their respective roles as Chairman of the Board and Chief Executive Officer.

A brief description of the main provisions of the bylaws and internal rules for the Board of Directors, particularly its functioning methods and its powers, is provided in chapter 21.2, "Memorandum of Association and bylaws".

Governance of the Group, the composition of the Board of Directors and its committees, their organization and work, are detailed in the Chairman's report on the Company's governance and internal control and risk management procedures for the year ended December 31, 2013, prepared in accordance with Article L. 225-37 of the French Commercial Code (the "Chairman's report"), presented in chapter 16.4 of this Reference Document.

### 14.1.2 Composition of the Board of Directors

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In 2013, the Board of Directors went from 18 to 17 members following the resignation of Patrick Quart, effective July 22, 2013.

As of December 31, 2013, the Company's Board of Directors was composed of 17 Directors. Two representatives of the Works Council of SUEZ ENVIRONNEMENT SAS also attend Board meetings.

Detailed information on the composition of the Board of Directors can be found in paragraph 1.1 of the Chairman's report in chapter 16.4 of this Reference Document.

The information below, updated on December 31, 2013, shows the composition of the Board of Directors, which has 17 members, as well as individual information on each of the Directors (including the offices and positions held by Directors during the last five years).

## Gérard MESTRALLET

64 years old

French

### Business address:

GDF SUEZ

Tour T1

1, place Samuel-de-Champlain, Faubourg de l'Arche  
92930 Paris-La Défense

### Main position:

Chairman and Chief Executive Officer of GDF SUEZ

### Offices and positions held at the Company:

Chairman of the Board of Directors

Chairman of the Strategy Committee

### Number of SUEZ ENVIRONNEMENT COMPANY shares held:

15,787 shares (of which 2,000 shares as a loan granted by GDF SUEZ)

### Biography:

Gérard Mestrallet, born April 1, 1949, is a graduate of the *École polytechnique* and *École Nationale d'Administration*. Mr. Mestrallet joined Compagnie Financière de SUEZ in 1984 as a project manager. In 1986, he was appointed Executive Vice-President for industrial affairs. In 1991, Mr. Mestrallet was appointed Executive Director and Chairman of the Management Committee of Société Générale de Belgique. In 1995, he became Chairman and Chief Executive Officer of Compagnie de SUEZ, then, in 1997, Chairman of the Management Board of SUEZ Lyonnaise des Eaux. On May 4, 2001, Gérard Mestrallet was appointed Chairman and Chief Executive Officer of SUEZ, and later Chairman and Chief Executive Officer of GDF SUEZ following the merger between SUEZ and Gaz de France on July 22, 2008. He was reappointed on April 23, 2012. He is also President of the Association Paris EUROPLACE, Member of the International Council of the Mayors of Shanghai and Chongqing, Director of Tongji University (Shanghai) and recipient of an Honorary Doctorate from Cranfield University (UK).

### List of other major offices and positions held during the last 5 years

#### Current

Chairman of the Board of Directors of GDF SUEZ Energy Services\*, Electrabel\* (Belgium) and GDF SUEZ Energy Management Trading\* (Belgium)

Vice-Chairman of the Board of Directors of Sociedad General de Aguas de Barcelona S.A.\* (Spain)

Director of International Power\* (UK), **Saint-Gobain**, and **Pargesa Holding SA**<sup>(1)</sup> (Switzerland)

Chairman of GDF SUEZ Rassembleurs d'Énergies SAS\* (since October 27, 2011)

President of the Association Paris EUROPLACE

Member of the Supervisory Board of **Siemens AG**

#### Expired during the last 5 years

Various offices held at companies of the GDF SUEZ Group and the SUEZ ENVIRONNEMENT Group

Member of the Supervisory Board of **AXA** (until April 29, 2010)

\* Companies belonging to the GDF SUEZ or SUEZ ENVIRONNEMENT groups.

In bold: listed companies.

(1) This office as director of Pargesa Holding SA terminates at the close of the ordinary Shareholders' Meeting of May 6, 2014 and will not be renewed.



**Jean-Louis CHAUSSADE**

62 years old

French

**Business address:**SUEZ ENVIRONNEMENT  
Tour CB21  
16, place de l'Iris  
92040 Paris-La Défense**Main position:**

Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY

**Offices and positions held at the Company:**

Director and Chief Executive Officer

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

5,500 shares and 760.6 units in the Company mutual fund ("classic" and "multiple" formulae under the Employee Share issue Plan "Sharing 2011")

**Biography:**

Jean-Louis Chaussade, born December 2, 1951, has an engineering degree from ESTP (1976) and holds a Master's degree in Economics (Sorbonne, 1976). He is also a graduate of *Institut d'études politiques* in Paris (1980) and of AMP at Harvard Business School (1988). He first joined Degrémont in 1978 and was subsequently appointed Chief Operating Officer of Degrémont Spain in Bilbao in 1989. During this period he was appointed Director of Aguas de Barcelona. Mr. Chaussade was also appointed Chief Executive Officer of Dumez Copisa Spain in 1992. In 1997 he was appointed Chief Operating Officer of Lyonnaise des Eaux in South America, and Chief Operating Officer of SUEZ for South America. He was appointed Chairman and Chief Executive Officer of Degrémont in 2000 and, in 2004, Executive Vice-President of SUEZ and Chief Executive Officer of SUEZ ENVIRONNEMENT. Mr. Chaussade is also Chairman of the Board of Directors of Lyonnaise des Eaux (France) and of Sita France. He has been Chief Executive Officer of SUEZ ENVIRONNEMENT COMPANY since July 23, 2008. Jean-Louis Chaussade has been a Director of Criteria CaixaHolding S.A.U. since October 19, 2011.

**List of other major offices and positions held during the last 5 years****Current**

Permanent Representative of SUEZ ENVIRONNEMENT España S.L.\* on the Board of Directors of Sociedad General de Aguas de Barcelona S.A.\* (Spain)

Chairman of the Board of Directors of Lyonnaise des Eaux France\*, Sita France\*, Hisusa\* (Spain) and Sino French Holdings Ltd\* (Hong Kong).

Executive Director of SUEZ ENVIRONNEMENT España S.L.\* (Spain)

Director of Criteria CaixaHolding S.A.U (Spain)

**Expired during the last 5 years**

Director of **Acea** (Italy) (until April 2013)

Chairman of the Supervisory Board of the Institute of Economic Forecasting for the Greater Mediterranean (IPEMED) (until December 5, 2013)

Various offices held at companies of the SUEZ ENVIRONNEMENT Group

\* Companies belonging to the SUEZ ENVIRONNEMENT Group.

**In bold:** listed companies.

**Gérald ARBOLA**

65 years old

French

**Business address:**SUEZ ENVIRONNEMENT  
Tour CB21  
16, place de l'Iris  
92040 Paris-La Défense**Main position:**

Director of SUEZ ENVIRONNEMENT COMPANY

**Offices and positions held at the Company:**Independent Director  
Member of the Ethics and Sustainable Development Committee**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares

**Biography:**

Gérald Arbola, born May 29, 1948, is a graduate of the *Institut d'études politiques* in Paris and has a degree in economics. Mr. Arbola held several positions with Cogema group (which became Areva NC) before joining Areva. He joined Cogema in 1982 as Director of Planning and Strategic Studies at SGN, and from 1985 to 1989, he served as Chief Financial Officer. In 1988, he was appointed Executive Vice-President of SGN. In 1992, Mr. Arbola was appointed Chief Financial Officer at Cogema and was made member of the Executive Committee in 1999, while serving as Chairman of SGN in 1997 and 1998. A member of the Executive Board of Areva for ten years, Mr. Arbola has been the Chief Operating Officer of Areva for five years.

**List of other major offices and positions held during the last 5 years****Expired during the last 5 years**

Director of CEA (until September 28, 2011)

Vice Chairman of the Supervisory Board of **STMicroelectronics NV** (until May 3, 2011)

Chairman and Chief Executive Officer of FT1CI (until March 15, 2011)

Various offices held at companies of the Areva group

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**In bold:** *listed companies.*

**Nicolas BAZIRE**

56 years old

French

**Business address:**Groupe Arnault  
22, avenue Montaigne  
75008 Paris**Main position:**

Chief Executive Officer of Groupe Arnault SAS

**Offices and positions held at the Company:**Independent Director  
Member of the Audit and Financial Statements Committee of the Nominations and Compensation Committee and of the Strategy Committee**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares

**Biography:**

Nicolas Bazire, born July 13, 1957, is a graduate of the French Naval Academy and the *Institut d'études politiques* in Paris, and studied at the *École Nationale d'Administration*. Mr. Bazire was an auditor and then an auxiliary judge at the *Cour des comptes*. In 1993, he became Chief of Staff and special assistant to Prime Minister Édouard Balladur. Managing Partner of Rothschild & Cie Banque from 1995 to 1999, Mr. Bazire was then appointed Chairman of the Partnership Board. He has served as Chief Executive Officer of Arnault SAS Group since 1999.

**List of other major offices and positions held during the last 5 years****Current**

Chief Executive Officer and Permanent Representative of Groupe Arnault SAS to the Board of Directors of Financière Agache SA\*

Vice-Chairman of the Supervisory Board of Les Échos SAS\*

Member of the Supervisory Board of Rothschild and Cie Banque SCS

Director of LVMH Fashion Group\*, **LVMH Moët Hennessy-Louis Vuitton S.A.\***, Louis Vuitton pour la création\*, Financière Agache Private Equity SA\*, Agache Développement SA\*, Europatweb SA\*, **Carrefour SA**, Groupe Les Échos SA\*, and **Atos**

Member of the Supervisory Board of Montaigne Finance SAS\* and Semyrhamis SAS\*

Manager of Les Chevaux de Malmain SARL

**Expired during the last 5 years**

Chairman of Société Financière Saint-Nivard SAS, Director of IPSOS SA, Tajan SA and Go Invest SA (Belgium)

Member of the Supervisory Board of Lyparis SAS

\* Companies belonging to the LVMH/Arnault Group.

In bold: listed companies.

**Gilles BENOIST**

67 years old

French

**Business address:**SUEZ ENVIRONNEMENT  
Tour CB21  
16, place de l'Iris  
92040 Paris-La Défense**Main position:**

Director

**Offices and positions held at the Company:**Independent Director  
Member of the Nominations and Compensation Committee and of the  
Strategy Committee**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

3,000 shares (of which 2,000 shares as a loan granted by CNP Assurances)

**Biography:**

Gilles Benoist, born December 12, 1946, has a degree in law and is a graduate of the *Institut d'études politiques* de Paris and the *École Nationale d'Administration*. In 1981, he was appointed Chief of Staff of the Minister of the Economy and Finance. In 1983, he became an auxiliary judge at the *Cour des comptes*. From 1987 to 1991, he was General Secretary of Crédit Local de France, a member of the Management Board, and advisor to the Executive Vice-President of the Caisse des Dépôts et Consignations before being appointed Director of Central Services of the Caisse des Dépôts et Consignations in 1991. From 1993 to July 1998, Mr. Benoist was General Secretary, a member of the Executive Committee and Director of Human Resources for the Caisse des Dépôts et Consignations group. He was Chairman of the Management Board of CNP Assurances from 1998 and Chief Executive Officer and Director from July 2007 to June 2012.

**List of other major offices and positions held during the last 5 years****Current**

Member of the Supervisory Board of Louis Dreyfus Holding BV (Netherlands)

Member of the Supervisory Board of Compagnie Internationale André Trigano

Director of ISODEV

**Expired during the last 5 years**Director and Chief Executive Officer of **CNP Assurances**

Various offices held at CNP Assurances Group companies

Member of the Management Committee of Groupe de la Caisse des Dépôts et Consignations

Member of the Supervisory Board of CDC IXIS

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**In bold:** listed companies.

**Valérie BERNIS**

55 years old

French

**Business address:**

GDF SUEZ  
Tour T1  
1, place Samuel-de-Champlain, Faubourg de l'Arche  
92930 Paris-La Défense

**Main position:**

Executive Vice-President of GDF SUEZ in charge of Communications, Marketing and Sustainable Development  
Member of the Management Committee of GDF SUEZ

**Offices and positions held at the Company:**

Director and member of the Ethics and Sustainable Development Committee

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,087 shares (of which 2,000 shares as a loan granted by GDF SUEZ)

**Biography:**

Valérie Bernis was born December 9, 1958. A graduate of the *Institut supérieur de gestion* and *Université des sciences économiques* in Limoges, Ms. Bernis has been a member of the Office of the French Minister of Economics, Finance and Privatization (1986-1988), and Press and Communication Officer for the French Prime Minister (1993-1995). Subsequently a member of the Executive Committee of SUEZ in charge of Communication, Financial Communication and Sustainable Development, Ms. Bernis has been a member of the Executive Committee of GDF SUEZ since July 2008, in charge of Communication, Financial Communication and Public Affairs. She is also an advisor to the Chairman of GDF SUEZ on policy and action plans for extending the role of women in business. Since May 1, 2011, Valérie Bernis has been a member of the Management Committee and Executive Vice-President of GDF SUEZ in charge of Communications, Marketing and, since 2013, in charge of Communications, Marketing and Sustainable Development.

**List of other major offices and positions held during the last 5 years****Current**

Member of the Supervisory Board of **Euro Disney S.C.A.**

Independent member of the Board of Directors of L'Occitane

Representative of GDF SUEZ to the Board of Directors of the Endowment Fund of the 104 "Les Mécènes du CENTQUATRE" (City of Paris artistic establishment)

Member of the Board of Directors of AROP

**Expired during the last 5 years**

Various offices held at companies of the GDF SUEZ Group

Director of **Cegid Group** (until July 2013)

Member of the Board of Directors and of the Audit Committee of **Bull** (until October 23, 2013)

**In bold:** listed companies.

**Harold BOËL**

49 years old

Belgian

**Business address:**

SOFINA  
Rue de l'Industrie, 31  
1040 Brussels, Belgium

**Main position:**

Chief Executive Officer of Sofina S.A.\* and Executive Director of Henex\*

**Offices and positions held at the Company:**

Independent Director  
Member of the Strategy Committee

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

5,555 shares

**Biography:**

Harold Boël, born August 27, 1964, has a degree in Materials Sciences engineering from the *École Polytechnique Fédérale* in Lausanne, Switzerland. He has held management positions in the steel industry at Usines Gustave Boël, Corus MultiSteel and Laura Metaal Holding. Mr. Boël is currently Chief Executive Officer of Sofina SA and Executive Director of one of its parent companies, Henex SA.

**List of other major offices and positions held during the last 5 years**

**Current**

Director of **Biomérieux**, Electrabel SA (Belgium), Société de Participations Industrielles\*, Sodavi\*, Domanoy, United World Colleges Belgium, asbl

**Expired during the last 5 years**

Non-voting Director of **Biomérieux** (until May 30, 2012)

Director of François Charles Oberthur Fiduciaire (until April 23, 2012)

Director of Union Financière Boël (resigned December 5, 2011)

Director of Oberthur Technologies (resigned December 1, 2011)

Director of Finasucre (not reappointed on July 31, 2009)

\* Companies belonging to the same group.

**In bold:** listed companies.

**Alain CHAIGNEAU**

62 years old

French

**Business address:**

GDF SUEZ

Tour T1

1, place Samuel-de-Champlain, Faubourg de l'Arche  
92930 Paris-La Défense**Main position:**

General Secretary and Member of the Executive Committee of GDF SUEZ

**Offices and positions held at the Company:**

Director

Member of the Nominations and Compensation Committee

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares (as a loan granted by GDF SUEZ)

**Biography:**

Alain Chaigneau, born September 8, 1951, holds a Master's degree in Economics and is a graduate of the IAE in Paris. After beginning his career at the Bank of France and moving into the Treasury Department (French Ministry of Finance), he joined Compagnie Financière de SUEZ in 1984 as Deputy Director. In 1989, he was appointed Head of Planning and Strategy. He was a Director of Société Générale de Belgique from 1991 to 1995, where he became Chief Financial Officer and a member of the Management Committee in 1995. From 1999 to 2003, he was Executive Vice-President for Finance and Administration of Ondeo Services. In 2003, Mr. Chaigneau was appointed Chief Operating Officer for Finance and Administration of SUEZ ENVIRONNEMENT; in 2005, he was appointed Chief Operating Officer for the Americas. In January 2007, he became Executive Vice-President for Strategy and a member of the Executive Committee of SUEZ. He was a member of the Executive Committee of GDF SUEZ from 2008 to 2011, in charge of Business Strategy and Sustainable Development. Effective May 2011, he is General Secretary of GDF SUEZ and member of the Executive Committee.

**List of other major offices and positions held during the last 5 years****Current**

Chairman of the Board of Directors of Storengy\* and SFIG\*

Director of GDF SUEZ Énergie Services\*, Electrabel\* (Belgium), GDF SUEZ CC\* (Belgium), GDF SUEZ Management Company Belgium\* (Belgium), the GDF SUEZ Foundation\*, the Association Lesseps et du Canal de SUEZ and the *Association des Amis de l'Université Française d'Égypte***Expired during the last 5 years**

Various offices held at companies of the GDF SUEZ Group

\* Companies belonging to GDF SUEZ Group.

## Penelope CHALMERS SMALL

47 years old

British

**Business address:**

INTERNATIONAL POWER PLC  
Senator House  
85 Queen Victoria Street  
London EC4V 4DP, United Kingdom

**Main position:**

Executive Vice-President of Strategy and Communication at GDF SUEZ Energy International

**Offices and positions held at the Company:**

Director

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares (as a loan granted by GDF SUEZ)

**Biography:**

Penelope Chalmers Small, born May 29, 1966, British, was co-opted as a Director by the Board of Directors on March 17, 2011, to replace Dirk Beeuwsaert (ratified by the Shareholders' Meeting of May 19, 2011). A graduate in Mathematics from Oxford University, Penelope Chalmers Small began her career as a financial analyst and then as a business analyst at BP. She later joined British Gas (BG) as Business Development Manager for Central and Eastern Europe and Russia, and later as Business Manager for Power Generation. In 1997, she joined International Power as Business Development Manager, then Asset Manager and Head of Global Resources, responsible for Group Human Resources, Corporate Communications and Information Systems. In February 2011 she was appointed Head of Strategy and Communications.

**List of other major offices and positions held during the last 5 years**

**Expired during the last 5 years**

Director of Global Resources, in charge of Human Resources, Corporate Communications and Information Systems at International Power\*

\* Companies belonging to GDF SUEZ Group.



**Jean-François CIRELLI**

55 years old

French

**Business address:**

GDF SUEZ

Tour T1

1, place Samuel-de-Champlain, Faubourg de l'Arche  
92930 Paris-La Défense**Main position:**

Vice-Chairman and President of GDF SUEZ

**Offices and positions held at the Company:**

Director

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares (as a loan granted by GDF SUEZ)

**Biography:**

Jean-François Cirelli, born July 9, 1958, is a graduate of the *Institut d'études politiques* de Paris and the *École Nationale d'Administration*; he also has a law degree. From 1985 to 1995, Mr. Cirelli held management positions at the Treasury Department of the Ministry of Economy and Finance, before becoming a technical advisor to the French President from 1995 to 1997, then economic advisor from 1997 to 2002. In 2002, he was appointed Deputy Director of Staff to Prime Minister Jean-Pierre Raffarin, responsible for economic, industrial and social affairs. Chairman and Chief Executive Officer of Gaz de France from 2004 to 2008, Mr. Cirelli was appointed Vice-Chairman and President of GDF SUEZ on July 22, 2008.

**List of other major offices and positions held during the last 5 years****Current**

Chairman of the Board of Directors of GDF SUEZ Trading\* (formerly Gaselys) and Eurogas\* (Belgium)

Vice-Chairman of the GDF SUEZ Foundation\* and Electrabel\* (Belgium)

Director of International Power\* (United Kingdom)

Director of GDF SUEZ Énergie Services\*

Member of the Supervisory Board and Strategy Committee of **Vallourec**Director of the *Fondation Nationale des Sciences Politiques***Expired during the last 5 years**

Various offices held at companies of the GDF SUEZ Group

Director of Neuf Cegetel

Member of the Supervisory Board of **Atos Origin**

\* Companies belonging to GDF SUEZ Group.

In bold: listed companies.

**Delphine ERNOTTE CUNCI**

47 years old

French

**Business address:**

Orange France  
1, avenue Nelson-Mandela  
94745 Arcueil Cedex

**Main position:**

Deputy Chief Executive Officer of Orange Group  
Executive Director of Orange France

**Offices and positions held at the Company:**

Independent Director  
Chairwoman of the Ethics and Sustainable Development Committee and  
Member of the Audit and Financial Statements Committee

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares

**Biography:**

Delphine Ernotte Cunci, born July 28, 1966, was appointed as Director by the Shareholders' Meeting of May 24, 2012. She is a graduate of the *École Centrale de Paris*. Delphine Ernotte Cunci joined the France Telecom Group in 1989 in various operational roles throughout the Group, particularly in research and development. She then extended her career into business management, as head of the regional distribution agency and the Regional Director for Centre-Val de Loire, before becoming the Company's Communication and Sponsorship Director for France. Since 2010 she has been Deputy Chief Executive Officer of the France Telecom/ Orange Group and Executive Director of Orange France in charge of operations for the France Telecom Group in France.

**List of other major offices and positions held during the last 5 years**

**Current**

Member of the Board of Directors of the *École Centrale de Paris* and of *Le Cent-Quatre*, a cultural institution

**Lorenz d'ESTE**

58 years old

Belgian

**Business address:**COBEPA  
Rue de la Chancellerie, 2  
1000 Brussels, Belgium**Main position:**

Managing Partner of E. Gutzwiller &amp; Cie

**Offices and positions held at the Company:**Independent Director  
Chairman of the Nominations and Compensation Committee and member of  
the Ethics and Sustainable Development Committee**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,139 shares

**Biography:**

Lorenz d'Este, born December 16, 1955, studied at the University of Saint-Gall in Switzerland and subsequently obtained a Master's degree in economics and politics from the University of Innsbruck, Austria. He joined the Swiss bank E. Gutzwiller & Cie in 1983, first as a banking executive and then as senior manager, and has been Managing Partner of E. Gutzwiller & Cie, Banquiers since 1990. He has also served as advisor to the Executive Management Committee of BNP Paribas since 1999.

**List of other major offices and positions held during the last 5 years****Current**Advisor to the General Management of **BNP Paribas****Expired during the last 5 years**

Director of Union Chimique Belge – UCB (April 2010)

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**In bold:** *listed companies.*

## Isabelle KOCHER

47 years old

French

**Business address:**

GDF SUEZ

Tour T1, 1

place Samuel-de-Champlain, Faubourg de l'Arche

92930 Paris-La Défense

**Main position:**

Executive Vice-President, Chief Financial Officer of GDF SUEZ

**Offices and positions held at the Company:**

Director

Member of the Audit and Financial Statements Committee and of the Strategy Committee

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares (as a loan granted by GDF SUEZ)

**Biography:**

Isabelle Kocher, born December 9, 1966, was co-opted as a Director by the Board of Directors on February 7, 2012 (appointment ratified by the Shareholders' Meeting of May 24, 2012). She is a graduate of the *École Normale Supérieure* (ENS-Ulm) and a member of the *Corps des Mines*. In 1997 she was appointed Budget Officer for telecommunications and defense at the Ministry of Economy. She was industrial affairs advisor to the Prime Minister's Office between 1999 and 2002. In 2002, she joined the SUEZ Group, where she held various positions (from 2002 to 2005 in the Strategy and Development Department; from 2005 to 2007 as Director of Performance and Organization; from 2007 to 2008 as Chief Operating Officer of Lyonnaise des Eaux; from 2009 to October 2011, Chief Executive Officer of Lyonnaise des Eaux, in charge of water development in Europe). She has been Executive Vice-President of GDF SUEZ and Chief Financial Officer since October 1, 2011.

### List of other major offices and positions held during the last 5 years

**Current**

Director of **Axa**, GDF SUEZ Energy Services\* and International Power Plc\*

**Expired during the last 5 years**

Various offices held at companies of the SUEZ ENVIRONNEMENT Group

Director of **Arkema** (until July 31, 2012)

\* Companies belonging to GDF SUEZ Group.

**In bold:** listed companies.

**Guillaume PEPY**

55 years old

French

**Business address:**SNCF  
2, place aux Étoiles  
93633 La Plaine-Saint-Denis**Main position:**

Chairman and Chief Executive Officer of SNCF

**Offices and positions held at the Company:**Independent Director  
Chairman of the Audit and Financial Statements Committee and member of  
the Strategy Committee**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,087 shares

**Biography:**

Guillaume Pepy, born May 26, 1958, studied at the *École Nationale d'Administration* and is a legal advisor at the *Conseil d'État* (France's highest administrative court). Mr. Pepy has served in various positions at SNCF - French Railways (Director of Mainline Services, then Director of Investments, Economy and Strategy, and Chief Executive Officer since 2003) as well as in various government departments (technical advisor to Michel Charasse, Chief of Staff for Michel Durafour, then Chief of Staff for Martine Aubry). Since February 26, 2008, Mr. Pepy has served as Chairman and Chief Executive Officer of SNCF.

**List of other major offices and positions held during the last 5 years****Current**

Chairman of the Supervisory Board of Systra\* since 2013

**Expired during the last 5 years**

Various offices held at SNCF Group companies

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\* Companies belonging to the SNCF Group.

**Olivier PIROTTE**

47 years old

Belgian

**Business address:**

GBL  
Avenue Marnix, 24  
1000 Brussels, Belgium

**Main position:**

Chief Financial Officer of Groupe Bruxelles Lambert

**Offices and positions held at the Company:**

Independent Director  
Member of the Audit and Financial Statements Committee and of the Strategy Committee

**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,085 shares

**Biography:**

Olivier Pirotte, born September 18, 1966, has an engineering degree from the *École de Commerce Solvay* and from the *Université Libre de Bruxelles*. He began his career in 1989 at Arthur Andersen, where he held management positions in the "Business Consulting" and "Audit" divisions. He joined Groupe Bruxelles Lambert in 1995, where he was appointed Director of Equity Interests and Investments in 2000, then Chief Financial Officer on January 1, 2012.

**List of other major offices and positions held during the last 5 years****Current**

Director and Member of the Strategy Committee of **Imerys** (France)

Director of GBL Treasury Center S.A.\* (Belgium), Brussels Securities S.A.\* (Belgium), Sagerpar S.A.\*(Belgium), Ergon Capital Partners III S.A.\* (Belgium), LTI One S.A.\* (Belgium), Belgian Securities B.V.\*(Netherlands), GBL Verwaltung S.A.\* (Luxembourg), GBL Investments Limited\* (Ireland), PGB\* (France) and GBL Overseas Finance N.V.\* (Dutch West Indies)

Manager of GBL Energy S.à.r.l.\* (Luxembourg), Immobilière Rue de Namur S.à.r.l.\* (Luxembourg), GBL R S.à.r.l.\* (Luxembourg) and Serena S.à.r.l.\* (Luxembourg)

**Expired during the last 5 years**

Director and Chairman of the Audit Committee of Electrabel S.A. (Belgium) (until November 25, 2011)

Director of SN Airholding SA (Belgium) (until June 24, 2009)

Member of the Investment Committee of Sagard Equity Partners

Director of Ergon Capital Partners

\* Companies belonging to GBL Group.

**In bold:** listed companies.

**Amaury de SÈZE**

67 years

French

**Business address:**GBL  
Avenue Marnix, 24  
1000 Brussels, Belgium**Main position:**

Vice-Chairman of Power Financial Corporation of Canada

**Offices and positions held at the Company:**Independent Director  
Member of the Nominations and Compensation Committee**Number of SUEZ ENVIRONNEMENT COMPANY shares held:**

2,000 shares

**Biography:**

Amaury de Sèze, born May 7, 1946, began his career in 1968, at Bull General Electric. In 1978, he joined Volvo Group, where he successively held the positions of Chief Executive Officer, Chairman and Chief Executive Officer of Volvo France, Chairwoman of Volvo Corporate Europe, member of the Executive Committee of Volvo Group and member of the Strategy Committee of Renault Volvo. He joined Paribas Group in 1993 as a member of the Management Board of Compagnie Financière de Paribas and of Banque Paribas, responsible for Equity Interests and Industrial Affairs, then as the Head of BNP Paribas' Equity Interests Unit. Mr. de Sèze is also Vice-Chairman of Power Corporation of Canada and lead Director of the Carrefour Group.

**List of other major offices and positions held during the last 5 years****Current**Lead Director of **Carrefour S.A.**Director of BW Group, **Groupe Bruxelles Lambert** (Belgium), Erbe SA (Belgium), **Pargesa Holding S.A.** (Switzerland), **Imerys**

Chairman of the Supervisory Board of PAI Partners SAS

Member of the Supervisory Board of **Publicis Groupe****Expired during the last 5 years**Director of **Thales S.A.** (until August 28, 2013)Chairman of the Board of Directors of **Carrefour S.A.** (until June 21, 2011)

Chairman of the Supervisory Board of PAI Partners SAS, PAI Partners UK Ltd (United Kingdom), Financière PAI SAS, Financière PAI Partners SAS, Chairman of the Board of Directors of Cobepa S.A.

Director of Groupe Industriel Marcel Dassault S.A.

Vice-Chairman of the Supervisory Board of **Carrefour S.A.**Director of **Eiffage**, PAI Europe III General Partner NC, PAI Europe III UK General Partner Ltd (United Kingdom), PAI Europe IV General Partner NC, PAI Europe IV UK General Partner Ltd (United Kingdom), PAI Europe V General Partner NC, PAI Partners Srl (Italy), Saeco SpA (Italy), Power Corporation of Canada (Canada), Gepeco S.A., Novalis SAS, Novasaur SAS, Vivarte S.A.

Representative of NHG SAS

Member of the Supervisory Board of Gras Savoye SCA

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**In bold:** *listed companies.*

## Jérôme TOLOT

61 years old

French

### Business address:

GDF SUEZ Énergie Services  
Tour Voltaire  
1, place des Degrés  
92059 Paris-La Défense Cedex

### Main position:

Member of the Management Board and Executive Vice-President of GDF SUEZ in charge of the Energy Services business line

### Offices and positions held at the Company:

Director

### Number of SUEZ ENVIRONNEMENT COMPANY shares held:

35,634 shares (of which 2,000 shares as a loan granted by GDF SUEZ)

### Biography:

Jérôme Tolot, born January 4, 1952, has a degree from INSEAD and the *Institut d'Études Politiques* de Paris and holds a DESS in Economics. Mr. Tolot joined Lyonnaise des Eaux in 1982 as financial controller, after beginning his career at the consulting firm McKinsey and INDOSUEZ bank. He was then successively Executive Vice-President for Finance and Development at Degrémont, Director and Chief Executive Officer of the GTM and VINCI groups, and Chairman and Chief Executive Officer of Sita. In 2002 he was appointed Executive Vice-President and member of the Executive Committee of SUEZ. Since 2005, he has been Director and Chief Executive Officer of SUEZ Énergie Services, which became GDF SUEZ Énergie Services. Since July 22, 2008, he has been a member of the Executive Committee of GDF SUEZ. Mr. Tolot is also, since May 1, 2011, a member of the Management Committee and Executive Vice-President of GDF SUEZ in charge of the Energy Services business line.

### List of other major offices and positions held during the last 5 years

#### Current

Chief Executive Officer and Director of GDF SUEZ Énergie Services\*

Member of the Supervisory Board of Savelys\*

Chairman of the Board of Directors of Société Monégasque de l'Électricité et du Gaz – SMEG\* (Monaco)

Chairman of the Board of Directors of Tractebel Engineering\* (Belgium)

Chairman of the Board of Directors of Cofely Fabricom SA\* (Belgium)

Chairman of the Board of Directors of GDF SUEZ E.S.I.\* (Belgium)

Director of GDF SUEZ University\*, Axima Concept\*, Cofely Italia SPA\* (Italy), GDF SUEZ Energy Services España\* (Spain), INEO\*, and Cofely Nederland NV\* (Netherlands)

Director of the GDF SUEZ Foundation

Permanent Representative of GDF SUEZ to the Board of Directors of **Compagnie Parisienne de Chauffage Urbain – CPCU\***

#### Expired during the last 5 years

Various offices held at companies of the GDF SUEZ Group

\* Companies belonging to GDF SUEZ Group.

In bold: listed companies.



Pursuant to the Code of Conduct on the use of inside information and securities trading, as approved by the Board of Directors on June 28, 2012, and under which the Company's Directors are required to disclose conflicts of interest annually, no member of the Board of Directors has disclosed to the Company that he or she:

- has family ties with other members of the Company's Board of Directors (including the Chief Executive Officer);
- has been convicted for fraud in the last five years;

- has participated as a manager in any bankruptcy, receivership or liquidation in the last five years;
- has been incriminated or received an official public sanction by statutory or regulatory authorities;
- has been barred by a court of law from acting as a member of an administrative, management or supervisory body of any issuer or participating in the management or business of any issuer in the last five years.

### 14.1.3 Management bodies

In order to successfully perform his mission, the Chief Executive Officer is assisted by a Management Committee, which is an analysis and decision-making body that examines the Group's major decisions and strategic objectives and meets every two weeks. The composition of the Executive Committee was changed in 2013 and, as of December 31, 2013, included eight members besides Jean-Louis Chaussade:

**Jean-Marc Boursier**, born October 5, 1967, worked as statutory auditor for Mazars in Paris and London from 1993 to 1999. He is a former civil engineer from Telecom SudParis and holds a Master's degree in International Finance from the *École des Hautes Études Commerciales* (HEC Paris). Mr. Boursier joined the SUEZ Group in 1999 as financial controller for Sita France. He became Head of Financial Control for Sita in 2000 and then Head of Financial Control and Mergers & Acquisitions for Sita in 2001. He was appointed Director of Planning and Control for SUEZ ENVIRONNEMENT in 2002. He was appointed Chief Financial Officer for SUEZ ENVIRONNEMENT in 2004. In April 2013, Jean-Marc Boursier was appointed Executive Vice-President in charge of Finance and Purchasing. He also supervises Safège, SUEZ ENVIRONNEMENT's engineering subsidiary, and is responsible for directing performance improvement plans.

**Christophe Cros**, born August 3, 1959, was a magistrate at the *Cour des comptes* (1985-1989), then Head of Financial Organization at the Centre National des Caisses d'Épargne. Mr. Cros studied at *École Nationale d'Administration* (ENA), and is a graduate of *Institut d'Études Politiques de Paris* and holds a Master's degree in Economics from *Université de Paris-I*. He joined the SUEZ Group in 1991, where he became Chief Financing and Treasury Officer in 1993. From 1995 to 1998, he was Chief Operating Officer, then Chairman and Chief Executive Officer of Crédisuez, the division covering all the Group's real estate activities. He was appointed Chief Operating Officer of Sita in 1999, and took over all its European activities in 2002. He is responsible for SUEZ ENVIRONNEMENT's Waste Europe activities and is Chief Executive Officer of Sita France. In April 2013, Christophe Cros was appointed Executive Vice-President in charge of the Waste Europe business.

**Marie-Ange Debon**, born May 18, 1965, is a graduate of HEC and ENA, and has a Master's degree in law. In 1990, she began serving as a magistrate at the *Cour des comptes*. She then joined France 3 and was Management Director, then Executive Vice-President for Resources. In 1998, she joined the Thomson Group as Deputy Chief Financial Officer, and as of July 2003 General Secretary. She joined SUEZ ENVIRONNEMENT in 2008 as General Secretary in charge of Legal and Audit. Since 2009, she has also been responsible for

Water and Waste projects, IT Systems, Risks/Investments, Insurance and Purchasing. She has been a Director of Technip since 2010, a member of the *Collège de l'Autorité des marchés financiers* since 2008 and Chairwoman of the MEDEF Corporate Law Committee since 2009. In April 2013, Marie-Ange Debon was appointed Executive Vice-President in charge of the International business (Degrémont, United States, Africa/Middle East, Asia-Pacific). Her mission is to strengthen SUEZ ENVIRONNEMENT's international development – one of the Group's four strategic focuses, along with smart water, waste recovery and industrial process water.

**Angel Simon**, born November 9, 1957, holds a degree in civil engineering (*Ingeniero de Caminos, Canales y Puertos*) from the *Universidad Politécnica* in Barcelona (1980) and an MBA from ESADE. From 1989 to 1995 he was Director of the Barcelona Urban Community. He joined Agbar in 1995 as the Group's representative in Portugal before being appointed in 1998 as Chief Executive Officer of the International segment for the Water and Wastewater division. In 1999, he became head of Aguas Andinas, S.A. in Chile, one of the largest sanitation companies in Latin America, which provides services to more than 6 million inhabitants of Santiago and its surrounding communities. In 2002, he was appointed Chief Executive Officer of Aguas de Barcelona and of the Agbar Group's Water and Wastewater Division. He was named Chief Executive Officer of Agbar Group in September 2004. Since June 2010, Angel Simon has served as Chairman of Aguas de Barcelona (Agbar). This holding company, which brings together over 150 companies, has operated in the water cycle and systems sector for more than 140 years. Following its global expansion (to Chile, the U.K., Peru, Colombia, Algeria, Cuba and Mexico), Agbar serves more than 37 million people worldwide. Angel Simon is also the Chairman of Aqualogy, the integrated water solutions brand launched by Agbar. In April 2013, Angel Simon was appointed Executive Vice-President in charge of the Water Europe business, mainly Lyonnaise des Eaux and Agbar.

**Jean-Yves Larroutourol**, born on October 17, 1961, holds degrees from the *École centrale* in Paris and the *École Nationale d'Administration*. He began his career at the Treasury Department, within the Ministry of Economy and Finance. In 2003, he joined the France Télécom Orange Group where he was General Secretary and Executive Vice-President. On June 3, 2013, Mr. Larroutourol was appointed General Secretary of SUEZ ENVIRONNEMENT. He is responsible for the following functions: governance, preparation of Board meetings and Board Committee meetings, Legal, Audit, Risks, Insurance, Ethics (as the Group's Ethics Officer), Real Estate and General Resources.

**Thierry Mallet**, born September 4, 1960, is a graduate of *École Polytechnique* (1980), and *École nationale des ponts et chaussées* (1985) and also holds a Master of Sciences degree from the Massachusetts Institute of Technology (MIT). He started his career working for the French Ministry of Transport from 1987 to 1989. He then moved to the Générale des Eaux Group, where he held different positions and was notably in charge of water activities in Spain from 1995 to 1997 and in North America from 1997 to 1999. He joined Degrémont in December 2002 as Chief Operating Officer, where he worked closely with Jean-Louis Chaussade, at that time Chairman and Chief Executive Officer. He became Chief Executive Officer in June 2004, a position he held until October 2009, when he was appointed Chairman. On October 1, 2009, Thierry Mallet was named Executive Vice-President in charge of the International segment. Since April 15, 2013, Thierry Mallet has served as Director of Innovation and Industrial Performance for the SUEZ ENVIRONNEMENT Group.

**Denys Neymon**, born on June 18, 1960, worked for ten years in the construction industry (Bouygues Group) as Director of Human Resources. In 2002, Mr. Neymon joined the Group as the Director of

Human Resources of Degrémont. He holds a Law degree (1983) and a Human Resources degree (1984). He has been the Head of Human Resources of SUEZ ENVIRONNEMENT since 2004 and is responsible for the Health and Safety Department.

**Frédérique Raoult**, born on July 13, 1966, is a graduate of the *Institut d'Études Politiques* de Paris and holds a Master's degree in History. She has held a number of communication positions relating to the environment within the Group. In 1997, she joined Degrémont as Director of Communications. She has been Director of Communications for SUEZ ENVIRONNEMENT since 2004 and a member of SUEZ ENVIRONNEMENT's Management Committee since January 1, 2009. In April 2013, Frédérique Raoult was appointed Director of Sustainable Development and Communications.

The Company also has an Executive Committee, which is a Group policy management and implementation body that meets every two months. It consists of 21 members: the 9 members of the Executive Committee and the 12 heads of the main Business Units and representatives of the support functions. Its composition is detailed on the Company website ([www.suez-environnement.com](http://www.suez-environnement.com)).

## 14.2 Conflicts of interest within governance bodies and General Management

The Company has put in place various mechanisms to prevent any conflict between the private interests of its Directors and those of the Company.

The Director's Charter (as annexed to the Board of Directors' Internal Regulations) stipulates that every Director must inform the Board of any conflict of interest, even potential, in which he or she could be directly or indirectly involved. In the event that a Director cannot avoid being in conflict of interest, he or she must refrain from participating in discussions and any decisions on the relevant matters.

In addition, in 2012, on the recommendation of the Nominations and Compensation Committee, the Board of Directors also adopted a Code of Conduct on the prevention of insider trading, which:

- recalls the laws and regulations on insider dealing and market abuse;
- sets blackout periods during which insiders must not trade in the Company's shares, including:
  - a period of 30 days prior to the publication of the Company's annual and interim results until two days after their publication, and

- a period of 15 days prior to the publication of the Company's first and third quarter results, until two days after their publication;
- recalls the obligation for Directors and certain executives of the Group to report transactions involving the Company's shares;
- establishes the obligation for Directors to make an annual declaration of interests, indicating in particular any potential conflict of interest that could exist between their duties to the Company and other duties or private interests.

As regards the annual declaration of interests made by each Director at the end of 2013, no member of the Board of Directors (including the Chief Executive Officer) notified the Company of any conflict of interest between their duties to the Company and other duties or private interests.

Furthermore, to the Company's knowledge, as of the date of this Reference Document, no member of the Board of Directors or the Chief Executive Officer enjoy benefits as a result of service contracts between them and the Company or any of its subsidiaries.



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# 15

## COMPENSATION AND BENEFITS

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## 15.1 Compensation and benefits in kind

### 15.1.1 Total compensation of the Chief Executive Officer

#### ➔ Compensation policy

The compensation of the Chief Executive Officer is composed of various elements:

- an annual fixed compensation;
- benefits in kind;
- an annual variable compensation based on the achievement of qualitative and quantitative criteria;
- long-term incentive, *via* the allocation of performance shares or variable cash compensation based on achieving internal and external multi-year targets.

The Chief Executive Officer also benefits from Group retirement, insurance and healthcare plans, special unemployment insurance and severance pay in case of dismissal.

In accordance with the Board of Directors' internal regulations, the Nominations and Compensation Committee plays an important role in determining all elements of the Chief Executive Officer's compensation. The committee makes recommendations and proposals to the Board of Directors, based on surveys and analyses

of the market practices of comparable companies, and takes a global approach to all elements of compensation, including:

- determining the fixed compensation;
- defining the quantitative and qualitative criteria for determining the variable compensation, as well as their application;
- awarding long-term incentive that may be in the form of performance shares (number of shares allocated, performance conditions, allocation rules, etc.).

The Nominations and Compensation Committee also periodically examines (at least upon renewal of his directorship) the Chief Executive Officer's overall contractual status, particularly the maintenance of his employment contract and severance pay in case of dismissal and the supplementary retirement benefits that he may be entitled to.

The Board of Directors relies on these recommendations and proposals to approve all elements of the Chief Executive Officer's compensation.

#### ➔ Compensation for 2013

The tables below summarize the compensation of the Chief Executive Officer, the Company's sole corporate officer, according to the model defined by the AFEP-MEDEF Code and the AMF recommendation of December 10, 2009 as amended on December 17, 2013.

#### SUMMARY TABLE OF COMPENSATION, OPTIONS AND SHARES ALLOCATED TO THE CORPORATE OFFICER – GROSS AMOUNTS (IN EUROS)

	Fiscal year 2013	Fiscal year 2012	Fiscal year 2011
<b>Jean-Louis Chaussade, Chief Executive Officer</b>			
Compensation due for the fiscal year (see breakdown below)	1,502,249	1,414,556	1,147,952
Value of multi-year variable compensation awarded during the fiscal year	–	–	–
Value of options allocated during the fiscal year	–	–	–
Value of performance shares allocated during the fiscal year (details in section 15.1.4 below)	327,600	–	–
<b>TOTAL</b>	<b>1,829,849</b>	<b>1,414,556</b>	<b>1,147,952</b>

#### SUMMARY TABLE OF COMPENSATION FOR THE CORPORATE OFFICER (IN EUROS)

	Amounts in fiscal year 2013		Amounts in fiscal year 2012		Amounts in fiscal year 2011	
	due	paid	due	paid <sup>(a)</sup>	due	paid <sup>(a)</sup>
<b>Jean-Louis Chaussade, Chief Executive Officer</b>						
■ Fixed compensation	750,000	750,000	750,000	750,000	750,000	750,000
■ Variable compensation	736,790	648,854	648,854	382,399	382,399	810,105
■ Multi-year variable compensation	–	–	–	–	–	–
■ Benefits in kind	15,459	15,459	15,702	15,702	15,553	15,553
<b>TOTAL</b>	<b>1,502,249</b>	<b>1,414,313</b>	<b>1,414,556</b>	<b>1,148,101</b>	<b>1,147,952</b>	<b>1,575,658</b>

(a) Variable compensation paid corresponds to the variable compensation relative to year n-1.

The gross fixed compensation for Jean-Louis Chaussade has remained unchanged since 2009 and amounts to €750,000 for 2013.

Added to this fixed compensation is a variable portion that may range from 0% to 145% of the fixed portion. The variable portion for 2013, paid in 2014, was determined based on criteria relating to EBITDA growth, free cash flow, recurring net income and ROCE. It also included qualitative criteria that represent 20% in the overall weighting of the variable compensation and relate to "COMPASS+", the cost-saving program, the successful roll out of the new General Management organization, the deployment of SUEZ ENVIRONNEMENT after the end of the Shareholders' Agreement, and the implementation of action plans on environmental and ethical matters. The Nominations and Compensation Committee has been informed of the 2013 results and has assessed the level of attainment of these goals. The targets that must be met under these quantitative criteria have been set precisely and for confidentiality reasons cannot be disclosed publicly. Accordingly, the total variable compensation paid in 2014 for 2013 amounted to €736,790, with the quantitative criteria having been achieved at 105% and the qualitative criteria at 114%.

The 2012 variable portion, paid in 2013, was €648,854. It had been determined based on criteria relating to EBITDA growth, free cash flow, recurring net income, ROCE, health and safety performance, management of the Melbourne desalination plant project, the COMPASS program, leadership and responsiveness. The variable portion for 2011, paid in 2012, was €382,399.

In addition to the fixed and variable compensation mentioned above, 2013 benefits in kind totaled €15,458.76, corresponding to €10,372.80 for a company car and €5,085.96 for the special unemployment insurance for company directors (GSC – *Garantie Sociale des Chefs et dirigeants d'entreprise*). The Company also provided him with a cell phone and a laptop computer.

### ➔ Other benefits

In accordance with Articles L. 225-38 and L. 225-42-1 of the French Commercial Code and as authorized by the Board of Directors, Mr. Chaussade receives benefits relating to retirement, insurance, health care, special unemployment insurance and severance pay, in case of dismissal, which were established in 2008 by the Board of Directors on the recommendation of the Nominations and Compensation Committee, and subsequently approved by the Shareholders' Meeting of May 26, 2009. These benefits have since remained unchanged and were renewed by the Shareholders' Meeting of May 24, 2012, on similar terms, upon the renewal of Mr. Chaussade's directorship and in accordance with the provisions of Article L. 225-42-1 of the French Commercial Code and the recommendations of the Nominations and Compensation Committee on March 15, 2012. These benefits are described hereafter.

### RETIREMENT, INSURANCE AND HEALTHCARE COVERAGE

The situation of Mr. Chaussade has not changed during 2013.

No specific supplementary retirement plan has been established for the Chief Executive Officer. Mr. Chaussade thus benefits from the Group supplementary retirement plan applicable to the Company's employees and some of its subsidiaries.

In the first instance, this refers to a mandatory group plan based on defined contributions in accordance with article L. 441-1 of the French insurance code (*Code des assurances*)<sup>(1)</sup>. In the second instance, it refers to a supplementary group retirement plan based on defined benefits that are variable in nature<sup>(2)</sup>, pursuant to Article L.137-11 of the Social Security Code (Code de la Sécurité Sociale). This scheme applies to employees whose annual compensation is more than four times the annual social security ceiling in France. It provides for payment of an annuity equal to the sum of the annual components of the annuity, based on 2% of the portion (referred to as bracket C) of gross annual compensation between four and eight times the annual social security ceiling, plus 4% of the portion (referred to as bracket D) of gross annual compensation between eight and 36 times the annual social security ceiling, with the increase in potential rights per year of participation in the scheme thus limited, in compliance with the French AFEP/MEDEF Code of Corporate Governance. The benefits paid under the defined benefits plan are calculated per year of participation in the scheme, based on a maximum of 10 years of service in the Group (if the 10-year maximum period has not been reached, the corresponding benefits are calculated pro rata with the employee's actual length of service). However, the amount of the annuity payable is capped at 30% of bracket C and 40% of bracket D, based on the average annual gross compensation for the last five years (fixed and variable), that is to say a ceiling below the 45% ceiling of the reference salary set out in the French AFEP/MEDEF Code.

As of December 31, 2013, Jean-Louis Chaussade's annuity can be estimated at 22% of his 2013 annual compensation (including fixed and variable portions).

As of December 31, 2013, the provisioned retirement obligations for Mr. Chaussade (in the consolidated financial statements prepared according to IFRS) relating solely to SUEZ ENVIRONNEMENT plans amounted to €7.1 million (including tax on employer contributions), versus €7.0 million in 2012.

Mr. Chaussade also benefits from the Company's current mandatory group insurance and health care plans.

(1) The defined contributions scheme produces absolute rights acquired through the conversion of contributions withheld for retirement, calculated on the basis of contributions paid each year. They amount to 4.196% on income in the first social security band, and 7% on income corresponding to the next three bands.

(2) The benefit of the scheme is subject to completion of the career within the company.

**EMPLOYMENT CONTRACT AND SEVERANCE PAY IN 2013**

Jean-Louis Chaussade's status was unchanged in 2013.

Mr. Chaussade holds an employment contract with GDF SUEZ that has been suspended since July 23, 2008. Upon renewal of the Chief Executive Officer's directorship, submitted to the Shareholders' Meeting of May 24, 2012, the Board of Directors, at its meeting on February 7, 2012 and based on the recommendation of the Nominations and Compensation Committee, determined that in view of Jean Louis Chaussade's seniority within the Group – 35 years – maintaining his employment contract was consistent with the AMF's position in its corporate governance guidelines for the employment contracts of executive corporate officers.

In accordance with the recommendations of the AFEP-MEDEF Code, and taking into account the fact that the Chief Executive Officer has a suspended employment contract, in 2012 the Board of Directors confirmed the amount of severance pay due to the Chief Executive Officer in case of dismissal at 15 months of total gross compensation, unchanged from its 2008 decision. The award of this compensation is subject to a number of performance criteria in accordance with the

so-called "TEPA" law of August 21, 2007. Three criteria were defined here: average growth in revenues as provided for in the medium-term plan (MTP) and measured over the period from 2008 to the year of termination (under similar economic conditions to those prevailing when the medium-term plan was drawn up); growth in the SUEZ ENVIRONNEMENT COMPANY share price, which must be equal to or greater than the average growth of the CAC 40 stock market index and the DJ Eurostoxx Utilities index over the period starting from July 22, 2008 to the date of termination; and ROCE (Return On Capital Employed), which must be greater than the average WACC (Weighted Average Cost of Capital) over the same period. If two of these criteria have been fulfilled by the date on which the dismissal decision is taken, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due. The variable portion of the total gross compensation that serves as the basis for calculating the severance payment is equal to the average of the variable portions for the two years preceding the year in which the dismissal decision is taken.

	Employment contract		Supplementary retirement plan		Compensation or benefits due or that may become due pursuant to termination or a change in duties		Compensation due under a no-competition clause		
	Yes	No	Yes	No	Yes	No	Yes	No	
<b>Corporate officers</b>									
<b>Jean-Louis Chaussade Director and Chief Executive Officer</b>	With GDF SUEZ Management Company, suspended for the duration of his mandate as corporate officer of SUEZ ENVIRONNEMENT COMPANY <sup>(a)</sup>		X		X			X	
Start of mandate: 07/23/2008									
End of mandate: at the end of his directorship, or at the 2016 Shareholders' Meeting to approve the financial statements for fiscal year 2015							15 months of total gross compensation		

(a) Under his employment contract subject to the collective agreements in force at GDF SUEZ, the Chief Executive Officer benefits from a six-month notice.

### ➔ Performance shares allocated to the corporate officer

In 2013, the Chief Executive Officer was awarded 60,000 performance shares (which could be raised to 72,000 performance shares in the event of outperformance) as part of a performance share plan authorized by the Board of Directors on March 27, 2013.

Information on stock options and performance shares is presented in detail in section 15.1.4 of this Reference Document.

### 15.1.2 Compensation of Management Committee members

The Management Committee has had nine members since June 2013, versus eight previously.

All active Management Committee members serving as of December 31, 2013 (see section 14.1.3 of this document), including the Chief Executive Officer, received total gross compensation of €5,815,241 in 2013.

The table below specifies the fixed and variable portions paid to Management Committee members over the last three years (amounts in euros). It does not include the valuation of performance shares allocated by SUEZ ENVIRONNEMENT COMPANY.

Year of payment	Total fixed portion	Total variable portion	Total compensation
2011	3,027,761	2,383,177	5,410,938
2012	3,035,167	1,688,359	4,723,526
2013	3,449,367	2,365,874	5,815,241

In addition to the compensation described above, employee profit-sharing and incentive bonuses totaling €48,219 were paid to the entire Management Committee in 2013 for fiscal year 2012. This amount was €55,501 in 2012 for 2011.

### 15.1.3 Compensation of Directors

The compensation of Directors (excluding the Chief Executive Officer) consists only of Directors' fees.

The compensation of Gérard Mestrallet, Chairman and Chief Executive Officer of GDF SUEZ, is described in the GDF SUEZ Group Reference Document. Mr. Mestrallet does not receive any compensation as Chairman of the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, or any Director's fees.

Jean-Louis Chaussade, Chief Executive Officer of the Company, does not receive any Directors' fees in respect of SUEZ ENVIRONNEMENT COMPANY.

As officers or employees of the GDF SUEZ Group, Valérie Bernis, Penelope Chalmers Small, Isabelle Kocher, Jean-François Cirelli, Alain Chaigneau, and Jérôme Tolot were appointed as Directors of the Company on the proposal of GDF SUEZ, and as such received no Directors' fees in respect of the Company in 2013.

The total amount for Directors' fees set by the Combined Shareholders' Meeting of May 20, 2010 was €450,000.

Directors' fees are distributed according to the following rules:

- An amount of €255,000 allocated to the Board of Directors to be distributed as follows:
  - a fixed portion of €175,000 or €15,000 per Director (excluding representatives of GDF SUEZ Group), €20,000 each for the

chairmen of the Nominations and Compensation and Ethics and Sustainable Development Committees, €30,000 for the Chairman of the Audit and Financial Statements Committee, plus an additional fixed amount of around €15,000 drawn from the unallocated balance of the variable portions described below to be distributed equally between the Directors receiving Directors' fees;

- a maximum variable portion of €80,000 allocated based on the attendance of Directors at Board meetings;
- a maximum portion of €195,000 for the various committees, it being specified that each Director receives the same amount per session, regardless of the committee, and conditional upon the Directors' regular attendance of the various committee meetings.

These distribution rules mean that the variable amount related to the Directors' attendance at Board and committee meetings is greater than the annual fixed amount allocated thereto.

In 2013, ten Directors received Directors' fees, including Patrick Quart until July 22, 2013.

Since the end of the Shareholders' Agreement, Directors appointed on the proposal of GDF SUEZ are eligible to receive Directors' fees, but the Board of Directors, at its meeting of July 30, 2013, recorded their agreement not to do so until the end of the 2013 fiscal year.



The following table shows Director's fees allocated to Directors, calculated in accordance with the above rules.

Board Members	Directors' fees paid 2012 <sup>(a)</sup>	Directors' fees paid 2013
Gérald Arbola	€34,849.85	€33,917.99
Nicolas Bazire	€47,882.88	€61,775.13
Gilles Benoist	€32,214.71	€37,013.23
Harold Boël <sup>(b)</sup>	€33,960.96	€29,679.89
Delphine Ernotte Cunci <sup>(c)</sup> , Chairwoman of the Ethics and Sustainable Development Committee	€32,425.68	€60,584.66
Lorenz d'Este, Chairman of the Nominations and Compensation Committee	€54,771.77	€53,251.32
Patrick Quart <sup>(d)</sup>	€26,944.44	€12,071.43
Guillaume Pepy, Chairman of the Audit and Financial Statements Committee	€64,545.80	€69,441.80
Olivier Pirotte <sup>(e)</sup>	€53,295.80	€54,441.80
Amaury de Sèze	€34,564.56	€37,822.75
Ezra Suleiman <sup>(f)</sup>	€34,057.06	-
<b>TOTAL</b>	<b>€449,513.51</b>	<b>€450,000.00</b>

(a) Gross amounts before any mandatory fixed levies, social security contributions or withholding tax, when applicable. Directors' fees for the second half of 2012 were paid in February 2013; Directors' fees for the second half of 2013 were paid in January 2014.

(b) Director's fees were paid to SOFINA.

(c) Delphine Ernotte Cunci was appointed as a Director by the Shareholders' Meeting of May 24, 2012 and was appointed Chairwoman of the Ethics and Sustainable Development Committee with effect from the second half of 2012.

(d) Patrick Quart resigned his directorship with effect from July 22, 2013.

(e) The Director's fees were paid to Groupe Bruxelles Lambert.

(f) Ezra Suleiman's directorship ended at the close of the Shareholders' Meeting of May 24, 2012.

## 15.1.4 Long-term incentive plans

### GENERAL ALLOCATION POLICY

In 2013, the Board of Directors, on the proposal of the Nominations and Compensation Committee, continued the Company's long-term incentive policy, which is based on the allocation of performance shares (the Company having ended the allocation of stock options in 2012) or a cash payment, subject to the achievement of performance conditions evaluated over several years. The objective of long-term incentive, which is awarded during the first quarter of the year, is to associate certain categories of employees or corporate officers with the Company's future growth and value creation, to retain them and recognize their performance. These categories include:

- executives and senior managers ("Top Executives"), including members of the Management Committee and the Executive Committee, as well as high-potential managers and experts ("A Beneficiaries"); and
- employees who demonstrate outstanding performance but do not fall within the above categories ("B Beneficiaries").

The long-term variable compensation awarded to the B Beneficiaries and A Beneficiaries excluding Top Executives is subject to achieving an internal performance condition (related to the Group's financial results). The long-term variable compensation awarded to Top Executives is itself subject to an internal performance condition and, cumulatively, to an external performance condition (related to the

relative performance of the Company's share price) for a proportion of shares allocated that increases with the hierarchical level of the beneficiary. These performance conditions are evaluated over a period of several years.

### ALLOCATION POLICY FOR CORPORATE OFFICERS

The total compensation of the Chief Executive Officer includes a long-term component that may take the form of performance shares or a cash payment. The Company ended the allocation of stock options in 2012.

Concerning the allocation of stock options or performance shares by the Company since 2009, all stock options or performance shares that the Chief Executive Officer has received are subject to the achievement of performance conditions. In addition, all long-term incentive that may be awarded to the Chief Executive Officer in the future would also be subject to multi-year performance conditions.

Law No. 2006-1770 of December 30, 2006 to promote employee profit-sharing and shareholding and laying down a range of economic and social provisions (known as the "Loi Balladur") imposes restrictions on the availability of shares resulting from the exercise of stock options and performance shares granted to corporate officers under plans introduced since January 1, 2007.

Pursuant to Articles L. 225-185 and L. 225-197-1 of the French Commercial Code, the Board of Directors has resolved that, for the duration of his term of office, Mr. Chaussade will retain 25% of the shares from exercised options and performance shares allocated under various SUEZ ENVIRONNEMENT COMPANY plans, up to a total of 150% of his fixed annual compensation. The Board of Directors, on the recommendation of the Nominations and Compensation Committee, has not set a percentage of the number of performance shares awarded to the Chief Executive Officer that he should acquire on the market when the performance shares become available (*i.e.*, after the lock-up period). The Board, in fact, considered that the objective of the AFEP-MEDEF Code's recommendations that the Chief Executive Officer hold a large and growing number of the Company's shares had been achieved under the mandatory lock-up period described above.

In addition, for performance shares allocated based on the authorization of the Shareholders' Meeting of May 24, 2012, which is currently in force, the number of shares allocated to corporate officers may not exceed 5% of the shares allocated.

The Board of Directors must also ensure that the value (under IFRS 2) of the performance shares allocated to the Chief Executive Officer in any fiscal year do not represent an excessive percentage of his total compensation (including the value of performance shares).

Pursuant to the Code of Conduct on the use of inside information and securities trading, as approved by the Board of Directors on June 28, 2012, on the recommendation of the Nominations and Compensation Committee, the Chief Executive Officer may not engage in trading in Company shares, including the sale of shares resulting from the exercise of stock options or allocation of performance shares if he

is in possession of inside information, as well as during the following blackout periods:

- a period of 30 days prior to the publication of the Company's annual and interim results until two days after their publication; and
- a period of 15 days prior to the publication of the Company's first- and third-quarter results, until two days after their publication.

Finally, the Chief Executive Officer is expressly prohibited from hedging the performance shares or stock options that he receives from the Company.

**STOCK OPTION PLANS**

As of December 31, 2013, the number of outstanding stock options was 4,416,701, representing 0.87% of the Company's share capital were all the options to be exercised. The Company has never set up a share purchase plan. All outstanding options were out of the money as of December 31, 2013 (closing price of the SUEZ ENVIRONNEMENT COMPANY share on December 31, 2013: €13.025).

In accordance with the Company's long-term incentive policy, no stock option plans have been set up since December 2010.

Concerning the stock option plan established by the Board of Directors on December 17, 2009, the Board determined the level of achievement of the performance conditions provided by this plan. As a result, the members of the Management Committee and the Executive Committee, as well as the other beneficiaries, may only exercise 30% and 50%, respectively, of the options initially vested (exercise price: €15.49).

**STOCK OPTIONS ALLOCATED TO THE CORPORATE OFFICER IN 2013**

Plan	Type of option	Valuation of stock options based on the method used for the consolidated financial statements <i>(in euros)</i>	Number of options allocated during the year	Exercise price	Exercise period
<b>Jean-Louis Chaussade</b>					
	No options were awarded to the Corporate Officer by the Company (or GDF SUEZ) during fiscal 2013.				

**STOCK OPTIONS EXERCISED BY THE CORPORATE OFFICER IN 2013**

Plan	Number of options exercised during the year	Exercise price
<b>Jean-Louis Chaussade</b>		
The Corporate Officer did not exercise any stock options in the Company (or in GDF SUEZ) during fiscal year 2013.		

**STOCK OPTIONS GRANTED TO THE FIRST TEN ELIGIBLE NON-CORPORATE OFFICERS AND OPTIONS EXERCISED BY THEM**

	Total number of options awarded of shares subscribed or purchased	Weighted average price	Plan
Options granted in 2013 by the Company or any company within the scope of option allocations, to the ten employees of the issuer or any other company within this scope, who received the highest number of such options (aggregate information)			Not applicable - No stock options granted in 2013
Options held by the Company and the aforesaid companies exercised during the fiscal year by the ten employees of the issuer and these companies who purchased or subscribed to the highest number of such options (aggregate information)			Not applicable - No stock options exercised in 2013

**SUMMARY AND FEATURES OF ACTIVE STOCK OPTION PLANS AS OF DECEMBER 31, 2013**

	2009 Plan	2010 Plan
Date of authorization by the Shareholders' Meeting	May 26, 2009	May 26, 2009
Date of Board of Directors' meeting	December 17, 2009	December 16, 2010
Type of option	Purchase	Purchase
Total number of shares that may be purchased	3,464,440	2,944,200
Of which by the Corporate Officer	-	120,300
Total number of beneficiaries	984	977
Starting point for exercise of the options	December 17, 2013	December 16, 2014
Expiration date	December 16, 2017	December 15, 2018
Purchase price ( <i>in euros</i> )	15.49	14.20
Number of options exercised as of December 31, 2013	-	-
Aggregate number of options canceled or forfeited	1,907,839	84,100
Stock options outstanding as of December 31, 2013	1,556,601	2,860,100

**PERFORMANCE SHARE PLANS**

As of December 31, 2013, the maximum number of outstanding performance shares was 3,084,202, representing 0.60% of the Company's share capital were all the shares to be vested.

**Performance shares awarded in 2013**

At its meeting of March 27, 2013 the Board of Directors of SUEZ ENVIRONNEMENT COMPANY, at the proposal of the Nominations and Compensation Committee, decided to set up a Performance Bonus Share Plan and set out its main characteristics, the purpose of which is, as for previous plans, to associate Top Executives, executives, high-potential managers and experts with the Company's future growth and value creation ("A Beneficiaries"), as well as to award performance shares to employees who demonstrate outstanding

performance but do not fall within the first set of categories above ("B Beneficiaries").

This Plan concerns 1,773 beneficiaries, for a total number of performance shares of 1,315,100. Moreover, to encourage outperformance, this total number of performance shares may be raised to a maximum of 1,578,120 (or 0.3% of the Company's share capital), provided the thresholds set for the internal conditions described below are exceeded. This Plan provides for a vesting period of two to four years depending on the country and beneficiary, and, when applicable, a minimum two-year lock-up period.

These performance share allocations are also subject to certain performance conditions. These performance conditions vary depending on the profile of the beneficiary and are stricter for the Corporate Officer and for members of the Executive and Management

Committees and the Group's Top Executives (123 beneficiaries), with the application of the two cumulative conditions below:

- a market performance condition, specifically SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the average of the performance of the CAC 40 and DJ Eurostoxx Utilities indices over the period January 1, 2013 to February 27, 2015;
- an internal performance condition in terms of total recurring net Group income between 2013 and 2014 inclusive.

For the 939 "B Beneficiaries", all allocated shares are subject to an internal performance condition, specifically the Group's cumulative EBITDA between 2013 and 2014 inclusive.

For non-Top Executive "A Beneficiaries" (711 beneficiaries), allocations are subject to the two internal performance conditions mentioned, for 50% each.

The Company has also set up a mechanism to associate employees with the Company's performance, in accordance with the AFEF-MEDEF Code and Article L. 225-197-6 of the French Commercial Code, dated January 17, 2013, in the form of bonus shares, which have benefited more than 79,000 employees in 32 countries.

### PERFORMANCE SHARES GRANTED TO THE CORPORATE OFFICER IN 2013

	Plan	Number of shares allocated during the year	Value of shares according to the method used for the consolidated financial statements (in euros)	Date of vesting	Availability date	Performance conditions
Jean-Louis Chaussade	2013	60,000 <sup>(a)</sup>	327,600 <sup>(a)</sup>	March 30, 2015	March 30, 2017	All shares are subject to internal and external performance conditions <sup>(b)</sup>

(a) Possibility of increase to 72,000 shares in the event that the thresholds for the internal performance conditions are exceeded. The valuation was carried out on the basis of 72,000 shares.

(b) All the performance shares awarded to the corporate officer are subject to two cumulative performance conditions as follows:

- an internal performance condition based on the Group's aggregate recurring net income in 2013 and 2014;
- an external performance condition, specifically SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the performance average of the CAC 40 and DJ Eurostoxx Utilities indices over the period from January 1, 2013 to February 27, 2015.

### PERFORMANCE SHARES THAT BECAME AVAILABLE TO THE CORPORATE OFFICER DURING THE YEAR

	Plan	Vesting date	Number of shares that became available	Vesting conditions
Jean-Louis Chaussade	GDF SUEZ Plan of November 12, 2008.	March 15, 2013	2,312 (i.e., 38.54% of the initial allocation of 6,000 shares)	Shares delivered on March 15, 2011. Lock-up period from March 15, 2011 to March 14, 2013

### PERFORMANCE SHARES GRANTED TO THE FIRST TEN ELIGIBLE NON-CORPORATE OFFICERS

	Total number of performance shares granted	Plan
Performance shares granted by the Company in 2013 to the first ten eligible non-corporate officers of the Group receiving the highest number of shares (aggregate information)	138,600	March 27, 2013

## SUMMARY AND FEATURES OF PERFORMANCE SHARE PLANS AS OF DECEMBER 31, 2013

	2009 Plan	2010 Plan	2012 Plan	2013 Plan
Date of authorization by the Shareholders' Meeting	May 26, 2009	May 20, 2010	May 20, 2010	May 24, 2012
Date of Board of Directors' meeting	December 17, 2009	December 16, 2010	March 15, 2012	March 27, 2013
Maximum number of performance shares initially granted	173,852	829,080	828,710	1,578,120
<i>Of which to the Corporate Officer</i>	28,800	24,060	-	72,000
Number of beneficiaries	1,071	2,124	1,995	1,773
Vesting date				
<i>For French tax residents</i>	February 28, 2012 <sup>(1)</sup>	December 16, 2014 <sup>(3)</sup>	March 16, 2015 <sup>(5) (6)</sup>	March 30, 2015 <sup>(9)</sup>
<i>For tax residents outside France</i>	February 28, 2014	December 16, 2014	March 15, 2016	March 28, 2017
Date of transferability of shares				
<i>For French tax residents</i>	February 28, 2014	December 16, 2016 <sup>(4)</sup>	March 16, 2017 <sup>(7)</sup>	March 30, 2017
<i>For foreign tax residents</i>	February 28, 2014 <sup>(2)</sup>	December 16, 2014	March 15, 2016	March 28, 2017
Number of performance shares canceled or forfeited	36,392	110,490	29,350	26,316
Number of performance shares fully vested	83,072	39,790	150 <sup>(8)</sup>	
Performance shares outstanding at December 31, 2013	54,388	678,800	799,210	1,551,804

(1) Also applies to tax residents of Belgium, Spain and Italy.

(2) For tax residents in Spain and Italy the date of transferability is February 28, 2015.

(3) The vesting date for "B Beneficiaries" who are French tax residents was March 1, 2013.

(4) The date of transferability for "B Beneficiaries" who are French tax residents is March 1, 2015.

(5) Also applies to tax residents of Belgium, Spain and Italy.

(6) The vesting date for "B Beneficiaries" who are tax residents of France, Spain and Italy is March 17, 2014.

(7) The date of transferability for "B Beneficiaries" who are French tax residents is March 17, 2016 For "B Beneficiaries" who are tax residents of Spain and Italy, the date of transferability is March 17, 2017.

(8) Corresponds to an early delivery.

(9) Also applies to tax residents of Belgium and Spain.

### 15.1.5 Components of compensation due or awarded in 2013 to each corporate officer, submitted for the opinion of the shareholders

The AFEP-MEDEF Code, as revised in June 2013, recommends submitting for the opinion of the Shareholders' Meeting the components of compensation due or awarded to each corporate officer of the Company for the last fiscal year.

Accordingly, the Shareholders will be asked, at the Shareholders' Meeting of May 22, 2014, to issue an opinion on the components of compensation due or awarded for 2013 to Gérard Mestrallet, Chairman of the Board of Directors, and to Jean-Louis Chaussade, Chief Executive Officer.

#### Components of compensation due or awarded for 2013 to Gérard Mestrallet, Chairman of the Board of Directors (14<sup>th</sup> resolution)

No compensation is due or has been awarded by the Company to Gérard Mestrallet for 2013.

**Components of compensation due or awarded for 2013 to Jean-Louis Chaussade, Chief Executive Officer**

The Shareholders are asked, at the Meeting of May 22, 2014 (15<sup>th</sup> resolution) to issue an opinion on the following elements of the compensation due or awarded to Jean-Louis Chaussade, Chief Executive Officer:

**Components of compensation due or awarded during the 2013 fiscal year**

	Amounts or value	Detail
Fixed compensation	€750,000	This is the gross fixed compensation for the 2013 fiscal year. The fixed compensation of Mr. Jean-Louis Chaussade has not changed since 2009.
Multi-year variable compensation	€736,790	<ul style="list-style-type: none"> <li>■ During the meeting of February 19, 2014, on the recommendation of the Nominations and Compensation Committee, the Board of Directors finalized the annual variable compensation for the 2013 fiscal year of Mr. Jean-Louis Chaussade, which amounts to €736,790, or 98.2% of the fixed portion of his compensation (compared to €648,854 for fiscal year 2012).</li> <li>■ The variable compensation of Mr. Jean-Louis Chaussade may represent between 0% and 145% of the fixed portion of his compensation, and has been defined based on quantitative criteria relating to EBITDA growth, free cash flow, the recurrent net income, the ROCE and on qualitative criteria that represent 20% in the overall weighting of the variable portion, and which are related to the "COMPASS +" optimization program, the success of the implementation of the new Executive Board structure, and SUEZ ENVIRONNEMENT's roll-out following the conclusion of the Shareholders' Agreement and the implementation of environmental and ethical action plans.</li> </ul>
Deferred variable compensation	N/A	Mr. Jean-Louis Chaussade does not benefit from deferred variable compensation.
Multi-year variable compensation	N/A	Mr. Jean-Louis Chaussade does not benefit from multi-year variable compensation.
Exceptional compensation	N/A	Mr. Jean-Louis Chaussade does not benefit from exceptional compensation.
Stock options, performance shares or any other item relating to long-term compensation	€327,600	<ul style="list-style-type: none"> <li>■ Mr. Jean-Louis Chaussade was allocated 60,000 performance shares by the Board of Directors on March 27, 2013 (in application of the authorization granted by the General Meeting of May 24, 2012 in its 28<sup>th</sup> resolution), with a maximum of up to 72,000 potential performance shares in the event that the non-market performance condition set out below were to exceed certain thresholds.</li> <li>■ All of these performance shares are subject to the following two cumulative performance conditions: <ul style="list-style-type: none"> <li>■ an internal performance condition based on the consolidated Group's cumulative recurring net income in 2013 and 2014;</li> <li>■ An external performance condition, specifically SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the performance average of the CAC 40 and DJ Eurostoxx Utilities indices over the period from January 1, 2013 to February 27, 2015.</li> </ul> </li> <li>■ The maximum number of performance shares assigned to the Chief Executive Officer represents 0.014% of the share capital of the Company.</li> </ul>
Directors' fees paid	N/A	Mr. Jean-Louis Chaussade does not receive Directors' fees.
Value of benefits in kind	€15,459	Mr. Jean-Louis Chaussade benefits from a Company car and the special unemployment insurance for Company Directors (GSC – <i>garantie sociale des chefs et dirigeants d'entreprise</i> ).

## COMPENSATION AND BENEFITS

Amounts provisioned by the Company and its subsidiaries for the payment of pensions, retirement benefits, and other benefits to members of the Management Committee

### Components of compensation due or awarded during the 2013 fiscal year

Components of compensation due or awarded during the 2013 fiscal year	Amounts or value	Detail
Severance pay	No payment	<p>Mr. Jean-Louis Chaussade benefits from an indemnity that could be paid to him if his position as Chief Executive Officer were revoked, of a maximum amount of 15 months of his total gross compensation (fixed portion + average of last two variable compensation payments).</p> <p>Moreover, this payment would be subject to the following performance conditions: the average growth in revenues as provided for in the medium-term plan and measured over the period from 2008 to the year in which the position is relinquished (under similar economic conditions to those prevailing when the medium-term plan was drawn up); an growth in the SUEZ ENVIRONNEMENT COMPANY share price, which must be equal to or greater than the average growth of the CAC 40 stock market index and the DJ Eurostoxx Utilities index over the period from July 22, 2008 to the date on which the position is relinquished; and ROCE (Return On Capital Employed), which must be greater than the average WACC (Weighted Average Cost of Capital) over the same period.</p> <p>If two of these criteria have been fulfilled by the date on which the dismissal decision is taken, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due.</p> <p>The renewal of this commitment was authorized by the Board of Directors on March 15, 2012 and approved by the General Meeting of May 24, 2012 in its 14<sup>th</sup> resolution.</p>
Compensation due under a non-competition clause	N/A	Mr. Jean-Louis Chaussade does not benefit from any compensation under a non-competition clause.
Insurance and healthcare plans		Mr. Jean-Louis Chaussade benefits from the Company's current mandatory group insurance and healthcare plans.
Supplementary retirement plan	No payment	<ul style="list-style-type: none"> <li>■ Mr. Jean-Louis Chaussade benefits from the Group supplementary retirement plans applicable to SUEZ ENVIRONNEMENT employees: a mandatory Group insurance subject to defined contributions as stipulated in Article L. 441-1 of the French Insurance Code (for which the amount of contributions paid out in 2013 amount to €4,781.20) and a supplementary Group defined benefits retirement plan (subject to one's career being completed at the Company).</li> <li>■ As at December 31, 2013, Mr. Chaussade's annuity is estimated to be 22% of his annual compensation for 2013 (fixed and variable).</li> <li>■ The amount of the annuity payable is capped at 30% of bracket C and 40% of bracket D, based on the average annual gross compensation for the last five years (fixed and variable).</li> <li>■ The renewal of this commitment was authorized by the Board of Directors on March 15, 2012 and approved by the General Meeting of May 24, 2012 in its 14<sup>th</sup> resolution.</li> </ul>

## 15.2 Amounts provisioned by the Company and its subsidiaries for the payment of pensions, retirement benefits, and other benefits to members of the Management Committee

As of December 31, 2013, the total provisioned retirement obligations for the members of the Management Committee relating solely to SUEZ ENVIRONNEMENT plans (including tax on employer contributions) amounted to €12.5 million, versus €13.8 million in 2012.

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# 16

## FUNCTIONING OF GOVERNANCE AND MANAGEMENT BODIES

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## 16.1 Terms of office of members of the Board of Directors

The following table shows the initial appointment and termination dates of the mandates of the current Company's directors:

Name and title	Date of initial appointment	Start date of current mandate	Termination date of mandate
Gérard Mestrallet, Chairman of the Board of Directors <sup>(a)</sup>	Dec. 5, 2007	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Jean-Louis Chaussade, Director and Chief Executive Officer <sup>(a)</sup>	Dec. 5, 2007	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Gérald Arbola, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Nicolas Bazire, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Gilles Benoist, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Valérie Bernis, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Harold Boël, Director	July 15, 2008	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Alain Chaigneau, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Penelope Chalmers Small, Director	March 17, 2011	March 17, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Jean-François Cirelli, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Delphine Ernotte Cunci, Director	May 24, 2012	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Lorenz d'Este, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Isabelle Kocher, Director	February 7, 2012	February 7, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Patrick Quart, Director	January 14, 2010	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Guillaume Pepy, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013
Olivier Pirotte, Director	July 15, 2008	May 19, 2011	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2014
Amaury de Sèze, Director	July 15, 2008	May 24, 2012	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2015
Jérôme Tolot, Director	July 15, 2008	May 20, 2010	General Shareholders' Meeting approving the financial statements for the fiscal year ending December 31, 2013

<sup>(a)</sup> *Gérard Mestrallet and Jean-Louis Chaussade were appointed Chairman of the Board of Directors and Chief Executive Officer, respectively, at the Board of Directors meeting of July 23, 2008. They were reappointed to these offices by the Board of Directors on May 24, 2012, following the renewal of their directorships by the Shareholders' Meeting of May 24, 2012 and following on July 30, 2013 the end of the Shareholders' Agreement related to the Company. In addition, a resolution will be proposed at the next Shareholders' Meeting to amend the Company's bylaws in order to extend the age limit for the functions of Chairman of the Board and Chief Executive Officer from 65 years to 68 years old (which is already the absolute age limit set by the bylaws), the Board of Directors not having any longer the possibility to extend this age limit.*

Pursuant to the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies, and in order to avoid replacing the entire Board of Directors at once following the 2012 Shareholders' Meeting convened to approve the financial statements for the year ended December 31, 2011, the Board of Directors decided on February 24, 2010 to implement a staggered renewal of Director appointments. Thus, since 2010, one-third of the directorships have been renewed each year for three consecutive years. Details of how this process is implemented are provided in the Chairman's report in chapter 16.4 of this Reference Document.

With the mandates of Penelope Chalmers Small, Gérald Arbola, Gilles Benoist, Alain Chaigneau, Guillaume Pepy and Jérôme Tolot

expiring at the end of the Shareholders' Meeting called in 2014 to approve the financial statements for the year ending December 31, 2013, the Board of Directors decided at its meeting of March 26, 2014 to propose to the shareholders, at the Shareholders' Meeting of May 22, 2014, to reappoint Penelope Chalmers Small, Gilles Benoist, Alain Chaigneau, Guillaume Pepy and Jérôme Tolot for a four-years term. Gérald Arbola decided not to seek for a reappointment of his mandate. The nomination of Ines Kolmsee as director will also be proposed at the Shareholders' Meeting of May 22, 2014.

Also note that Patrick Quart resigned his directorship with effect from July 22, 2013.

## 16.2 Information on service contracts between members of the Company's governance and management bodies and the Company or any of its subsidiaries

To the Company's knowledge, as of the date of this Reference Document, no members of the Board of Directors or the Chief Executive Officer enjoy benefits as a result of service contracts between them and the Company or any of its subsidiaries.

## 16.3 Committees of the Board of Directors

In accordance with Article 15 of the Company bylaws, the Board of Directors may decide to set up committees responsible for studying issues which the Board or its Chairman refer to them for review.

In this context, the Board of Directors decided to set up four committees at its meeting of July 23, 2008: a Strategy Committee, an Audit and Financial Statements Committee, an Ethics and Sustainable

Development Committee and a Nominations and Compensation Committee. Their respective missions are described in the Internal Regulations of the Board of Directors.

The composition of these committees and their duties are also described in the report of the Chairman of the Board of Directors in chapter 16.4 of this Reference Document.

## 16.4 Report of the Chairman of the Board of Directors prepared in accordance with Article L. 225-37 of the French Commercial Code

This report has been prepared in accordance with Article L. 225-37 paragraph 6 *et seq.* of the French Commercial Code.

In the first part (1), it presents the composition of the Board of Directors, the application of the principle of balanced representation of women and men within it, the conditions for preparing and organizing the Board's work, the limits on the powers of the Chief Executive Officer, the principles and rules approved by the Board of Directors to determine the compensation and benefits paid to corporate officers, the Corporate Governance Code to which the Company voluntarily adheres as well as the rules governing shareholder participation in the Shareholders' Meeting and the factors likely to have an impact in the event of a takeover bid.

In the second part (2), it reports on the internal control and risk management procedures implemented by SUEZ ENVIRONNEMENT COMPANY.

This report was approved by the Board of Directors on February 19, 2014, on the recommendation of the Nominations and Compensation Committee for the part relating to corporate governance and the Audit and Financial Statements Committee for the part relating to internal control and risk management.

### 1. Corporate Governance

SUEZ ENVIRONNEMENT COMPANY (hereinafter "SUEZ ENVIRONNEMENT" or the "Company") is a French public limited company (*société anonyme*) with a Board of Directors, governed by applicable French laws and regulations as well as by its corporate bylaws.

As required by law and the Company's bylaws, and to clarify the rules governing the Board's operations, the respective powers of the Chairman of the Board of Directors, the Chief Executive Officer and the Board of Directors, as well as the composition and duties of its committees, the Board adopted a set of internal regulations in 2008, which was amended in February 2012 and subsequently in July 2013 (the "Internal Regulations"). A Directors' Charter, which specifies the rights and duties of the Directors, was adopted and appended to the Internal Regulations (the "Directors' Charter").

The Company's bylaws and Internal Regulations, the main elements of which are described in chapter 21.2 of the Reference Document, as well as the Directors' Charter, are available at its registered office and can be viewed online on the Company's website ([www.suez-environnement.com](http://www.suez-environnement.com)).

The Company's governance was modified in the second half of 2013 following the end of the Shareholders' Agreement related to the Company, signed on June 5, 2008 between GDF SUEZ, Areva, Caisse des Dépôts et Consignations, CNP Assurances, Sofina, Groupe Bruxelles Lambert and SUEZ ENVIRONNEMENT COMPANY, as amended on December 18, 2008 (hereinafter, the "Agreement"). These changes included the resignation of a Director, a review of Directors' independence, amendment of the Board of Directors' Internal Regulations, and changes in the composition of the Board's committees. These various changes are described in this report of the Chairman of the Board of Directors.

#### 1.1 Composition of the Board of Directors

The composition of the Board changed during fiscal year 2013 after the end of the Shareholders' Agreement. Since July 22, 2013, the Board has been composed of 17 Directors, due to Patrick Quart's resignation of his directorship.

Under the Agreement, it was previously composed of 18 members: nine appointed on the proposal of GDF SUEZ, two appointed on the proposal of Groupe Bruxelles Lambert, one appointed on the proposal of Areva, one appointed on the proposal of CNP Assurances, one appointed on the proposal of Sofina and four independent Directors.

The bylaws provide for a four-year term and require every Director to hold at least 2,000 Company shares.

Jean-Louis Chaussade, Chief Executive Officer, is the only Director with executive functions within the Group.

In 2013, there was no Director representing employees or shareholder employees on the Board of Directors. To ensure employee representation on the Board of Directors, the Company had decided in 2008, on a voluntary basis and with the trade unions' agreement, to allow two representatives of the Works Committee of SUEZ ENVIRONNEMENT SAS to attend Board meetings.

At its meeting of January 16, 2014, the Board of Directors decided to propose to the Shareholder's Meeting an amendment to the Company's bylaws to allow the appointment of Directors representing employees, in accordance with Article L. 225-27-1 of the French Commercial Code.

## The composition of the Board of Directors at the date of issue of this report is as follows:

### ■ *Nine independent Directors:*

Gérald Arbola, Nicolas Bazire, Gilles Benoist, Harold Boël, Delphine Ernotte Cunci, Lorenz d'Este, Guillaume Pepy, Olivier Pirotte and Amaury de Sèze.

### ■ *Seven Directors representing GDF SUEZ, including the Chairman of the Board of Directors:*

Gérard Mestrallet, Chairman of the Board of Directors, Valérie Bernis, Alain Chaigneau, Penelope Chalmers Small, Jean-François Cirelli, Isabelle Kocher and Jérôme Tolot.

### ■ *The Chief Executive Officer:*

Jean-Louis Chaussade.

Details of the mandates and functions of Directors can be found in chapter 14.1 of the Reference Document.

## Staggered schedule of renewals

In line with best governance practices and in accordance with AFEP-MEDEF Code recommendations, the Board of Directors, on the proposal of the Nominations and Compensation Committee, decided at its meeting of February 24, 2010 to stagger the appointment of Directors so that a third of Directors are replaced at one time, to avoid having to renew the entire Board of Directors at the Shareholders' Meeting convened in 2012 to approve the financial statements for the fiscal year ending December 31, 2011 and thus to facilitate the smooth renewal of directorships.

This staggered renewal approach was first introduced at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 20, 2010 with the early reappointment of one-third of Board members, and continued at the Combined Ordinary and Extraordinary Shareholders' Meeting of May 19, 2011 with the early reappointment of the second third. The terms of the final third of the Board of Directors' members were renewed when their initial terms expired at the Shareholders' Meeting of May 24, 2012.

The terms of six Board members will therefore expire at the Shareholders' Meeting of May 22, 2014.

Details of directorships can be found in chapter 16.1 of the Reference Document.

## Diversity and gender equality

During its meeting of October 27, 2010, the Board of Directors, on the recommendation of the Nominations and Compensation Committee, undertook to review diversity issues within the Board, with a particular focus on gender equality. This review continued in subsequent years, resulting in:

- the co-opting of Penelope Chalmers Small by the Board of Directors on March 17, 2011, replacing Dirk Beeuwsaert. This appointment was ratified by the Shareholders' Meeting of May 19, 2011;
- the renewal as Director of Valérie Bernis by the Combined Ordinary and Extraordinary Shareholders Meeting of May 19, 2011;

- the co-opting of Isabelle Kocher by the Board of Directors on February 7, 2012, replacing Gérard Lamarche. This appointment was ratified by the Shareholders' Meeting of May 24, 2012;
- the appointment of Delphine Ernotte Cunci by the Shareholders' Meeting of May 24, 2012, replacing Ezra Suleiman, whose term expired at the end of that Shareholders' Meeting.

The Board therefore includes four women Directors since 2012, representing 23.5% of its members. The Company has therefore achieved the first milestone of 20% representation by the end of the 2014 Shareholders' Meeting called to approve the 2013 financial statements, as provided for by the law on the balanced representation of women and men on Boards of Directors and the recommendation of the AFEP-MEDEF Code on the matter.

The Board also includes four Directors of foreign nationality, which is 23.5% of its members.

## Independence of Directors

Following the end of the Shareholders' Agreement, the independent status of some Directors (as defined by the AFEP-MEDEF Code) was reviewed by the Nominations and Compensation Committee during July 2013.

To carry out this review, the Nominations and Compensation Committee referred to the definition of the AFEP-MEDEF Code which considers that "a Director is independent when (s)he has no relationship of any kind with the Company, its Group or its management that could compromise his/her freedom of judgment", and took into account all the criteria of that Code. Specifically, a Director must not:

- be an employee or officer of the Company or an employee or Director of a company within its scope of consolidation and must not have been one during the previous five years;
- be an officer of a company in which SUEZ ENVIRONNEMENT COMPANY directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the Company (currently or within the previous five years) holds a directorship;
- be (or be related to) a customer, supplier or corporate or investment banker:
  - of significance to the Company or its Group, or
  - whose business has a significant share provided by the Company or Group;
- have close family ties with a corporate officer;
- have been an auditor of the Company during the previous five years;
- have been a Director of the Company for more than 12 years.

Directors representing major shareholders of the Company or its parent company may be considered independent provided that they do not exercise control over the Company. If a Director exceeds a threshold of 10% of the share capital or voting rights, the Board, based on the Nominations and Compensation Committee's report, must systematically review the independent status of the Director(s) concerned, taking into account the Company's ownership structure and whether or not there may be conflicts of interest.

On this basis, the Nominations and Compensation Committee recommended to the Board of Directors, as recorded at its meeting of July 30, 2013, to:

- confirm the independence of four Directors: Delphine Ernotte Cunci, Nicolas Bazire, Lorenz d'Este and Guillaume Pepy; and
- classify Gérald Arbola, Gilles Benoist, Harold Boël, Olivier Pirotte and Amaury de Sèze as independent Directors. Previously, the Board of Directors had not considered them independent, even though they represented shareholders with less than a 10% stake in the Company's share capital, solely because of the existing Shareholders' Agreement. Noting that the Agreement had expired, the Board decided to reclassify them; and
- confirm the non-independence of the following Directors: Jean-Louis Chaussade, Chief Executive Officer; and the following representatives of GDF SUEZ, which owns 35.68% of the Company's share capital: Valérie Bernis, Penelope Chalmers Small, Isabelle Kocher, Gérard Mestrallet, Chairman, Alain Chaigneau, Jean-François Cirelli, and Jérôme Tolot.

These classifications were confirmed by the Board of Directors, on the recommendation of the Nominations and Compensation Committee, during the review of this Report. In accordance with the AFEP-MEDEF Code, as amended in June 2013, the Board of Directors evaluated the significance of business relationships maintained by the Company (and its subsidiaries) with the companies (and their subsidiaries) to which the Directors are linked. Business relationships between the Group and the companies (and subsidiaries) in which Directors meeting all other criteria of independence have a role in management or a directorship were not considered to be significant

in view of the insignificant share of revenues generated between the Group and these companies.

The Board of Directors is therefore composed of 53% independent Directors in accordance with the AFEP-MEDEF Code.

#### Directors' Charter

The Directors' Charter, annexed to the Board of Directors' Internal Regulations, contains guidelines to which each Director must adhere in order to fully exercise their functions, ensuring the full effectiveness of their personal contribution, in accordance with the rules of independence, ethics and integrity.

The Charter states that each Director must act in the Company's interest and must represent all shareholders. It also reminds them of the principles of independence, duties of expression, loyalty, discretion, confidentiality, professionalism, commitment, and the collegiality and efficiency of the Board's work.

In addition, the Directors' Charter stipulates that every Director must inform the Board of any conflict of interest, even potential, that might directly or indirectly affect him or her. In the event that a Director cannot avoid being in conflict of interest, he or she must refrain from participating in discussions and any decisions on the relevant matters.

In June 2012, on the recommendation of the Nominations and Compensation Committee, the Board also adopted a Code of Conduct on the prevention of insider trading, the main provisions of which can be found in chapter 14.2 of this Reference Document.

## 1.2 General Management

### 1.2.1 METHOD OF EXERCISING GENERAL MANAGEMENT

The Board of Directors' meeting of July 23, 2008 opted to separate the roles of Chairman of the Board and Chief Executive Officer, whose respective duties are clearly defined in the Company's bylaws and the Board's Internal Regulations.

The Board of Directors confirmed the decision to separate these two positions, reappointing Gérard Mestrallet and Jean-Louis Chaussade as Chairman of the Board and Chief Executive Officer, respectively, at its meeting of May 24, 2012, following the renewal of their directorships by the Shareholders' Meeting of the same date, and again at its meeting of July 30, 2013, following the end of the Shareholders' Agreement.

### 1.2.2 DUTIES OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

In accordance with the law and Article 3 of the Internal Regulations, the Chairman of the Board of Directors organizes and manages its work and reports on it to the Shareholders' Meeting. The Chairman ensures that the Company's governing bodies function correctly and, in particular, that the Directors are fit to carry out their duties.

### 1.2.3 LIMITS OF THE CHIEF EXECUTIVE OFFICER'S POWERS

The Chief Executive Officer holds the most extensive powers to act, under all circumstances, on behalf of the Company. He exercises those powers within the limit of the corporate purpose and subject to (i) the powers granted by law to Shareholders' Meetings and the Board of Directors, and (ii) internal limits on executive powers.

In this regard, the Internal Regulations define the limits on the powers of the Chief Executive Officer, which are summarized below.

- The Chief Executive Officer shall submit the following to the Board of Directors for prior approval:
  - significant transactions likely to affect Group strategy or modify its financial structure, scope, activities or risk profile. The following in particular are considered significant: transactions involving a commitment in excess of €350 million, agreements, transactions and settlements in case of a dispute if the amount is greater than €100 million, and
  - transactions that fall outside the Company's stated strategy.

- In addition, at its meeting of September 24, 2013, and in the context of the end of the Shareholders' Agreement, the Board of Directors specified that any acquisition, investment or disposal of an investment worth over €100 million (other than maintenance transactions), as well as any "standard" financing transactions with banks or on the bond market amounting to over €700 million must have the Board's prior approval. The Board also decided to review these rules before the end of 2014 to assess how well they are working and determine whether they should be modified;
- In addition, the Chief Executive Officer may grant securities, endorsements and guarantees up to a total amount of €500 million, with an added secondary limit of €100 million per transaction. Beyond these two limits, the Chief Executive Officer must request the prior approval of the Board of Directors;
- The Chief Executive Officer consults the Nominations and Compensation Committee before any appointment to a position on the Management Committee, as well as on any compensation issue concerning its members. During changes affecting members of the Management Committee, the Chief Executive Officer consults the committee Chairman prior to any decision, and even prior to engaging in the replacement process and the consultation of candidates.

To successfully perform his duties, the Chief Executive Officer is assisted by a Management Committee composed of nine members whose biographies are provided in section 14.1.3 of the Reference Document and are available on the Company's website ([www.suez-environnement.com](http://www.suez-environnement.com)). The Chief Executive Officer is also assisted by an Executive Committee, composed of the nine members of the Management Committee and the 12 heads of the Business Units and support functions, details of which are available on the Company's website ([www.suez-environnement.com](http://www.suez-environnement.com)).

### 1.3 Preparation and organization of tasks performed by the Board of Directors and the specialized committees

#### 1.3.1 FUNCTIONING AND TASKS OF THE BOARD OF DIRECTORS

The Board of Directors has Internal Regulations which, beyond the provisions of the law and the Company's bylaws, set out the rules on the composition, role and powers of the Board of Directors and its committees. The main aspects of the Internal Regulations concerning the Board of Directors' operations are described in section 21.2.2.1 of this Reference Document.

The Internal Regulations were first adopted by the Board of Directors on July 23, 2008 at the time of the Company's initial public offering. These Internal Regulations were amended by the Board of Directors at its meeting of February 7, 2012. It was decided, in the interest of good corporate governance, to update the Internal Regulations, mainly to strengthen the roles of the committees (especially that of the Audit and Financial Statements Committee), to update and clarify certain provisions relating to the Board's operations and the limits on the Chief Executive Officer's powers and, finally, to establish a Directors' Charter. This document sets out the terms and conditions under which the Directors are to perform their duties, their contribution to the work of the Board and its committees, the rights and resources granted to the Directors, and the rules on confidentiality, independence, ethics and integrity, which are an intrinsic part of their functions (see section 1.1 of this report). The Internal Regulations were also updated on July 30, 2013, to take into account the end of the Shareholders' Agreement on July 22, 2013.

#### Activities of the Board of Directors in 2013

The Board meets as often as the interests of the Group require. In 2013, the Board met eight times (including two meetings on the day of the Shareholders' Meeting and excluding the Directors' strategy seminar mentioned below), with an attendance rate of 92.2% (88.3% in 2012).

The main issues addressed included a business review, the Group's financial position and results (review of annual, half-year and quarterly performance, analysis and updating of earnings forecasts), the Group's funding status (borrowings, available cash, bond issues),

the renewal of the share buyback program, governance (changes in the composition of the Board of Directors and its committees, update of the Internal Regulations), adherence to the revised AFEP-MEDEF Code, the implementation of a performance action plan, and the impacts of the end of the Shareholders' Agreement.

The Board also renewed the Chief Executive Officer's annual authorization to issue securities, endorsements and guarantees, and approved projects involving guarantees of amounts greater than the Chief Executive Officer's authorization threshold. Finally, it reviewed regularly the work of its four committees.

#### Performance assessment of the Board of Directors and committees

As part of the work carried out by the Board of Directors to improve its own composition, performance, organization and relations with its committees, individual self-assessment questionnaires were sent to each Director in December 2012, which addressed the Board's composition and performance, the relations between the Board and its committees, and the composition and performance of each committee. This questionnaire was more thorough than the previous survey conducted in 2011 and took into account the model questionnaire circulated by AFEP and MEDEF. The answers provided by the Directors to this questionnaire were presented to the Nominations and Compensation Committee on March 27, 2013. Following this new self-assessment, the Directors stated that they were satisfied overall with the performance of the Board and its committees. However, they did express a desire to see the Board's composition adjusted to increase the diversity of Directors' profiles (gender mix, background and experience), to reduce the number of Board members, and to increase the proportion of independent Directors. They also indicated that the level of information provided to the Board was satisfactory. They expressed their interest in the one-day seminar devoted to the Group's strategy (including a site visit) established in 2011, and recommended that this type of meeting be continued. Regarding the committees, the Directors noted that the areas of improvement brought up in the previous assessment had been addressed. The Directors nevertheless indicated a desire

to devote more time to analyzing risk taking/commitments by the Group and to continue receiving a high level of information on investment and divestment plans.

Various actions were implemented as a result of this review. For instance, a new one-day seminar devoted to the Group's strategy was organized in 2013 (including a visit to the waste treatment plant at Villers-Saint-Paul). This seminar, whose main topics were prepared in depth ahead of time by the Strategy Committee, included a Directors' review of key strategic areas, the medium-term business plan, and the investment and divestment plans being considered. In addition, the practices for regular reporting to the Board of Directors by General Management on business performance, outlook, projects

and planned transactions were strengthened. Finally, in preparation for the 2014 Shareholders' Meeting and the expiration of the terms of six Directors, the Nominations and Compensation Committee began to study changes in the composition of the Board of Directors.

In accordance with the recommendations of the AFEP-MEDEF Code on the Board's evaluation of its performance, a new self-assessment process was launched. New questionnaires were reviewed by the Nominations and Compensation Committee at its meeting of December 10, 2013. The committee will analyze the results of this self-assessment and present them to the Board of Directors during the first half of 2014.

### 1.3.2 The specialized committees

The Board of Directors is assisted by four committees: the Audit and Financial Statements Committee, the Nominations and Compensation Committee, the Strategy Committee and the Ethics and Sustainable Development Committee.

The Internal Regulations and, until July 2013, the Shareholders' Agreement, set out the rules governing the composition and role of each committee.

Minutes from each meeting of these various committees were submitted to the Board of Directors and, where appropriate, recommendations were made for decisions within the Board's remit.

#### Audit and Financial Statements Committee

##### Composition

The composition of the Audit and Financial Statements Committee remained unchanged during 2013. It has five members: Guillaume Pepy, Chairman, Delphine Ernotte Cunci, Isabelle Kocher, Olivier Pirotte and Nicolas Bazire.

With Delphine Ernotte Cunci, Guillaume Pepy, Nicolas Bazire and Olivier Pirotte qualifying as independent, the proportion of independent Directors is 80% of the committee members, including the Chairman, in line with the recommendations of the AFEP-MEDEF Code. As described in the biographies of the members of the Audit and Financial Statements Committee in chapter 14 of the Reference Document, all committee members have appropriate financial and/or accounting competency based on their education or functions and as defined by Article L. 823-19 of the French Commercial Code. Delphine Ernotte Cunci, Nicolas Bazire and Guillaume Pepy all have management positions in large companies, while Isabelle Kocher, Olivier Pirotte are CFOs of listed companies.

The committee may request the assistance of outside experts.

##### Missions

The Audit and Financial Statements Committee assists the Board of Directors in ensuring the accuracy and fairness of the SUEZ ENVIRONNEMENT statutory and consolidated financial statements and the quality of the internal control procedures and information provided to shareholders and financial markets. The committee presents opinions and recommendations in the areas described below to the Board of Directors.

The Board of Directors specifically entrusts the committee with the following assignments, consistent with the assignments defined

for the Audit Committee by the Decree of December 8, 2008. The Company also refers to the report of the working group on Audit Committees published by the AMF on July 22, 2010.

- As regards the financial statements, the committee:
  - monitors the financial information preparation process;
  - reviews, before publication, the draft annual and interim financial statements, the activity and income report, and any financial statements (including forecasts) drawn up for specific major transactions and significant financial press releases, before they are circulated to the Board or publicly released;
  - assesses the relevance and permanence of the accounting rules and principles used in drawing up the statutory and consolidated financial statements and prevents any potential breach of those rules;
  - requests details of any change in the scope of consolidation and where necessary, obtains all required explanations;
  - whenever it deems it necessary, meets with the statutory auditors, General Management, financial management personnel, internal auditors and any other member of management; such meetings may take place, where necessary, without the presence of General Management;
  - ensures the quality of procedures to guarantee compliance with stock exchange regulations;
  - is informed annually on financial strategy and on the terms and conditions of the Group's main financial transactions;
  - is periodically informed about the Group's tax situation.
- As regards the external auditing of the Company, the committee:
  - ensures that the statutory and the consolidated financial statements are audited by the Company's statutory auditors;
  - operates the selection process when appointing or renewing statutory auditors, taking into account the offers of various candidate audit firms, formulates an opinion on the audit fees for legally prescribed audits and submits the result of this selection in the form of a recommendation to the Board of Directors; the committee also examines issues regarding the possible dismissal of statutory auditors;

- supervises the rules for referring work other than financial statement auditing to the statutory auditors and, more generally, monitors compliance with the principles that guarantee the independence of the statutory auditors;
  - pre-approves any mission entrusted to the statutory auditors that goes beyond legal audit and that incurs fees exceeding an amount it shall set;
  - each year, examines with the statutory auditors the audit fees paid by the Company and the Group to entities from the network to which the statutory auditors belong, their audit schedule, the conclusions reached by the latter, their recommendations, and the follow-up of these recommendations; and
  - arbitrates, where necessary, on issues that may arise between the statutory auditors and General Management in the course of their work.
- As regards internal control and auditing of the Company, the committee:
- evaluates the efficiency and quality of the Group's internal control systems and procedures;
  - examines, with the heads of internal audit, the audit schedules and action plans involved in internal audit, the conclusions of these audits and actions, and the recommendations and their follow-up, without General Management necessarily being present;
  - is informed by General Management, or by any other means, of any complaints from third parties or any internal information critical of the Company's accounting documents or internal control procedures, as well as the procedures put in place for this purpose and the remedies for such claims or criticisms;
  - entrusts internal audit with any assignment it deems necessary.
- As regards risks and commitments, the committee:
- evaluates the efficiency and quality of the Group's systems and procedures for evaluating and managing risks;
  - is regularly updated on the Group's financial and cash position and major commitments and risks;
  - is regularly informed on the Group's main disputes.

#### Activity in 2013

The Audit and Financial Statements Committee met seven times in 2013, with an attendance rate of 91%. In accordance with the AFEP-MEDEF Code, the committee consistently met no later than two days before the Board of Directors' meeting to review the financial statements. In addition, the committee's files are circulated to its members several days before each meeting.

The main topics discussed by the committee were as follows: reviews of the annual financial statements as of December 31, 2012; the interim financial statements as of June 30, 2013; the quarterly results and related press releases; the funding and debt position; the analysis of the evolving relationship with GDF SUEZ in the context of the end of the Shareholders' Agreement, including consideration of the amendment to the trademark license agreement and the transition agreement covering external purchases; and a review of authorization thresholds in the context of the deconsolidation.

The statutory auditors presented to the committee the essential elements of the Company's results and the main decisions taken.

In addition, the committee was asked to discuss earnings forecasts, cash flow projections, and the management's outlook reports. The Finance Department also reported on the Group's off-balance sheet commitments.

The committee supervised the execution of the 2013 internal audit plan and the main conclusions of the most significant audits. The committee also reviewed and monitored progress in the internal control plans defined in conjunction with the main Group entities. The committee also reviewed the internal audit and internal control plans for 2014.

The committee analyzed the risk presentation prepared by the Management Committee assisted by the Risk and Investment Department, as well as the measures taken to manage identified risks. It also specifically examined some of these (Group risks and risks specific to the Business Units). The committee reviewed investments and maintenance expenses, and regularly took stock of major litigation cases in progress. The committee also reviewed the Group's tax position, particularly in view of the developments that took place in France in 2013.

In 2013, the committee reviewed the fees paid to the statutory auditors. The committee also approved beforehand the tasks assigned to the statutory auditors outside their audit responsibilities. The statutory auditors took part in all Audit and Financial Statements Committee meetings. In addition, the committee meets regularly with the statutory auditors without the Company's management being present. Finally, the committee oversaw the selection process for the Company's statutory auditors, as one of the statutory auditors' appointments was set to expire. After hearing the statutory auditors, it recommended the reappointment of Mazars as statutory auditor and CBA as alternate statutory auditor for a six-year term.

#### Nominations and Compensation Committee

##### Composition

Until July 30, 2013, the Nominations and Compensation Committee was composed of three members: Lorenz d'Este, Chairman, Nicolas Bazire and Amaury de Sèze.

At its meeting of July 30, 2013, the Board of Directors appointed two more members, Gilles Benoist and Alain Chaigneau. The committee has since five members: Lorenz d'Este, Chairman, Nicolas Bazire, Gilles Benoist, Alain Chaigneau and Amaury de Sèze.

With Lorenz d'Este, Chairman, Nicolas Bazire, Gilles Benoist and Amaury de Sèze qualifying as independent, the proportion of independent Directors is 80% of the committee members, in line with the recommendations of the AFEP-MEDEF Code.

##### Missions

The Nominations and Compensation Committee is charged by the Board of Directors to:

- regularly review the principles and independence criteria relating to members considered independent by the Board of Directors;
- examine all applications for appointment to a seat on the Board of Directors or as a Board observer, where applicable, and to formulate an opinion and/or recommendation to the Board of Directors on these applications;
- prepare, as and when necessary, recommendations for the successor to the Chief Executive Officer and, where necessary, the Chairman of the Board of Directors;
- set, each year, the Chief Executive Officer's targets, which will subsequently serve as a reference in appraising his/her performance and in determining that part of his/her compensation that is performance-based.



The committee is also consulted on appointments to positions on the Management Committee, as well as on any compensation issues involving these appointees. During changes affecting members of the Management Committee, the Chief Executive Officer consults the committee Chairman prior to any decision, and even prior to engaging in the replacement process and the consultation of candidates.

The Nominations and Compensation Committee is also charged with:

- making recommendations to the Board of Directors on compensation, retirement and employee benefit arrangements, benefits in kind and other cash entitlements, including, when applicable, the allocation of Company stock options, as well as the allocation of performance shares for the Chairman, Chief Executive Officer and, if applicable, the Chief Operating Officers and any salaried members of the Board of Directors;
- making recommendations to the Board of Directors on the compensation of Board Members and, where applicable, observers.

It is also consulted on compensation and other benefits granted to members of the Management Committee.

Finally, the committee is tasked by the Board of Directors with issuing an opinion on any new office that the Chief Executive Officer might consider holding in a listed French or foreign company. The committee was also informed of any new office held by a Director in a listed company, French or foreign (including on a committee).

#### Activity in 2013

In 2013, the Nominations and Compensation Committee met five times with an attendance rate of 95%.

The main topics discussed by the committee related to governance issues, such as the performance assessment of the Board of Directors and its committees, the review of Directors' independence, the updated Internal Regulations, the composition of the Board of Directors and its committees after the Shareholders' Agreement ended on July 22, 2013, the issue of employee representation on the Board of Directors, and adherence to the revised AFEP-MEDEF Code.

The committee also reviewed the Chief Executive Officer's variable compensation, the Management Committee members' compensation and the amounts and distribution of Directors' fees. Finally, the committee reviewed the bonus share and performance share allocation plans for 2013.

#### Strategy Committee

##### Composition

Since July 30, 2013, the Strategy Committee has had seven members, down from eight since Alain Chaigneau resigned his seat on this committee.

The Strategy Committee now has the following members: Gérard Mestrallet, Chairman, Nicolas Bazire, Gilles Benoist, Guillaume Pepy, Olivier Pirotte, Harold Boël and Isabelle Kocher.

With Olivier Pirotte, Harold Boël, Gilles Benoist, Guillaume Pepy and Nicolas Bazire qualifying as independent, the committee is composed of 71% independent Directors.

#### Missions

The Strategy Committee gives its opinion and submits a recommendation to the Board of Directors concerning:

- the strategic direction envisaged by the Board of Directors or proposed by the Chief Executive Officer; and
- all significant projects submitted to the Board of Directors involving internal and external growth, divestment, strategic agreements, alliances and partnerships.

Upon presentation of a report by the Chief Executive Officer, the committee carries out a strategy review once a year which it submits, as and when needed, to the Board of Directors.

#### Activity in 2013

In 2013, the Strategy Committee met three times with an attendance rate of 87%. Key topics discussed by the committee focused on the Group's growth prospects in South America in the Water segment, its presence and prospects in Central Europe in the Water and Waste segments, an overview of the competition, the Group's 2013-2018 medium-term business plan, and preparation of the Board of Directors' strategy seminar.

All of the Directors met in November 2013 for a one-day strategy seminar during which they reviewed: developments in key strategic areas, the Group's medium-term business plan and the investment and divestment plans being considered.

#### Ethics and Sustainable Development Committee

##### Composition

Until July 30, 2013, the Ethics and Sustainable Development Committee had three members: Delphine Ernotte Cunci, Chair, Gérald Arbola and Lorenz d'Este.

At its meeting of July 30, 2013, the Board of Directors appointed one more member, Valérie Bernis. The committee has since four members: Delphine Ernotte Cunci, Chair, Valérie Bernis, Gérald Arbola and Lorenz d'Este.

With Delphine Ernotte Cunci, Chair, Gérald Arbola and Lorenz d'Este qualifying as independent, the proportion of independent Directors is 75% of the committee members.

#### Missions

The Ethics and Sustainable Development Committee ensures compliance with the individual and collective values on which the Group bases its actions and the rules of conduct that all staff members must follow.

These values include the Group's specific responsibilities with respect to safeguarding and improving sustainable development and the environment. The Group ensures that the necessary procedures are in place to:

- update the Group's current Ethics Charter and ensure that it is circulated and applied;
- ensure that French and foreign subsidiaries implement the Group's Ethics Charter, taking into account the domestic legal and regulatory framework of the country where they carry out their business;
- carry out training programs intended to support the circulation of the Group's Ethics Charter;

- obtain from the various Group companies information on the solutions they have selected for issues presented to their own committee.

The Ethics and Sustainable Development Committee reviews and evaluates:

- the Group's sponsorship and philanthropic initiatives;
- the health and safety policies implemented, including their objectives and results;
- the risk management systems and policies involving corporate social responsibility and sustainable development.

#### Activity in 2013

In 2013, the committee met three times, with an attendance rate of 100%.

The main topics discussed by the committee covered: the health and safety policy, including a review of 2012 and a progress report

in June 2013 and the proposed action plans to be implemented in 2013; the environmental risk management policy; a review of the 2012 sustainable development indicators; and the Group's proposed roadmap for sustainable development and corporate social responsibility.

The ethics policy was also reviewed with the presentation of the Ethics Officer's report and the 2012-2013 actions. The committee also initiated the rollout of the "Suppliers" Ethics Charter, reviewed the implementation of new obligations in social and environmental responsibility, and examined the final results of the 2008-2012 Sustainable Development Roadmap, the report on the 2010-2012 Diversity program and policy for 2013-2016, the social reporting as of December 31, 2012 and the non-financial ratings by SAM and Vigeo. The committee reviewed progress on the "*Maison pour rebondir*" and studied the European citizens' initiative on the right to water.

## 1.4 Principles and rules agreed upon by the Board of Directors for determining compensation and benefits of any kind for corporate officers

This point is dealt with in detail in chapter 15 of the Reference Document.

It should be noted that on October 28, 2008, the Board of Directors indicated its intention to comply with the AFEP-MEDEF recommendation on corporate governance of listed companies as it relates to the principles and rules applied to calculate the

compensation and benefits of any kind awarded to the Company's Chief Executive Officer.

At its meeting of July 30, 2013, the Board of Directors affirmed, on the recommendation of the Nominations and Compensation Committee that it adheres to the revised AFEP-MEDEF Code.

## 1.5 Corporate governance code

The Company follows the corporate governance recommendations defined by the French Association of Private Companies (AFEP) and the Movement for the Companies of France (MEDEF) in the AFEP-MEDEF corporate governance code of December 2008 (hereinafter the "AFEP-MEDEF Code"). The latest version of this Code, dated June 2013, can be viewed on the website <http://www.medef.fr/>.

At its meeting of October 28, 2008, the Board of Directors acknowledged and fully accepted the AFEP-MEDEF recommendations of October 6, 2008 relating to the compensation of the corporate officers, which are perfectly consistent with the policy of transparency that the Company supports. The Company also reaffirmed that it referred to the AFEP-MEDEF Code, as amended in June 2013, at the Board of Directors' meeting of July 30, 2013. The Company referred to the AFEP-MEDEF Code for the preparation of this Chairman's report.

The Company follows the AFEP-MEDEF Code in its entirety; the few variances, which relate to the Company's organization, size and resources, are described in the following table:

Recommendations	SUEZ ENVIRONNEMENT's practice and justification
<p>Participation of the Chief Executive Officer in the work of the Nominations and Compensation Committee (Item 17.1 of the AFEP-MEDEF Code):</p> <p>The Chief Executive Officer is associated with the committee's work on the matter of appointments.</p>	<p>The Chief Executive Officer is not a systematic participant at the meetings of the Nominations and Compensation Committee. He is, however, associated with the process of selecting candidates for directorships, and with the committee's work related to the succession plan for members of the Management Committee and the Executive Committee.</p>
<p>Setting of a percentage of the number of performance shares awarded to the Chief Executive Officer that he or she should acquire on the market (Item 23.2.4 of the AFEP-MEDEF Code)</p>	<p>The Board of Directors, on the recommendation of the Nominations and Compensation Committee, has not set a percentage for the number of performance shares awarded to the Chief Executive Officer that he should acquire on the market when the performance shares become available (i.e., after the lock-up period). It considered that the objective of the AFEP-MEDEF Code's regulations on holding a large and growing number of the Company's shares by the Chief Executive Officer had been achieved by the aforementioned mandatory lock-up period described in section 15.1.1 of this Reference Document.</p>
<p>Indemnification of a Chief Executive Officer may only be allowed when his or her departure is imposed, regardless of the form of this departure, and linked to a change of control or strategy (Item 23.2.5 of the AFEP-MEDEF).</p>	<p>The commitment to Jean-Louis Chaussade does not specifically mention that the severance will only be paid in case of forced departure linked to a change of control or strategy. However, because the severance is payable only in the event of dismissal, except in the case of gross misconduct, the Company maintains that it could only apply, in practice, in the event of a dismissal following a change of control or strategy.</p>

## 1.6 Specific terms and conditions governing shareholder participation in Shareholders' Meetings

The terms and conditions governing shareholder participation in Shareholders' Meetings are set forth in the Company bylaws under section VI, "Shareholders' Meetings", Articles 20-23.

The terms and conditions governing shareholder participation in Shareholders' Meetings and their right to vote are also explained in chapter 21.2 of the Reference Document.

For the Combined Ordinary and Extraordinary Shareholders' Meeting of May 23, 2013, the participation rate was 75%. SUEZ

ENVIRONNEMENT also set up an electronic method of notifying shareholders of meetings; 1,545 shareholders agreed to receive notice of the 2013 Shareholders' Meeting by e-mail, compared to 545 shareholders for the 2012 Shareholders' Meeting. Finally, in 2012, SUEZ ENVIRONNEMENT was one of the first companies to enable all of its shareholders, including holders of bearer shares, to vote online through the VOTACCESS system. Hence, 1,802 shareholders used the VOTACCESS online voting platform made available by the Company, against 1,433 shareholders in 2012.

## 1.7 Factors likely to have an impact in the event of a takeover bid

Factors likely to have an impact in the event of a takeover bid, as listed in Article L. 225-100-3 of the French Commercial Code, are set forth in chapters 18.1, 18.3 and 21 of this Reference Document.

## 2. Internal control and risk management procedures implemented by the Company

### 2.1 Group objectives and standards for internal control and risk management

#### 2.1.1 OBJECTIVES

The aim of the internal control procedures implemented within SUEZ ENVIRONNEMENT is to provide reasonable assurance that the applicable laws and regulations are complied with, and that accounting and financial information is reliable.

Generally speaking, it contributes to the safeguarding of assets and control and optimization of operations. Like any control system, it can only provide reasonable assurance that the risks of error or fraud are completely under control or have been eliminated.

The Group has adopted an integrated corporate risk management policy that aims to provide a complete overview of the risk portfolio through the use of methods and tools common to all subsidiaries and functional departments, as well as to put in place and follow up action plans to manage these risks.

#### 2.1.2 ACCOUNTING STANDARDS

In order to strengthen existing internal control, SUEZ ENVIRONNEMENT has had a Group internal control program in place since 2004. This program was developed according to the "COSO" model promoted by the Committee of Sponsoring Organizations of the Treadway Commission and complies with the principles described within the reference framework supplemented by the application guide published by the French Financial Markets Authority (AMF) and updated by an AMF working group on the Audit Committee (its final report was published on July 22, 2010).

General risk management principles are consistent with professional standards (such as ISO 31000, the reference framework of the Federation of European Risk Management Associations – FERMA – and the practices it recommends).

### 2.2 Steering of operations and implementation of internal control and risk management objectives

#### 2.2.1 STEERING OF OPERATIONS

In terms of steering of operations, the Group's organization is based upon the following principles, which form the general control framework in force within SUEZ ENVIRONNEMENT.

- The Board of Directors establishes operational guidelines for the Group and oversees their implementation. To that end, it tasks the Audit and Financial Statements Committee with (among other things) monitoring the internal control and risk management systems (see section 2.2.2 of this report). The Board deals with all issues concerning the running of the Company, deliberates and settles relevant matters and carries out checks and inspections as it deems appropriate. The Chairman or Chief Executive Officer must provide each Director with all the documents and information required to carry out their duties.
- The Chief Executive Officer holds the most extensive powers to act, under all circumstances, on behalf of the Company. He exercises these powers within the limit of the corporate purpose and subject to (i) the powers granted by law to Shareholders' Meetings and the Board of Directors, and (ii) internal limits on executive powers (see section 1.2.2 of this report).
- The Management Committee is an advisory and decision-making body comprising the Chief Executive Officer and: the four Chief Operating Officers in charge of the Waste Europe business, the Water Europe business, the International business and Finance and Purchasing; the Innovation and Industrial Performance Director, the Sustainable Development and Communications Director, the Human Resources Director and the General Secretary. The committee reviews the Group's main decisions and strategic objectives and sets the operational and performance

objectives of the business units at two business reviews during the year.

- The Executive Committee includes the members of the Management Committee, the heads of the Business Units and the senior managers of the support functions. Its role is to coordinate management actions.
- The Operations Committee is chaired by a member of the Management Committee or by the Deputy Chief Financial Officer, assisted by a representative of some of the support functions. Its role is to evaluate major development or disposal plans for commitment decisions, and to analyze the performance of specific projects in progress.
- The Treasury Committee, chaired by the Deputy Chief Financial Officer, is the management body for financial risks.
- The Group is organized according to three main sectors (Water Europe, Waste Europe and International); these are in turn divided into ten Business Units to which the Group's operating subsidiaries are linked.

The business unit managers and the management teams of the operating subsidiaries are responsible, within their area of responsibility, for conducting business within the framework of the strategic objectives set by the Board of Directors and the Management Committee.

After setting the operational and performance objectives of the Business Units (see above) their progress is monitored at monthly business reviews, in which a representative of the Management Committee, the Business Unit managers and the functional departments involved all take part.

- The support functions assist the Management Committee with controlling and guiding operations and act in support of the Business Units according to principles and procedures applicable across the entire Group.

The support functions mainly include the Innovation and Industrial Performance Department (to which the Water and Waste Projects and Information Systems Departments report), the Finance Department, the Office of the General Secretary (to which the Legal, Internal Audit and the Investment and Risk Departments all report), the Sustainable Development and Communications Department and the Human Resources Department.

### 2.2.2 RISK ASSESSMENT AND MANAGEMENT

The main risks relating to Group operations are described in chapter 4 of the Reference Document. Coordination of this integrated approach to risk management is the responsibility of the Chief Risk Officer, reporting to the General Secretary. The Chief Risk Officer is supported by a network of risk officers, who are responsible for seamlessly and consistently rolling out risk assessment and management processes within the different subsidiaries. A risk-mapping process for the whole Group has been in place for several years. Risks are identified, classified by category (strategic, financial, operational), assessed (by significance and frequency), and quantified when possible. Then the method for dealing with them is reviewed, which provides information for action plans at different levels of the organization. An action plan may consist of reinforcing internal control procedures. This process includes the selection of significant individual risks and, if applicable, seamless risk aggregation, which allows an annual summary of the Group's major risks to be drawn up. This summary is approved by the Management Committee and presented to the Audit and Financial Statements Committee.

The subsidiaries maintain responsibility for implementing the most appropriate risk management policy for their particular activities. However, certain cross-divisional risks are directly managed or closely coordinated by the support functions involved:

- Within the Office of the General Secretary:
  - the Legal Department analyzes and manages the Group's legal risks, based on periodic reporting from the network of in-house legal counsels within the subsidiaries;
  - the Risks and Investments Department, jointly with the Planning and Control Department and the Legal Department, takes part in the analysis of the main projects of the Group and its subsidiaries in terms of investments, acquisitions, disposals, etc.;
  - the Insurance Department, in conjunction with the subsidiaries, is the contracting authority for the Group's insurance programs for industrial and environmental damage, business interruption, and liability (third-party, professional, etc.). Specifically, it monitors risks of fire and machinery breakdown, by implementing an annual prevention and protection program for the Group's key sites;
  - the General Secretary and Ethics Officer for the Group is responsible for the prevention and management of ethical risks (see, below section 2.2.4 of this report).
- Within the Finance Department:
  - the Treasury and Capital Markets Department analyzes, in conjunction with the subsidiaries, the Group's main financial risks (interest rates, currencies, commodities, liquidity and banking counterparties) and implements measures for controlling such risks. The Department reports twice a year to the Audit and Financial Statements Committee;

- the Planning and Control Department performs a critical analysis of the subsidiaries' financial performance and forecasts through the monthly review of operating and financial indicators. It also prepares the Group's short- and medium-term financial forecasts and participates in the analysis of development projects involving the Group and its subsidiaries;
- the role of the Tax Department is to identify, analyze and manage the Group's tax risks;
- the Consolidation and Accounting Department ensures that accounting principles are followed.

- The Innovation and Industrial Performance Department:

- studies and monitors the environmental risks and coordinates the actions needed to tighten control of those risks and ensure compliance with environmental requirements. To do so, it implements a schedule of environmental audits and operates a network of environmental officers charged with deploying the environmental risk management policy uniformly and consistently at each main subsidiary;
  - studies the operating risks associated with the Group's production systems and assists the subsidiaries in resolving operational issues at their sites, establishes and distributes best practices and operational benchmarks to the subsidiaries and prepares solutions for a certain number of emerging risks by developing suitable research programs;
  - Within the Innovation and Industrial Performance Department, the Information Systems Department analyzes the risks inherent in the information systems to ensure the availability, integrity and confidentiality of the information they contain.
- The Human Resources Department analyzes the main labor risks and needs in terms of skills and develops action plans to recruit local talent and develop skills.
    - Within the Human Resources Department, the Health and Safety Department monitors and ensures the prevention of occupational illnesses and accidents related to the Group's businesses. The crisis management process is also coordinated by the Health and Safety Department, which implements early warning and crisis management procedures for the Group and its subsidiaries.

- The Sustainable Development and Communications Department analyzes and manages primarily image and reputation risks and prepares and deploys suitable crisis communication plans, in connection with the subsidiaries. The best practices charter of the SUEZ ENVIRONNEMENT communications network reminds employees of the confidential nature of the information held by some employees and the internal obligations relating to the circulation of information.

### 2.2.3 MONITORING AND ASSESSMENT OF INTERNAL CONTROL

The Group's internal control monitoring is organized around the following principles:

- The role of the Audit and Financial Statements Committee (as provided for in the Board of Directors' Internal Regulations) is to assess the effectiveness of the Group's internal control systems and examine the procedures applied to assess and manage the Group's significant risks (pursuant to the Decree of December 8, 2008, which transposes the Eighth European Directive into French law).

- The SUEZ ENVIRONNEMENT Management Committee is responsible for implementing the internal control systems; that responsibility is rolled out to the Business Unit managers and the management teams of the operating subsidiaries. The Group's guidelines and rules of operation are distributed by the operational or functional departments concerned. They are also searchable by all Group employees under the policies and procedures section of the Group's intranet site. The Chief Executive Officers and Chief Finance Officers of the main operating subsidiaries confirm, *via* an annual representation letter, their responsibility for implementing an efficient internal control system within their organization.
- The internal control system is implemented in a manner consistent with the risks identified in the Group's activities through a risk-mapping process managed by the Group's Chief Risk Officer.
- The Internal Control Department, which is attached to the Finance Department, manages the Group's internal control program; its mission is to analyze and improve the internal control system, in collaboration with the Group's main subsidiaries and support functions. Its actions are supported by a network of internal control officers and process managers identified within the main subsidiaries of the Group, who are trained in the Group's internal control principles and methods.

As part of the Group's internal control program, a questionnaire on the overall control environment and control standards was created. These standards cover, among other things, sales management, purchasing management, asset management and contract management. They also include support processes, such as the preparation of accounting and financial information, financial management, information systems management, legal management, tax management and external communications. Finally, they cover global processes for the management of commitments, corporate governance and external communications.

For each process, in line with the risk matrix prepared by the Chief Risk Officer, the standard risks and control objectives considered necessary for maintaining an efficient internal control system have been identified. Internal control procedures (and control operations) implemented to meet these risks and control objectives are generally specific to the business and organization of each of the entities.

The Group's internal control program is based on dedicated communication and training tools, including an intranet system which enables:

- the circulation of the standard control objectives,
- the description, updating and annual self-assessment of control activities by the process owners for each key process identified within the main subsidiaries.
- The mission of the Internal Audit Department, which is attached to the Office of the General Secretary, is specifically to ensure that the Group has an efficient internal control system and manages its risks properly. To that end, when preparing its annual audit plan, it specifically consults the Group's Internal Control Department, the Chief Risk Officer and the statutory auditors. The audit plan is then validated by the Management Committee,

and presented for approval to the Audit and Financial Statements Committee.

In developing an opinion on the reliability of the internal control system (level of control and adequacy), the Internal Audit Department performs audits aimed at evaluating the design and operating effectiveness of internal control procedures within the Group, particularly by reviewing processes and testing key control activities in each of the main subsidiaries. In addition, at the end of each audit the Department makes recommendations that it includes in a report listing the Group's risk and internal control objectives, monitors their implementation and reports regularly to the Management Committee and the Audit and Financial Statements Committee. This Department comprises several teams of auditors, including a central team based at the Group's headquarters, whose remit covers the entire scope of consolidation.

- External audit: assessment and analysis of internal controls within the Group are performed in close coordination with the Group's statutory auditors. The latter are informed, among other matters, of the results of the internal audit tests.

## 2.2.4 COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with laws and regulations is the responsibility of the Business Unit managers, the management of the operating subsidiaries and the support functions in their respective areas of competence. For example, certain cross-divisional compliance objectives are managed by the support functions concerned:

- The General Secretary, acting as the Group's ethics officer, is responsible for ensuring compliance with the Ethics Program, which aims to prevent or detect any behaviors contrary to the Group's ethical rules. The SUEZ ENVIRONNEMENT Charter of Ethics (updated in March 2010 and approved by the Board of Directors and the Ethics and Sustainable Development Committee) was circulated within the Group, together with its practical guide. The Group's ethics officer is supported by a network of ethics officers appointed within each of the major subsidiaries; these ethics officers are responsible for ensuring the roll-out and effectiveness of the Ethics Program within their subsidiary and for implementing internal and external investigation procedures for any issue brought to their attention which may potentially be in breach of the Group's Ethics rules. Each year, the ethics officers and Chief Executive Officers of the main subsidiaries send a letter of compliance and a report on their activities to the Group General Secretary within the framework of the Ethics Program. The Group General Secretary reports on the activities of the Ethics Program to the Board's Ethics and Sustainable Development Committee.
- The General Secretary oversees implementation of the procedures circulated within the Group to ensure compliance with its obligations on insider information and insiders.
- The Finance Department ensures the Group's compliance in accounting, financial and tax matters. It is responsible for producing the financial reports required by law.
- The Human Resources Department ensures adherence with the labor legislation and regulations in force and produces the labor reports required by law. It implements the Group's labor policies, particularly those relating to health and safety.

- The Innovation and Industrial Performance Department oversees the Group's compliance on environmental issues. It produces the necessary environmental reports within the framework of non-financial communications. An annual representation letter regarding environmental compliance, signed by the subsidiaries' Chief Executive Officers, confirms their commitment in this regard.

### 2.2.5 INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION, TREATMENT AND CIRCULATION OF ACCOUNTING AND FINANCIAL INFORMATION

#### (i) Accounting standards and procedures

The main procedures put in place for drawing up the statutory and consolidated financial statements are based on:

- the Group's accounting policies manual, which is accessible *via* the intranet to all of its finance professionals. It is updated regularly based on changes in IFRS standards; and
- the Group closing instructions circulated before every phase of the consolidation process by the Consolidation and Accounting Department. These instructions cover the closing assumptions (exchange rates, discount rates and tax rates, etc.), processes for specific issues (e.g., pensions, impairment tests and off-balance sheet items), the scope of consolidation, the timetable for submitting information, items relating to closing that require particular attention, changes in the chart of accounts and significant new standards introduced.

#### (ii) Preparation of accounting and financial information

Responsibilities for preparing accounting and financial information are assigned at every organizational level of the Group. They include setting up and maintaining efficient internal control systems. Within the Finance Department:

- The Consolidation and Accounting Department steers the Group financial statements production process, which includes producing and controlling the separate and consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY as well as producing forecasts and monthly consolidated financial reports. This work is carried out with the input of the accounting and management control teams of each of the consolidated subsidiaries. Each party involved performs checks to enable the circulation, assimilation and correct application of Group accounting standards and procedures in their area of responsibility. These responsibilities are confirmed by the Chief Executive Officers and Chief Finance Officers of each subsidiary or each consolidation level *via* an annual representation letter.
- The Consolidation and Accounting Department is responsible for relations with the AMF Accounting Department.
- The Planning and Control Department is responsible for analyzing the consolidated financial statements, forecasts and monthly consolidated financial reports, as well as for producing the Medium-Term Plan.

#### (iii) Management of accounting and financial information systems

The Group and its subsidiaries use a single, standardized consolidation software application, managed by the Group, to secure and standardize the preparation process for forecasts, monthly reports, year-end accounts and the Medium-Term Plan.

Each of the Group's subsidiaries is responsible for and manages its own information system used to prepare accounting and financial information, including their own statutory financial statements.

#### (iv) Setting objectives and steering

Within the Finance Department, the Planning and Control Department steers the process for preparing financial forecasts and writes the budget instruction letters sent to each Business Unit, relaying the macro-economic assumptions to be applied and the financial and non-financial indicators to be measured the following year, through the various forecast reviews.

The Planning and Control Department manages the monthly business review process. The purpose of these meetings is:

- twice a year, to set financial targets and produce financial forecasts;
- each time, to analyze the operational and financial performance of each Business Unit, how their business is going and key events as well as monitor their operational risk management;

*via* management reports based on the Group's consolidated monthly financial reports.

The consolidated Group budget is presented to the Board of Directors for approval.

The Group's Chief Executive Officer sends each Business Unit a budget letter outlining its annual quantitative and qualitative objectives.

#### (v) Financial communication

##### (a) Preparation and approval of the interim and annual reports

Within the Finance Department, the Consolidation and Accounting Department is in charge of preparing the Reference Document filed with the AMF as well as the interim financial report, and, jointly with the Legal Department, heads a dedicated Steering Committee whose role is:

- to coordinate the process for submission and validation by all relevant functional departments of the information contained in the Reference Document and in the interim financial report;
- to ensure that regulations and the AMF recommendations on financial communication are applied.

##### (b) Preparation and approval of press releases

The Sustainable Development and Communications Department and, within the Finance Department, the Financial Communication Department and the Legal Department are responsible for reporting all information that could have an impact on the SUEZ ENVIRONNEMENT COMPANY share price.

Since the Group was listed on the stock exchange, the Sustainable Development and Communications Department, Financial Communication Department and the Legal Department have implemented procedures aimed at ensuring the reliability of the regulatory information communicated to the market.

##### (c) Relationships with rating agencies

Within the Finance Department, the Corporate Finance and Projects Department maintains relationships with rating agencies in cooperation with the Financial Communication Department and the Treasury and Capital Markets Department.

## 2.3 Changes in 2013 and outlook

The Group continues to develop its internal control system every year. This continuous improvement process relies, in particular, on defining and operating an internal control plan that is specific to each of its main subsidiaries. The progress of these plans is presented twice a year to the Audit and Financial Statements Committee.

In 2013, internal control actions mainly included:

- strengthening the contribution of internal control to operational issues, particularly in the waste recovery business;
- adapting internal control mechanisms as part of the implementation of new information systems related especially to the end of the Shareholders' Agreement concerning SUEZ ENVIRONNEMENT COMPANY.

The main internal control development areas for 2014 are:

- further adapting internal control systems as part of the implementation of new information systems;
- adapting the internal control management in the context of changes related to the Company's new governance structure;
- further strengthening of internal control over operational issues by sharing good practices.

Gérard Mestrallet  
Chairman of the Board of Directors



## 16.5 Statutory auditor's report on the report prepared by the Chairman of the Board of Directors

To the Shareholders,

In our capacity as statutory auditors of SUEZ ENVIRONNEMENT COMPANY and in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report on the report prepared by the Chairman of the Board of Directors of your company in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*) for the year ended December 31, 2013.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on the internal control and risk management procedures implemented by the Company and to provide the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- confirm that the report also includes the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

### Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French Commercial Code (*Code de commerce*).

### Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by article L. 225-37 of the French Commercial Code (*Code de commerce*).

Courbevoie and Paris-La Défense, February 20, 2014

The statutory auditors

*French original signed by*

**MAZARS**

Thierry Blanchetier

Isabelle Massa

**ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson

Pascal Macioce

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# 17

# EMPLOYEES

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## 17.1 Human resources

### 17.1.1 Key human resources (HR) principles

SUEZ ENVIRONNEMENT respects three fundamental HR principles:

- act as a socially responsible player, ensuring that our employees can continually adapt to changing employability requirements;
- build our future based on promoting internal talent and the development of each employee;
- maintain a constructive and transparent dialog with our employees and their representatives.

### 17.1.2 Values and ethics

Employee development and mutual respect are central to the values and ethics promoted by SUEZ ENVIRONNEMENT.

The Group's ethics policies are derived from the fundamental principles that guide our conduct and are supported by the Ethics Charter:

- strict respect for laws and regulations;
- a culture of integrity;
- loyalty and honesty;
- respect for others.

SUEZ ENVIRONNEMENT strives to maintain quality human relationships: listening and accountability are the foundation for respect. In this context, it is the responsibility of management to enable all employees to perform their jobs in good physical and psychological conditions.

Since 2008, SUEZ ENVIRONNEMENT has formally set out its Corporate Social Responsibility (CSR) commitments in its Group Sustainable Development Roadmap. As one of the key priorities set in 2012 for the next four years, SUEZ ENVIRONNEMENT aims at developing the abilities of its employees so that they can play an active role in transforming its businesses. The Group has renewed and deepened its commitments in terms of developing and training employees, motivation and quality of working life, promoting equal opportunities, and safety.

Values, Ethics and Commitments to Corporate Social Responsibility are cornerstones of the Group's HR policy.

### 17.1.3 Corporate commitments

#### ➔ Hiring

Initiated in 2012, tough decisions were maintained in 2013 to curb hiring at SUEZ ENVIRONNEMENT in the context of a still-shaky economy, including a freeze on the external hiring of executives in all French subsidiaries and, in some subsidiaries, a freeze on all external hiring, including of non-executives. As a result, the number of external hires of executives in France fell sharply, from 354 in 2012 to 243 in 2013 (-31%).

#### ➔ Part-time learning and apprenticeships

The development of part-time learning is one of the five pillars of the "Equal opportunities, Social Progress and Commitment" program (see section 17.1.4).

At the end of 2013, the Group had 966 part-time learning contracts (excluding contracts for disadvantaged workers), 930 of them in France. In addition, in 2012, 22% of trainees working in France were hired at the end of their contracts.

#### ➔ Mobility policy

Commitments have been made to facilitate and better organize internal mobility and to optimize the career management of our employees. Existing gateways between SUEZ ENVIRONNEMENT and GDF SUEZ were maintained to provide maximum opportunities for employees.

Internal mobility has become vital, leading to stepped-up efforts by HR to improve processes, transparency and cooperation between subsidiaries. This policy is based on:

- a SUEZ ENVIRONNEMENT Mobility Committee, which meets every two weeks.  
These meetings allow HR managers in the subsidiaries to share information on employee mobility and open positions, improve their mutual understanding of the various business activities and identify bridges between them;
- a mobility brochure and handbook for all employees of SUEZ ENVIRONNEMENT (executives and non-executives).

The aim is to explain how mobility is organized within the Group, its benefits, rules, tools, contacts, steps to take, etc;

- an intranet page (Btwin) dedicated to mobility and career management.

This page includes:

- communication brochures and the handbook;
- video testimonials from employees who have participated in the program;
- access to internal job openings;
- access to the job application space;
- guides to SUEZ ENVIRONNEMENT's business activities.

These communication tools have been designed to educate employees and to increase the appeal of mobility by showing that it is real, accessible and a factor in career development.

In 2013, 559 managers were part of the mobility program in France, down 11% from 2012.

Excluding positions offered to young graduates, 75% of jobs were filled through the mobility program (executive population in France), a higher share than in 2012 (71%).

## → Training

The Group's employees are a key resource for its performance, and their development is a shared priority between their managers and the HR managers. SUEZ ENVIRONNEMENT considers employee training to be an essential part of its Human Resources policy. Skills development is a responsibility shared locally between each employee and his or her manager.

The decentralized training organization meets the need for local management of our businesses. Coordination of training managers by SUEZ ENVIRONNEMENT's HR Department allows the sharing of best practices and rationalization of resources. It relies on two major tools: the corporate social network for coordinating the Skills and Training community, and the Training Catalog for sharing each entity's training opportunities.

Ambassador, the "serious" employee-integration game at SUEZ ENVIRONNEMENT, has evolved to reflect the commitments set out in the Group's new Sustainable Development Roadmap and to create more interaction between the Business Units. A special version has been created for the Group's shareholders.

SUEZ ENVIRONNEMENT offers its skills development and training organization expertise to serve its customers. The Skills & Training Center, which is part of the Group's HR Department, conducts audits and provides guidance for the Group's customers.

Traditionally, the reporting data have been gathered from face-to-face training sessions and e-learning. In line with studies on the effectiveness of the different modes of learning (model 70 20 10), SUEZ ENVIRONNEMENT is able to track the informal learning methods used by its entities: e-learning, professional simulations, working groups, part-time learning, etc. Benefiting from a marked improvement in its scope of coverage, the 2013 survey identified nearly 900,000 cumulative hours of such informal learning, nearly

double the 2012 data. Almost 85% of these involve the transfer of skills and know-how related to part-time learning.

## → Career paths

Identifying personal potential is a local management process. Whether identifying future top executives or the best experts for tomorrow, the use by managers of the tools available to them guarantees progress and success. This approach is supplemented by cascaded "people reviews" that allow us to provide every person at every level (local and central) with individualized support.

Skills development remains a key element of our career management policy. Factors that contribute to this objective mainly include the clear positioning of functions up to the highest organizational levels, specific methods of recognition and dedicated training programs.

## → Social relations

Employee representative bodies provide specific forums for dialogue between the Group management and employee representatives. On July 4, 2013, Jean-Louis Chaussade, CEO of SUEZ ENVIRONNEMENT, and all the social partners, signed two fundamental labor agreements. These agreements cover the creation, on August 1, 2013, of the European Works Council (EWC), and the France Group Committee (FGC). Endorsing the Group's autonomy vis-à-vis GDF SUEZ, these new bodies establish the foundations for social dialogue organized at the Group level, defining the terms of this dialogue and organizing the resources dedicated to these bodies (appointments and terms of office, training, dedicated working groups, etc.).

Also note that these agreements include innovative provisions, such as the willingness to develop career paths for employee representatives within the Group and the intention to promote diversity and increase women's participation in the delegations.

## → Creation of the European Works Council (EWC)

The European Works Council covers a scope of 12 European countries (France, Germany, Belgium, The Netherlands, Spain, Finland, Italy, Luxembourg, Poland, Czech Republic, United Kingdom and Sweden) representing 62,500 employees. It is composed of 28 members from these 12 countries and will establish four specific working groups: employment, jobs training and reporting, health and safety, water activities and waste activities. It has a role of information and consultation on policies and changes in the Group. It met for the first time in full session on October 9, 2013, and in a subcommittee session on November 21, 2013. In addition, the Health and Safety Working Group held its first meeting on December 10, 2013.

## → Creation of the France Group Committee (FGC)

The France Group Committee covers French companies in which the Group holds over 50% of the share capital. It represents 33,500 employees and is composed of 28 members whose role is to provide information on strategy within the French scope. The first plenary meeting was held on December 18, 2013.

In addition to the agreements establishing these new bodies, the main agreements for SUEZ ENVIRONNEMENT companies in France are as follows:

- implementation of the Group Retirement Savings Plan (PERCO); and
- establishment of a national union coordination structure specific to the SUEZ ENVIRONNEMENT Group.

Other highlights in 2013 included:

- the transposition of several GDF SUEZ collective bargaining agreements is currently being negotiated, with the strong desire to take into account, as much as possible, the specific aspects of SUEZ ENVIRONNEMENT's businesses. This is especially the case for the seniors/generational contracts agreement in France and health and safety agreement at European level;
- finally, the smooth running of the national consultative body at Sita France in 2012 helped lead to the signing of a comprehensive agreement on job security.

### 17.1.4 Diversity and equal opportunities

In accordance with the strong belief that equal opportunities are a driving force for the business and have a positive effect on performance, SUEZ ENVIRONNEMENT treats diversity as a priority in its HR policy.

Launched in 2010, the Diversity program, "Equal opportunities, Social progress and Commitment", frames the Group's ambitions in this area in France and abroad.

It is structured around several major themes:

- youth employment: part-time learning and integration;
- increasing the proportion of women among staff and in executive roles;
- careers for seniors;
- integration and career development for people with disabilities;
- employee commitment and quality of life in the workplace.

The results of the first three years of this program were very encouraging (see the tables below) and attest to the motivation and involvement of the management, the Diversity Sponsors (appointed by General Management in each major Business Unit) and the human resources teams. The second three-year period, from 2013 to 2016, extends and strengthens the commitments in the same areas, including to achieve 30% women managers and 4% part-time learners within the workforce, and to comply with the employment rate for disabled workers in countries where one is provided for by law.

**Part-time learning and integration:** apprenticeship and training programs for future employees, supervised by internal mentors, continue to expand in nearly all the Group's companies. In addition, social integration structures such as Sita Rebond and *Maison pour rebondir* develop programs to help disadvantaged persons in the regions where we operate to enter or re-enter the workforce through tailored pathways. Through an innovative program, the *Maison pour rebondir* of Bordeaux helped 100 people who were far-removed from

the labor market to join the economic world, either through a job in our businesses, or by creating their own micro-businesses.

**Recruitment of women and career management:** considered a priority in most companies, many agreements, policies and action plans have been implemented concerning recruitment for technical and line management positions and, at upper hierarchical levels, concerning maternity leave, career management and training, the management of equal pay and access to networks. Several organizations have launched mentoring programs, particularly in France, where 30 mentors drawn from the senior management have been trained and 30 mentoring recipients encouraged in their career development.

On **disability**, efforts and obligations vary greatly from one country to another, but many initiatives are receiving support, particularly in France, Morocco, the Netherlands and Spain, including on training, internships, recruitment and partnerships with the sheltered employment sector.

On **careers for seniors**, the approach taken also depends on the laws on retirement age in each country. Initiatives focus mainly on the transmission of know-how, youth mentoring, healthcare and prevention programs and retirement planning.

Organizations now have programs dedicated to **quality of life in the workplace**, including manager awareness and education, counseling services, ergonomics and prevention, with special attention to stress (Sita) and work/life balance. Each Business Unit also now conducts regular **employee commitment surveys** to measure the impact on employees of the organizational quality, management, policies, governance and ethical values deployed in the Group.

Finally, the Group launched the process to obtain the state-sponsored Diversity label through AFNOR certification on virtually every activity in France (32,000 employees concerned).

### 17.1.5 Health - Safety - Quality of life in the workplace

SUEZ ENVIRONNEMENT's health and safety policy supports ambitious targets for reducing occupational accidents and cutting the number of serious accidents. We aim at cutting the frequency rate by 30%

over five years from 2011 to 2016. These results should reinforce our position among the industry's best-performing companies in this area.

We are also implementing a three-year plan designed to prevent fatal accidents involving anyone affected by our activities. These targets, reviewed annually, are defined during the annual management review and approved by the Ethics and Sustainable Development Committee (ESDC).

In 2013, we launched a campaign to mobilize all employees based on "10 Rules That Save Lives." These 10 rules, which apply to both the water and waste businesses, stem from the analysis of serious personal accidents that the Group has seen in recent years. In all countries where we operate, a major communications campaign based on concrete commitments from the teams is mobilizing managers, operators and experts to tackle a worthwhile challenge: saving lives. We are gradually involving our subcontractors in this process.

At the same time, we are continuing our in-depth actions to reduce the overall number of occupational accidents and to protect the health of our employees with equipment safety programs and new training tools.

These targets are supported by an action plan to ensure that they are achieved. This plan is prepared by the Health and Safety Department, reviewed and approved by management and the ESDC, and then cascaded throughout the Group's operating subsidiaries. A "safety contract" is agreed upon with the management of each subsidiary at

the beginning of the year, and is the subject of a special review at the end of the year to ensure that actions have been implemented and targets achieved. The degree of success in carrying out the terms of this contract affects the bonuses of subsidiaries' executives.

Discussions about setting up and monitoring safety contracts serve to connect the guidelines given by the Group with concrete results obtained by the subsidiaries. It is an opportunity to take into account the specific history and maturity of the subsidiary's safety management record with the help of a framework (the Group's internal rules) established over the course of some ten years' continuous effort. This framework takes local regulations into account, as well as the experience acquired by analyzing accidents and sharing best practices.

The effectiveness of this policy, which has reduced the frequency rate by a factor of 2.5 since SUEZ ENVIRONNEMENT was formed, would not be possible without the personal commitment of management at all levels: Group, business units and regions. This commitment is illustrated by the involvement of SUEZ ENVIRONNEMENT's Chief Executive Officer and the Executive Committee in launching the "10 Rules That Save Lives", and the importance given to the subject in performance reviews at all levels of the organization. Operational managers and operators are supported by a network of approximately 300 health and safety experts.

## 17.2 Social information

### 17.2.1 Breakdown of employees

As of December 31, 2013, the Group had 79,219 employees, a reduction of 330 which is -0.4% over year-end 2012. This change may be broken down as follows:

- an increase of 338 employees due to scope effects (up 0.4%), mainly the full consolidation of Sita Spe Iberica (138 employees),

the consolidation of IWM by Degrémont (61 people in France) and the integration of the water business in India (54 employees) in the International segment;

- organic decrease (668 employees, which is -0.8%).

#### Breakdown of workforce by geographical area

	2011 Number	2012 Number	2013 Number	2013 %
France (metropolitan and overseas territories)	35,654	34,776	33,468	42.2%
Europe (excluding France)	31,141	29,974	29,521	37.3%
North America	3,362	3,367	3,312	4.2%
South America	238	240	293	0.4%
Africa/Middle East	5,137	6,165	7,231	9.1%
Asia/Oceania	4,878	5,027	5,394	6.8%
<b>TOTAL (XXX)*</b>	<b>80,410</b>	<b>79,549</b>	<b>79,219</b>	<b>100.0%</b>

\* See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.

In France, the reduction of the workforce in 2013 (by 1,308 people) is partly due to the reassignment of 461 Degreumont employees to their place of business, and partly to an organic decline at Sita France and Degreumont France.

In other European countries, the reduction of the workforce (by 453 people) is linked to the contraction of waste activity in Northern Europe, partially offset by Agbar's commercial success in Spain.

The Africa/Middle East region gained over 1,000 employees, due in part to the reassignment of 461 Degreumont employees to their workplace; these employees were previously counted in France. The

other cause is the ongoing policy of Sita El Beida (Morocco) of hiring temporary workers (since 2012).

The Asia-Pacific region also added employees thanks to the commercial success of the business in Australia, India and China. Note that, by convention, this region also includes Russia (4 people).

France has the largest workforce (33,468 employees, i.e. 42.2% of the total), followed by Spain (10,968 employees, i.e. 13.8%), Morocco (6,434 employees, i.e. 8.1%), and the United Kingdom (5,266 employees, i.e. 6.6%).

#### Breakdown of workforce by socio-economic category

	2011 Number	2012 Number	2013 Number	2013 %
Executives (XXX)*	11,181	11,261	11,441	14.4%
Senior technicians and supervisors (XXX)*	15,829	16,162	16,476	20.8%
Manual and non-manual workers and technicians (XXX)*	53,400	52,126	51,302	64.8%
<b>TOTAL</b>	<b>80,410</b>	<b>79,549</b>	<b>79,219</b>	<b>100.0%</b>

\* See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.

The proportion of executives continues to grow and represented 14.4% at the end of 2013 (14.2% at the end of 2012).

The 33,468 employees in France can be broken down as follows: 5,628 executives (16.8%), 6,558 senior technicians and supervisors (19.6%) and 21,282 workers, employees and technicians (63.6%).

#### Percentage of women in the Group

	2011	2012	2013
Proportion of women in the total workforce (XXX)*	19.8%	19.7%	20.1%
Proportion of women in management (XXX)*	26.5%	27.0%	27.8%

\* See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.

The percentage of women continued to grow in 2013 and now exceeds 20% of the total workforce. The trend is also up with respect to the percentage of women managers, which reached 27.8% at the end of 2013.

In France, women made up 22.4% of the total workforce and 30.6% of executives. These ratios were respectively 21.9% and 29.7% in 2012.

#### Distribution of workforce by contract type

	2011	2012	2013
Permanent contracts	91.4%	93.0%	93.2%
Fixed-term contracts	6.9%	5.4%	5.3%
Part-time learning and social insertion contracts	1.7%	1.6%	1.5%

The proportion of employees on permanent contracts was 93.2%, which demonstrates the Group's desire to retain its staff for the long term.

The proportion of fixed-term contracts was down slightly to 5.3% at the end of December, relatively unchanged throughout the year.

Part-time learning and social insertion contracts (1.5% of the total workforce) break down as follows:

- 1.2% linked to part-time learning contracts (apprenticeships and professionalization contracts in France, and similar types

of contracts in other countries, if they exist). At the end of 2013, there were 966 part-time learning contracts, unchanged from 2012 after rising sharply two years previously (20.6% in 2011);

- 0.3% linked to social insertion contracts through dedicated Sita France initiatives (mainly Sita Rebond). At the end of 2013, this involved 232 employees, down 30% versus 2012.

In France, 94.1% of employees were on permanent contracts, 2.4% on fixed-term contracts, and 3.5% were on part-time learning or social insertion contracts.

### Breakdown of workforce by age group (permanent employees only)

	2011	2012	2013
Under 25	3.0%	2.8%	2.6%
25-29	9.1%	8.8%	8.0%
30-34	12.7%	12.7%	12.5%
35-39	14.6%	14.2%	13.9%
40-44	16.3%	16.4%	16.4%
45-49	16.8%	16.7%	16.7%
50-54	13.9%	14.3%	14.8%
55-59	9.9%	10.1%	10.8%
60-64	3.2%	3.4%	3.7%
65 and over	0.5%	0.6%	0.6%

The average age is 43.7 years old. The proportion of the workforce under the age of 30 was 10.6%, and employees aged 55 and over represented 15.1% of the workforce.

In France, the average age was 43, the proportion of the workforce under the age of 30 was 10.4%, and employees aged 55 and over represented 11.9% of the workforce.

## 17.2.2 Employment and working conditions

### Hiring

	2011	2012	2013
Number of external permanent contract hires	6,773	6,743	6,203
Number of external fixed-term contract hires	10,601	8,137	8,287
Hiring rate*	21.6%	18.6%	18.2%
Hiring rate under permanent contracts**	39.0%	45.3%	42.8%

\* Hiring rate: number of people hired under permanent and fixed-term contracts/average workforce.

\*\* Hiring rate under permanent contracts: number of people hired under permanent contracts/number of people hired under permanent and fixed-term contracts.

The number of external hires under permanent contracts was down in 2013. However, changes by geographical region were mixed:

- in Europe, the number of hires was down 14.2% (-629) compared to 2012, mainly related to the slowdown in activity in the Waste Europe segment;
- outside Europe, the volume of permanent hires was up slightly, by 3.8% (+89). Momentum was driven by China and Australia, as well as by the permanent hire of many temporary employees by Sita El Beida in Morocco.

The 6,203 permanent hires in 2013 break down as follows:

- by socio-economic category: 795 executives (12.8%), 1,169 senior technicians and supervisors (18.9%) and 4,239 manual and non-manual workers and technicians (68.3%);

- by gender: 1,307 women (21.1%) and 4,896 men (78.9%). Among executives: 248 women (31.2%) and 547 men (68.8%);

- by age group: 977 employees under the age of 25 (15.8%) and 817 employees aged 50 and over (13.2%).

In France, the Group hired 4,268 staff in 2013, consisting of 1,442 on permanent contracts and 2,826 on fixed-term contracts. The overall hiring rate was 12.7% and the hiring rate on permanent contracts was 33.8%. The number of hires on permanent contracts decreased by 14% compared to 2012.



**Employee turnover**

	2011	2012	2013
Number of layoffs	2,488	2,470	2,681
Number of resignations	2,868	2,666	2,388
Number of retirements	823	751	920
Turnover*	6.7%	6.4%	6.4%
Voluntary turnover** (XXX)***	3.6%	3.3%	3.0%

\* Turnover: number of layoffs and resignations/average workforce.

\*\* Voluntary turnover: number of resignations/average workforce.

\*\*\* See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.

Turnover fell -0.3% from 2012, in line with the decline in the number of resignations (-278, which is -10.4%).

In the Group's database of indicators, contract terminations are counted as layoffs; these represent about 37% of layoffs in France.

In France, overall turnover was 4.3% and voluntary turnover was 1.5%. The figures were: 968 layoffs, 487 resignations and 421 retirements.

**Working hours**

	2011	2012	2013
Average weekly number of hours worked per employee	33.2	33.4	33.4
Overtime rate*	4.3%	4.3%	4.8%
Proportion of part-time workers among total workforce	4.4%	4.4%	4.8%

\* Overtime rate: number of overtime hours/number of hours worked.

In France, overtime represented 2.3% of the total number of hours worked, and 4.7% of its workforce were part-time workers.

**Absenteeism**

	2011	2012	2013
Absenteeism rate (days absent/person)	12.0	11.6	11.8
Of which sick leave (days absent/person)	8.1	7.8	8.1

Based on a theoretical eight-hour working day, average absenteeism per employee was 11.8 days in 2013, up slightly on previous years.

local situations (especially climate) in the countries where the Group operates.

The Group generally believes that the absenteeism rate is insignificant because it includes absences of all kinds, including suspended contracts. This rate is also dependent on the social systems and

In France, the average length of absence per employee was 12 days, of which 7.4 days involved sick leave.

**Employees with disabilities**

	2011	2012	2013
Percentage of employees with disabilities/workforce at end of period	1.7%	1.8%	1.8%
of which France	2.6%	2.9%	3.0%
of which Germany	4.2%	4.7%	5.5%

The number of disabled workers is a difficult indicator to track at the Group level, insofar as the notion of disabled worker is not clearly defined in every country where the Group is active.

In France, a specific reporting system introduced in 2011 was used to measure the overall insertion rate, including amounts of invoiced contracts in the protected sector, under the terms defined in the mandatory disclosure on disability employment (*Déclaration obligatoire à l'emploi des travailleurs handicapés*). This rate was 3.8% in 2012, unchanged from 2011.

At the end of 2013, the Group had 1,450 disabled workers, 114 of whom had been hired that year. Most (78.5%) of the disabled employees counted work in France or Germany, two countries where the Group's presence is significant and where specific laws on this subject have long been applied.

## Wages and salaries

<i>In thousands of euros</i>	2011	2012	2013
Gross payroll	2,542,650	2,592,608	2,586,507
Average gross compensation per employee	31.6	32.5	32.5
Managers	65.8	66.9	66.5
Non-executives	26.2	26.8	26.9
Men	32.2	32.9	32.9
Women	29.4	30.7	31.0
Average rate of employer's contributions	35.0%	36.3%	36.4%

The amounts and changes in compensation reflect the Group's compensation policies, but other factors also have a significant influence on the average data: country mix, foreign exchange rates, distribution by socio-economic category, the proportion of part-time employees, and the "Noria effect".

In France, gross payroll was €1,206.2 million, and the average gross compensation per employee was €35,955, of which €36,544 for men and €33,900 for women.

## Temporary workers

	2011	2012	2013
Average temporary workforce (FTE)	7,912	6,184	5,723
<i>As a % of average contractual workforce expressed in FTE</i>	10.2%	8.0%	7.4%

The main reasons for employing temporary workers are temporary hiring difficulties, and replacement of absent employees. Temporary workers are hired primarily in the Waste segment. The change from 2012 to 2013 is mainly attributable to Sita El Beida (Morocco), where the number of temporary workers fell due to the hiring policy.

In France, Group entities employed a total of 3,201 temporary workers, representing 9.8% of the average contractual workforce (in FTE).

## Workplace safety

	2011	2012	2013
Number of fatal accidents (employees)	4	5	4
Frequency rate of workplace accidents* (XXX)**	14.06	13.32	12.2
Severity rate of workplace accidents**	0.66	0.60	0.54

\* Frequency rate: number of accidents with sick leave x 1,000,000/number of hours worked.

\*\* Severity rate: amount of compensated sick leave x 1,000/number of hours worked.

\*\*\* See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.

As in recent years, our key health and safety indicators continued to improve. Between 2012 and 2013, the Group's frequency rate fell from 13.3 to 12.2 and its severity rate from 0.60 to 0.54.

The 1.1 point improvement in the frequency rate reflects gains across most of the Group's business units, in both the Water and Waste segments. Here, the Group's consolidation of Agbar's health and safety results as of July 1, 2013 had a positive effect on both its frequency and severity rates: in the second half of 2013, Agbar's frequency and severity rates were 7.5 and 0.3, respectively, against the Group's 12.2 and 0.52. Conversely, this consolidation in 2013 had a negative impact on the frequency and severity rates of "Water" activities (5.1 and 0.21, respectively, in 2012 versus 5.28 and 0.23 in 2013).

In "Waste" activities, the frequency and severity rates fell from 18 and 0.83, respectively, in 2012 to 17 and 0.76 in 2013.

A major initiative to prevent fatal accidents was launched in 2013. By studying serious accidents of the last ten years, SUEZ ENVIRONNEMENT has established "10 Rules That Save Lives" to prevent repeating most of these accidents. In addition, the Group has set up a health and safety management training curriculum for local supervisors, which may be rolled out in 2014, based on training programs developed by several Business Units (including Sita UK, Agbar and Lyonnaise des Eaux).

Concerning occupational illnesses, there were 56 new cases identified Group-wide in 2013, including 51 in France.

### 17.2.3 Training

	2011	2012	2013
<b>Number of training hours (in thousands) (XXX)*</b>	<b>1,364</b>	<b>1,341</b>	<b>1,376</b>
<i>Of which number of training hours via e-learning (in thousands)</i>	ND	115	148
<b>Number of training hours per person trained (hrs/person)</b>	<b>24</b>	<b>24</b>	<b>25</b>
<i>Number of training hours per woman trained (hrs/person)</i>	26	24	24
<b>Percentage of workforce trained (XXX)*</b>	<b>69.4%</b>	<b>68.4%</b>	<b>69.4%</b>
<b>Distribution of trained workforce by gender</b>			
Women	18.0%	20.4%	19.7%
Men	82.0%	79.6%	80.3%
<b>Distribution of trained workforce by category</b>			
Managers	15.1%	15.1%	14.6%
Senior technicians and supervisors + Manual and non-manual workers and technicians	84.9%	84.9%	85.4%
<i>Training expenses per person trained (€/person)</i>	550	537	488
<b>Breakdown of training time by type of activity</b>			
Job techniques	24.5%	27.2%	26.0%
Quality, Environment, Safety	40.4%	36.8%	38.7%
Languages	5.4%	7.7%	6.5%
Other	29.7%	28.3%	28.8%

\* See meaning of (XXX) in section 17.2.5: Methodology factors in the social report.

In 2013, the training effort remained significant, with indicators in line with 2012 results: 1.38 million training hours (including e-learning), 25 training hours per person trained, 69.4% of employees trained.

For the second year in a row, social reporting has differentiated between the number of training hours *via* e-learning, which accounts for almost 10.8% of total training hours during the year (against nearly 9% in 2012).

The distribution of workforce trained by gender and category is close to the distribution of total headcount according to these same criteria.

In France, 61.6% of employees received training in 2013 (62.7% in 2012), training expenditure per person trained came to €735 (€776

in 2012), and the number of training hours per employee trained was 25 hours (25 hours in 2012).

Finally, analytical work related to modes of informal learning was again carried out in 2013. An initial survey noted over 900,000 hours of informal learning (mainly mentoring, technical seminars and tutoring) for fiscal year 2013, a significant amount compared with the number of "formal" training hours reported above. Nearly 85% of the hours of informal learning concerned part-time learning contracts (including time spent by apprentices at the Company).

### 17.2.4 Employee relations

	2011	2012	2013
Number of agreements with social partners	405	444	465
Proportion of employees with a representative body	88%	88%	90%

40% of the agreements signed relate to compensation and benefits.

## 17.2.5 Methodology factors of the 2013 social report

### SCOPE

The employment analyses carried out in this report correspond solely to fully consolidated (FC) entities, companies that SUEZ ENVIRONNEMENT COMPANY controls in terms of share capital and management. When a company is fully consolidated in the financial statements of SUEZ ENVIRONNEMENT COMPANY, 100% of its social data are included, regardless of the percentage of share capital held. Except as noted below, the reporting scope in 2013 (reporting of the indicator as a percentage of the Group's workforce) is 100% for all indicators.

### TOOLS AND METHODS

Social reporting is based on:

- a network of 220 individuals around the world who collect and monitor their own entities' indicators at each quarterly HR reporting campaign. This provides feedback through approximately 260 (full consolidation) reporting packages every quarter, corresponding to data from over 400 companies. This network is managed through quarterly meetings (physical meetings for correspondents at French entities and web conferences for international correspondents). These meetings provide an opportunity for top-down communication, for clarifying the definition of some indicators, sharing best practices and reviewing major points of concern. A collaborative space is also available to all correspondents;
- the "User Guide" which consolidates all definitions and procedures comprising the Group's common reference system, i.e. some 50 primary indicators with various collection criteria (age, gender, etc.) producing approximately 250 social criteria. This guide is available in French and English and is distributed to all contributors;
- Magnitude, a financial consolidation software application based on a dedicated social indicators package, enables the collection, processing, and reporting of data entered by the local legal entities, subsidiaries of the Group. Each of these entities, including the Human Resources phase, is allocated the appropriate financial consolidation method: full consolidation (FC), proportional consolidation (PC), or the equity method (EM). An online self-training tool for Magnitude is available to contributors.

### CONSOLIDATION AND INTERNAL CONTROL

Once collected, the data are consolidated by the subsidiaries and the Group Human Resources Department (HRD), in accordance with clearly defined procedures and criteria. These data are controlled internally during the following stages:

- automated controls: the Magnitude packages incorporate a certain number of automated controls that allow contributors to ensure the reliability of the information entered at the most detailed level. Contributors also have access to the comments sections where they can explain significant changes or circumstances specific to their entity;
- subsidiary-level controls: the main subsidiaries also check the consistency of the data from their entities;
- controls at Group HRD level: Group HRD applies consistency controls to the data of all the entities. These controls consist specifically of analyzing changes in indicators from one period to another. In the event of a significant change, the contributor in question is asked to provide a more in-depth analysis, which may result in a correction.

### METHODOLOGY DEFINITIONS AND LIMITS

We would like to highlight the following points in relation to the data published in this report:

- unlike social reporting, Health and Safety reports take into account operational control criteria. This leads to a slight difference in the scope of the workforce covered by the two reporting systems, calculated at -5%. This is because the Health and Safety results of entities joining the Group are not included in the reporting group for three years;
- the breakdown of workforce by geographical area is in line with the reporting segments used in the IFRS financial statements. Accordingly, some Agbar companies located outside Europe are assigned to Spain. This concerns 2,272 employees;
- the notion of executives ("*cadres*") is sometimes difficult to understand in countries other than France, where the Group operates. This may lead to a slight underestimation of the number of executives;
- due to the reporting deadlines, the data related to training and hours worked are not always finalized and therefore relate only to the most recent situation;
- as regards training, while retrieving the number of training hours *via* e-learning is relatively easy in the entities, it is not always as easy to reconcile the number of trainees who received in-person training with the number of trainees who received e-learning training. The risk lies in overestimating the total number of trainees due to double-counting of employees who have received training both in-person and *via* e-learning. Therefore, only two entities (Agbar and United Water) count "e-learning" trainees in their trained workforce, because their internal tracking systems enable them to avoid the risk of double-counting;
- note that the figures on occupational illness are now reported on a global basis. Nevertheless, the Group continues to improve the organization and the quality of its reporting on this subject. In fact, the concept of employer recognition of occupational illness, which applies in France, is not found in most countries worldwide. As a result, there may be discrepancies in the way data on occupational illnesses are calculated owing to differences in local practices and regulations.

**EXTERNAL AUDIT**

As in previous years up to 2007, the SUEZ Group and its BUs engaged the specialized services of the statutory auditors to verify four social indicators for 2008. Since 2009, the Group has renewed this request

and increased the number of certified indicators to 14, including nine with reasonable assurance (indicated by the symbol "XXX"). The nature of the work and findings of the statutory auditors can be found in section 6.8.4 of this Reference Document

## 17.3 Employee incentives and employee shareholding

### 17.3.1 Employee incentives and profit sharing (France)

Each subsidiary of the Group in France has implemented profit-sharing agreements (pursuant to the mandatory provisions of French law). Incentive agreements (optional in France) have also been implemented within the following companies: SUEZ ENVIRONNEMENT SAS, Degrémont, Lyonnaise des Eaux France, Eau et Force, and approximately 30% of the French subsidiaries of Sita France.

These arrangements for 2012 produced the following results in 2013:

- €20 million was paid out under profit-sharing agreements, benefiting 21,500 employees at an average of approximately €930 per beneficiary;

- at the same time, €19.7 million was paid out under incentive agreements, benefiting 23,400 employees at an average of €840 per beneficiary.

In total, incentive and profit-sharing agreements represented €39.7 million, i.e., 3.3% of the gross payroll of the companies concerned, or a decline of 1.7% compared to the €40.4 million paid out in 2012.

### 17.3.2 Group Retirement Savings Plan (PERCO)

The non-renewal of the Company's Shareholders' Agreement (see section 18.3.1 of this Reference Document), which resulted in the loss of control by GDF SUEZ of SUEZ ENVIRONNEMENT COMPANY, had the effect of making the GDF SUEZ group retirement savings plan (PERCO) inapplicable to SUEZ ENVIRONNEMENT Group companies as of July 23, 2013.

The signing of the SUEZ ENVIRONNEMENT PERCO agreement on December 10, 2013 once again offers the Group's French employees the opportunity to save over the long-term to develop a supplementary pension. The new system is implemented since March, 2014, when the assets held by the Group's employees in the GDF SUEZ PERCO have been transferred to the SUEZ ENVIRONNEMENT PERCO.

### 17.3.3 Employee shareholding

Since its IPO, the Company has prioritized employee shareholding both as a way to involve the Group's employees over the long term in its business development plans and to increase the share of equity held by employees, with a target of 5% by 2015.

#### ➔ Group savings plan

In 2011, SUEZ ENVIRONNEMENT set up a Group savings plan aimed at all employees of the Group's companies in France and around the world.

The plan was created to serve as a mechanism for acquiring SUEZ ENVIRONNEMENT shares *via* a company mutual fund and the allocation of free bonus shares. It also offers the option of investing in a diverse range of savings vehicles. These funds, invested in SUEZ ENVIRONNEMENT COMPANY shares within the Group savings plan, are administered by Supervisory Boards 50% composed of representatives of employee unitholders and 50% of management representatives. The Supervisory Board exercises the voting rights attached to shares held by the Company mutual fund.

In France, the Group savings plan comes as a complement to the existing company savings plans in the Group's subsidiaries.

### ➔ Employee shareholding programs in place

SUEZ ENVIRONNEMENT has set up several programs to encourage employee shareholding:

- in 2009, the first worldwide bonus share allocation plan for employees of the Company and its controlled or fully consolidated subsidiaries, which covered approximately 68,000 employees in over 40 countries;
- in 2011, a share issue reserved for employees, called "Sharing", subscribed by 18,679 employees in 19 countries;
- in 2013, the second worldwide bonus share allocation plan, whose features are described below:

#### SECOND WORLDWIDE BONUS SHARE PLAN

After deciding the implementation of this plan at its meeting of October 24, 2012, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY established the final procedures on January 17, 2013. All employees of the Company and its controlled or fully consolidated subsidiaries as of September 30, 2012, were granted rights for the allocation of bonus shares, subject to meeting a service condition at the end of the vesting period of between three and four years depending on the country. The number of shares allocated per SUEZ ENVIRONNEMENT employee was set at 38 shares. This plan covers more than 79,000 beneficiaries in 32 countries.

#### DELIVERY OF THE BONUS SHARE ALLOCATION PLANS

##### GDF SUEZ and SUEZ ENVIRONNEMENT worldwide bonus share plans (July 8 and June 25, 2009)

Employees of SUEZ ENVIRONNEMENT and its controlled or fully consolidated companies as of April 30, 2009 were allocated 30 SUEZ ENVIRONNEMENT COMPANY bonus shares by the Board of Directors on June 25, 2009, and 8 GDF SUEZ bonus shares by that group's Board of Directors on July 8, 2009.

The shares were to be delivered to the beneficiaries at the end of a four-year vesting period for countries outside France, Spain and Italy, subject to a condition of continuous service on the vesting date.

The SUEZ ENVIRONNEMENT beneficiaries meeting the service condition specified in the plan and for whom the vesting date was June 25, 2013 (for SUEZ ENVIRONNEMENT COMPANY shares) and July 8, 2013 (for GDF SUEZ shares) received 30 SUEZ ENVIRONNEMENT COMPANY shares and 8 GDF SUEZ shares.

For the beneficiaries concerned (just over 25,000), the vested shares were recorded in a registered account on behalf of the beneficiary or in a mutual fund.

##### GDF SUEZ worldwide bonus share plan (June 22, 2011)

Employees of SUEZ ENVIRONNEMENT and its controlled or fully consolidated companies as of April 30, 2011 were allocated 10 GDF SUEZ bonus shares by that group's Board of Directors on June 22, 2011.

The shares were to be delivered to the beneficiaries at the end of a two- or four-year vesting period, depending upon the country.

Beneficiaries of the SUEZ ENVIRONNEMENT plan based in France, Spain or Italy (where the vesting period was set at two years) and meeting the condition of continuous service stipulated by the plan, thus received 10 GDF SUEZ shares on June 24, 2013. Vested shares were recorded in a registered account on behalf of the beneficiary or in a mutual fund. Depending on the country, they are subject to a holding period.

### ➔ Participation of employee shareholders

As of December 31, 2013, the total number of shares held by Group employees within the meaning of Article L. 225-102 of the French Commercial Code, directly in individual registered accounts or through Group savings plans, totaled 2.02% of the share capital.

## 17.4 Pensions and other employee benefit obligations

A description of the pensions and other employee benefit obligations appears in Note 16 to the consolidated annual financial statements in chapter 20.1 of this Reference Document.



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# 18

## MAJOR SHAREHOLDERS

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## 18.1 Breakdown of share capital as of December 31, 2013

As of December 31, 2013, the Company's total share capital was €2,040,935,316. It consisted of 510,233,829 shares with a nominal value of €4 each, representing 510,233,829 voting rights.

As of December 31, 2013, the number of shares without voting rights (shares held by the Company under the share buyback program described in section 21.1.3 of this Reference Document) totaled 1,328,428 shares, hence a total number of exercisable voting rights of 508,905,401.

The voting rights of the major shareholders of the Company are no different from those of other shareholders.

By letter received on July 24, 2013, GDF SUEZ, acting as manager of the Shareholders' Agreement pertaining to the Company (see chapter 18.3 of this Reference Document), informed the *Autorité*

*des Marchés Financiers* (French financial markets authority) that GDF SUEZ, Groupe Bruxelles Lambert, Caisse des Dépôts et Consignations (CDC), CNP Assurances, Sofina and Areva had jointly crossed below the thresholds of 1/3, 30%, 25%, 20%, 15%, 10% and 5% of the share capital and voting rights of the Company on July 22, 2013, and that they no longer jointly held any shares in SUEZ ENVIRONNEMENT COMPANY.

The crossing of this threshold resulted from the end of the aforementioned Shareholders' Agreement and therefore the end of the joint control, on July 22, 2013.

No other crossing of legal thresholds – above or below – was reported to the Company in 2013.

The following table shows the number of shares and percentages of capital and voting rights held by the Company's principal shareholders based on information available on the date this Reference Document was prepared.

Shareholders	As of December 31, 2013			As of December 31, 2012			As of December 31, 2011		
	Number of shares held	% of shares held	% of exercisable voting rights	Number of shares held	% of shares held	% of exercisable voting rights	Number of shares held	% of shares held	% of exercisable voting rights
GDF SUEZ	182,057,355 <sup>(a)</sup>	35.68%	35.77%	182,057,361	35.68%	35.76%	182,057,361	35.68%	35.91%
Groupe Bruxelles Lambert	36,746,488 <sup>(a)</sup>	7.20%	7.22%	36,746,488	7.20%	7.22%	36,746,488	7.20%	7.25%
Caisse des Dépôts et Consignations	10,078,220 <sup>(a)</sup>	1.98%	1.98%	10,078,220	1.98%	1.98%	10,078,220	1.98%	1.99%
Areva (Areva NC from 11/18/2011)	7,251,292 <sup>(a)</sup>	1.42%	1.42%	7,251,292	1.42%	1.42%	7,251,292	1.42%	1.43%
CNP Assurances	6,500,390 <sup>(a)</sup>	1.27%	1.28%	6,500,390	1.27%	1.28%	6,500,390	1.27%	1.28%
Sofina	4,125,661 <sup>(a)</sup>	0.81%	0.81%	4,125,000	0.81%	0.81%	4,125,000	0.81%	0.81%
<b>TOTAL HELD BY SHAREHOLDERS PARTY TO THE SHAREHOLDERS' AGREEMENT*</b>	-	-	-	<b>246,758,751</b>	<b>48.36%</b>	<b>48.47%</b>	<b>246,758,751</b>	<b>48.36%</b>	<b>48.68%</b>
Treasury shares	1,328,428	0.26%	-	1,143,389	0.22%	-	3,294,721	0.65%	-
Public float and employee shareholding	262,145,995 <sup>(b)</sup>	51.38% <sup>(c)</sup>	51.51% <sup>(c)</sup>	262,331,689 <sup>(d)</sup>	51.41% <sup>(e)</sup>	51.53% <sup>(e)</sup>	260,180,357 <sup>(f)</sup>	50.99% <sup>(g)</sup>	51.32% <sup>(g)</sup>
<b>TOTAL</b>	<b>510,233,829</b>	<b>100%</b>	<b>100%</b>	<b>510,233,829</b>	<b>100%</b>	<b>100%</b>	<b>510,233,829</b>	<b>100%</b>	<b>100%</b>

(a) See threshold crossing declaration No. 213C1063 dated July 24, 2013.

(b) Of which 10,311,066 shares were held by employee shareholders within the meaning of Article L. 225-102 of the French Commercial Code (see chapter 17.3 of this Reference Document).

(c) Of which 2.02% of the share capital and 2.02% of the voting rights were held by employee shareholders within the meaning of Article L. 225-102 of the French Commercial Code (see chapter 17.3 of this Reference Document).

(d) Of which 10,173,904 shares were held by employee shareholders within the meaning of Article L. 225-102 of the French Commercial Code (see chapter 17.3 of this Reference Document).

(e) Of which 1.99% of the share capital and 2% of the voting rights were held by employee shareholders within the meaning of Article L. 225-102 of the French Commercial Code (see chapter 17.3 of this Reference Document).

(f) Of which 25,410,925 were held by Capital Research and Management (see threshold crossing declaration to the AMF No. 211C1585 dated August 26, 2011).

(g) Of which 4.99% of the share capital and 5.01% of the (exercisable) voting rights were held by Capital Research and Management.

\* See Shareholders' Agreement filed with the AMF on June 6, 2008 (D&I 208C1189 of June 20, 2008) and ended on July 22, 2013 (see chapter 18.3 of this Reference Document).

Pursuant to Article L. 233-13 of the French Commercial Code and to the knowledge of SUEZ ENVIRONNEMENT COMPANY, as of December 31, 2013 there were no shareholders other than those mentioned above holding 5% or more of the share capital or voting rights directly, indirectly or together.

It is also to be noted that Groupe Bruxelles Lambert issued, on September 7, 2012, bonds that are exchangeable into shares of the Company, for an amount of €400 million maturing on September 21, 2015, bearing a coupon of 0.125%, and thus showing a 20% premium on the Company share price.

## 18.2 Major shareholders' voting rights

Each Company share entitles the holder to one voting right.

## 18.3 Company control – Shareholders' Agreement

### 18.3.1 Shareholders' Agreement

#### ➔ Description

On June 5, 2008, GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva (as of November 18, 2011 replaced by its subsidiary Areva NC), CNP Assurances, and the Company entered into a Shareholders' Agreement with regard to their interest in the capital of the Company, for a renewable five-year term (the "Agreement"), and which specifically provides for:

- the composition of the Board of Directors, with nine Directors appointed at the proposal of GDF SUEZ, four independent Directors appointed by mutual agreement of the parties at the proposal of the Chairman of the Board of Directors (reduced to three in the event of the appointment of a Director representing employee shareholders), two Directors appointed at the proposal of Groupe Bruxelles Lambert, one Director appointed at the proposal of Areva, one Director appointed at the proposal of CNP Assurances and one Director appointed at the proposal of Sofina;
- the appointment of the Chairman of the Company by the Board of Directors, at the proposal of GDF SUEZ, and the appointment of the Company Chief Executive Officer by the Board of Directors at the proposal of the Chairman;
- the creation and composition of four committees of the Board of Directors (Audit and Financial Statements Committee, Nominations and Compensation Committee, Ethics and Sustainable Development Committee and Strategy Committee);
- passing decisions of the Board of Directors by a simple majority of its members, with the Chairman having the casting vote in cases of a tie vote, and with the exception, in particular, of decisions affecting the share capital or amending the bylaws or relating to any extraordinary payment of dividend, which are to be passed by a qualified majority of two-thirds of the members of the Board of Directors;
- an obligation of consultation among the shareholders that are parties to the Shareholders' Agreement prior to any meeting of the Board of Directors or a Shareholders' Meeting called to make an important decision;
- a reciprocal right of first refusal between the parties to the Agreement applicable to any sale of shares in the Company (with the exception of free disposals, specifically including sales by a shareholder involving less than 10% of its stake on the last day of the month preceding the sale in question, calculated over a period of 12 months) based on the following terms and conditions and order of priority:
  - in the event of a contemplated sale of shares by GDF SUEZ, a first-rank right of first refusal in favor of each of the other parties to the Agreement, as well as a second-rank right of first refusal in favor of the Company;
  - in the event of a contemplated sale of shares by one of the other parties to the agreement, a first-rank right of first preemptive refusal in favor of each of the other parties (excluding GDF SUEZ), a second-rank right of first refusal in favor of GDF SUEZ and a third-rank right of first refusal in favor of the Company;
- the obligation for each party to provide notification of any contemplated acquisition of shares in the Company to GDF SUEZ, which acts as administrator of the Agreement;
- the prohibition imposed on the parties to the Agreement from purchasing shares that could result in an obligation, for the shareholders acting in concert, to submit a takeover bid or a share price guarantee for the Company; and
- a tag-along right in favor of the other parties to the Agreement in the event of a sale by GDF SUEZ of the majority of its interest in the Company.

The Agreement provided for early termination in the event that (i) all the shares held by the parties to the Agreement represented less than 20% of the Company's share capital, or (ii) GDF SUEZ was no longer the leading shareholder following a divestment of shares under the provisions relating to the right of first refusal. Furthermore, in the event that a party came to hold less than a third of its initial stake, the Agreement would be terminated for that party but would remain in force and in effect for the other parties.

The Shareholders' Agreement constituted a joint control as defined by Article L. 233-10 of the French Commercial Code, within which GDF SUEZ played a leading role. The provisions of the Agreement, and specifically GDF SUEZ's right to appoint half the members of the Board of Directors, in which the Chairman has a casting vote, as well as the appointment of the Company's Chief Executive Officer at the Chairman's recommendation, grant GDF SUEZ control of the Company.

The Shareholders' Agreement was submitted to the AMF on June 6, 2008 and published in a notice by the latter on June 20, 2008 (see D&I 208C1189 of June 20, 2008 on the AMF website).

An addendum to the Shareholders' Agreement was enacted on December 18, 2008. According to Article 7 of this Agreement, the composition of the Boards of Directors of the Company and of SUEZ ENVIRONNEMENT (a wholly-owned subsidiary of the Company) must be identical at all times, with a view to a potential merger between these two companies. In order to simplify the operational functioning of the Group, on December 18, 2008 SUEZ ENVIRONNEMENT was transformed into a simplified joint stock company (société par actions simplifiée), whose Chairman is SUEZ ENVIRONNEMENT COMPANY. The parties to the Agreement had thus agreed, under the terms of an addendum signed on that date, to eliminate the obligation to replicate the composition of the Company's governing bodies within the governing bodies of SUEZ ENVIRONNEMENT.

### ➔ End of the Shareholders' Agreement

On December 5, 2012, the Company's Board of Directors recorded the decision by GDF SUEZ and all signatories of the Shareholders' Agreement, with the exception of the Company, not to renew the Agreement, which therefore ended on July 22, 2013.

In a press release dated December 5, 2012, GDF SUEZ expressed its intention to remain the Company's main shareholder and long-term strategic partner. GDF SUEZ thus expressed its intention not to reduce its stake in the Company and to support its growth strategy.

The AMF also indicated, by Notice No. 213C0087, dated January 22, 2013, that it had been informed by GDF SUEZ that the parties to the Shareholders' Agreement, namely GDF SUEZ, Areva, Caisse des Dépôts et Consignations, CNP Assurances, Groupe Bruxelles Lambert and Sofina, had proceeded with its termination in accordance with its provisions and that as a result, the provisions of the Shareholders' Agreement will expire on July 22, 2013, the date on which the parties will no longer act in concert.

Consequently, since July 23, 2013, GDF SUEZ no longer has exclusive control of SUEZ ENVIRONNEMENT and has indicated that the Company will henceforth be consolidated by GDF SUEZ under the equity method.

This loss of control was also accompanied by a change to the Company's governance (see chapter 16.4 of this Reference Document) and the signing or amendment of some agreements between the Company and GDF SUEZ (see chapter 19 of this Reference Document).

## 18.3.2 Factors likely to have an impact in the event of a takeover bid

The information below, dated December 31, 2013, is provided in compliance with the provisions of Article L. 225-100-3 of the French Commercial Code, which transposed the Takeover Directive:

- the Company's ownership structure is described in chapter 18.1 of this Reference Document;
- there are no restrictions in the bylaws on the exercise of voting rights or the transfer of shares or clauses of agreements notified to the Company pursuant to Article L. 233-11 of the French Commercial Code;
- direct or indirect shareholdings in the Company of which it is aware by virtue of Articles L. 233-7 (threshold crossing declaration) and L. 233-12 of the French Commercial Code are described in chapter 18.1 of this Reference Document;
- there are no holders of shares with special control rights;
- the operating mechanisms built into the Company's employee shareholding program are described in chapter 17.3 of this Reference Document;
- to the Company's knowledge, there are no agreements between shareholders that could result in restrictions on the transfer of shares or the exercise of voting rights in the Company;
- the rules applicable to the appointment and replacement of members of the Board of Directors are set out in chapter 14.1 of this Reference Document;
- the powers of the Board of Directors for the issuance or redemption of shares are presented in chapter 21.1 of this Reference Document;

- The Company may enter into agreements containing clauses which could, under certain conditions, lead to their early termination in the event of a change of control of the Company, some of which could, according to the Company, have an impact in a takeover bid. These include:
  - certain agreements with GDF SUEZ described in chapter 19 of this Reference Document, and
  - certain financing agreements, as mentioned in Note 12 to the consolidated financial statements of chapter 20.1 of this document for the year ended December 31, 2013, including

bonds issued under the EMTN program implemented by the Company, the undated deeply subordinated notes ("hybrids") issued in 2010, and the €1.5 billion syndicated loan taken out in February 2010, renegotiated in 2011 and 2014 and maturing in 2019, provided that the change of control is accompanied by a downgrade of the Company's credit rating below a certain threshold.

- information relating to the Chief Executive Officer's severance pay is set out in chapter 15.1 of this Reference Document.

## 18.4 Agreement that may result in a change of control

None.

Summary of transactions made by persons indicated in Article L. 621-18-2 of the French Monetary and Financial Code during the year ended December 31, 2013

## 18.5 Summary of transactions made by persons indicated in Article L. 621-18-2 of the French Monetary and Financial Code during the year ended December 31, 2013

### → Transactions in 2013 by the persons indicated in Article L. 621-18-2 of the French Monetary and Financial Code

None.

This information is based on information provided to the Company by the Board members and Directors concerned.

### → Number of shares held by members of the Board of Directors at December 31, 2013

	Number of shares held at December 31, 2013
Gérard Mestrallet	15,787 <sup>(a)</sup> shares
Jean-Louis Chaussade	5,500 shares and 760.6 mutual fund units <sup>(b)</sup>
Gérald Arbola	2,000 shares
Nicolas Bazire	2,000 shares
Gilles Benoist	3,000 <sup>(c)</sup> shares
Valérie Bernis	2,087 <sup>(a)</sup> shares
Harold Boël	5,555 <sup>(d)</sup> shares
Alain Chaigneau	2,000 <sup>(a)</sup> shares
Penelope Chalmers Small	2,000 <sup>(a)</sup> shares
Jean-François Cirelli	2,000 <sup>(a)</sup> shares
Lorenz d'Este	2,139 shares
Amaury de Sèze	2,000 shares
Delphine Ernotte Cunci	2,000 shares
Isabelle Kocher	2,000 <sup>(a)</sup> shares
Guillaume Pepy	2,087 shares
Olivier Pirotte	2,085 shares
Jérôme Tolot	35,634 <sup>(a)</sup> shares

<sup>(a)</sup> Of which 2,000 shares as a loan granted by GDF SUEZ.

<sup>(b)</sup> "Classic" and "multiple" formulae as part of the Sharing 2011 employee shareholding plan.

<sup>(c)</sup> Of which 2,000 shares as a loan granted by CNP Assurances.

<sup>(d)</sup> Of which 3,555 shares received in the context of an inheritance.

This table is based on information provided to the Company by the Directors.

# 19

## RELATED-PARTY TRANSACTIONS

Parties related to the Company include, among others, the Company's major shareholders, its non-consolidated subsidiaries, companies under joint control (proportionately consolidated companies), associates (equity affiliates) and entities on which various Company officers exercise at least a significant influence.

A breakdown of transactions with these related parties for fiscal years 2013 and 2012, particularly GDF SUEZ and its subsidiaries, appears in chapter 20.1, Note 22 of this document. The transactions are not significant at the level of the SUEZ ENVIRONNEMENT Group.

The report of the statutory auditors on the related-party agreements and commitments appearing in chapter 26.3 of this Reference Document describes the notified transactions.

### Cooperation and shared services agreement

On June 5, 2008, SUEZ and the Company entered into a cooperation and shared services framework agreement for a renewable term of five years.

This contract defines the detailed arrangements for cooperation between GDF SUEZ and the Company. In particular, it sets out the conditions under which GDF SUEZ and the Company, in compliance with their respective corporate interests, principles of good governance, principle of shareholder equality and the mandate of their governing bodies, intend to continue their close relationships and develop existing synergies between the two companies, with the objective that SUEZ ENVIRONNEMENT COMPANY and its subsidiaries maintain their attachment to GDF SUEZ "group" policies and continue to benefit from centralized services provided by GDF SUEZ and some of its subsidiaries.

The main specifications of this cooperation and shared services agreement are summarized below.

#### COOPERATION

GDF SUEZ and the Company mutually agree to continue their cooperation, mainly in the areas of strategy, accounting, internal control, audit and risk, finance, tax policy, IT services and communication.

In terms of strategy, GDF SUEZ and the Company will together identify and analyze the strategic issues for the Company, and GDF SUEZ will also maintain and develop with the Company, monitoring and analytical tools. GDF SUEZ and the Company will develop a global research policy and will support the development of joint industrial and commercial projects.

In the field of accounting, internal control, audit and risk, the Company will continue to comply with the accounting standards framework, as well as the reporting, analysis and audit policies and principles of the GDF SUEZ Group. A comprehensive and integrated process of planning preparation, resource allocation and reporting will also be maintained.

Each of the two entities will remain responsible for its own financial and tax policy.

In terms of IT, the Company will comply with Group IT governance principles and will take part in Group Steering Committees.

In terms of financial communications, GDF SUEZ and the Company will coordinate their financial communications and Sustainable Development Program as well as their internal communications.

The agreement also contains provisions for cooperation between GDF SUEZ and the Company in the fields of insurance, logistics, procurement, real estate and legal services, and in their relations with public authorities.

#### HUMAN RESOURCES

The Company and GDF SUEZ have reaffirmed their commitment to the GDF SUEZ Group "Social Pact" and to the continued application of the charters and agreements signed within the Group and the policies pursued by the Group in respect of internal mobility. The employees of the Company and its subsidiaries will be eligible for future GDF SUEZ stock option and bonus share plans, as well as for future employee shareholding plans. In accordance with their respective interests, GDF SUEZ and the Company will carry out global and integrated management of the careers of current executives and their potential future successors within the Group.

#### SHARED SERVICES

The Company and GDF SUEZ have agreed that the Company will continue to benefit from the centralized services provided by GDF SUEZ, and especially the GDF SUEZ expertise centers. Therefore, the Company will be able to use (i) existing shared services (in the fields of IT, consolidation, procurement policy, etc.) and (ii) the tools GDF SUEZ has put in place to manage retirement, employee insurance and benefit systems, and reporting and internal control systems.

**SUBSIDIARIES**

The cooperation and shared services agreement is also designed to apply to subsidiaries of the Company and GDF SUEZ, so that the subsidiaries may benefit directly from the rights granted to their parent companies.

**CONDITIONS**

Services provided under the cooperation and shared services agreement will be invoiced between SUEZ ENVIRONNEMENT COMPANY (and/or its subsidiaries) and GDF SUEZ on an arm's length basis.

**EARLY TERMINATION**

The cooperation and shared services agreement terminated when the Shareholders' Agreement (see section 18.3.1 of this Reference Document) expired on July 22, 2013, after which GDF SUEZ ceased to fully consolidate the Company.

**Brand name licensing agreement**

On June 5, 2008, SUEZ and SUEZ ENVIRONNEMENT entered into a brand-name licensing agreement under which SUEZ authorizes SUEZ ENVIRONNEMENT to use the brand name "SUEZ."

Under this agreement, GDF SUEZ grants SUEZ ENVIRONNEMENT, for a tacitly renewable term of five years, the non-exclusive right to use, at no cost, the brand name "SUEZ" in its company name and in some other brand names. SUEZ ENVIRONNEMENT is also granted the right to award licenses for the use of the brand name "SUEZ" to other Group companies, including SUEZ ENVIRONNEMENT COMPANY.

GDF SUEZ does however retain the right to examine communication and promotional campaigns proposed by SUEZ ENVIRONNEMENT.

This contract has been renewed for another five-year term, commencing on July 22, 2013.

An amendment to that agreement was entered into on October 1, 2013 after prior approval by the Boards of Directors of each of the two companies, in accordance with the procedure applicable to the related-party agreements. This amendment will be submitted for approval to the General Shareholders' Meetings of the two companies.

The main changes set out in this amendment relate to (i) a better securing of the brand-name, (ii) improved reputation protection measures, (iii) the possibility to acquire the SUEZ brand-name if it was no more used by GDF SUEZ and (iv) the conditions for termination of the agreement in case of certain change in the shareholding structure of the Company.

**Financing framework agreement**

On June 5, 2008, SUEZ, SUEZ Finance, the Company and SUEZ ENVIRONNEMENT entered into a framework agreement setting out the main arrangements for the financing of the Group for the period 2008-2010.

Under this contract, financing was provided by SUEZ Finance or by any other entity of the GDF SUEZ Group designated by GDF SUEZ. Financing was to be granted to any Group entity on the understanding that the Company or SUEZ ENVIRONNEMENT guaranteed repayment if financing was granted to one of its subsidiaries. The aggregated amount of financing granted was limited to the aggregated amount of the Group's financing needs as agreed annually between GDF SUEZ and the Company.

Aside from the granting of financing to the Group, the contract stipulated that SUEZ ENVIRONNEMENT COMPANY and SUEZ ENVIRONNEMENT must undertake, for the whole term of the contract

and subject to certain exceptions, not to transfer all or part of their assets without the prior agreement of the GDF SUEZ group or to grant any security on their assets for the purposes of obtaining financing.

This framework contract expired on December 31, 2010. The Company and GDF SUEZ signed a new agreement under the terms of which GDF SUEZ will provide a €350 million credit facility with effect from January 1, 2011, expiring in July 2013. This credit facility was agreed under the prevailing market conditions at the time of any drawdown and its main provisions were identical to those of the master agreement of June 5, 2008. The transaction was approved by the Boards of Directors of the two entities on October 27, 2010 and September 15, 2010, respectively.

In connection with the termination of the Shareholders' Agreement relating to the Company, this credit facility was early terminated on March 31, 2013.

**Guarantees and counter-guarantees**

The Company and GDF SUEZ agreed that all commitments involving guarantees, bonds, comfort letters, surety and any other similar commitments granted by GDF SUEZ in respect of commitments made by Company subsidiaries to third parties have been transferred

to the Company or any subsidiary acceptable by GDF SUEZ. For any commitment unable to be transferred on this date, the Company, or a subsidiary acceptable to GDF SUEZ, must provide GDF SUEZ with a counter-guarantee.

## Shareholders' Agreement

The Company is party to a Shareholders' Agreement entered into by GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva (replaced by Areva NC on November 18, 2011) and CNP Assurances, the main provisions of which are described in chapter 18.3 of this Reference Document.

The Shareholders' Agreement was amended on December 18, 2008, as described in section 18.3.1 of this Reference Document. The signing of this amendment was authorized in advance by the Company's Board of Directors on October 28, 2008.

On December 5, 2012, the Company's Board of Directors recorded the decision by GDF SUEZ and all signatories of the Shareholders' Agreement not to renew the Agreement. Consequently, the Agreement expired on July 22, 2013, after which GDF SUEZ relinquished control of SUEZ ENVIRONNEMENT.

## Industrial and commercial cooperation framework agreement

On January 17, 2013, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY signed a three-year agreement outlining the guidelines and strategy for industrial and commercial cooperation. The agreement comes into effect on July 22, 2013, the date of expiration of the Shareholders' Agreement. This agreement followed the procedure for related-party agreements and was thus subject to prior authorization by the Company's Board of Directors on December 12, 2012. This agreement has also been subject to the approval of the Shareholders' Meeting on May 23, 2013.

With this agreement, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY sought to establish guiding principles to serve as a framework for their future relations on industrial and commercial matters after the expiration of the Shareholders' Agreement. The shared intention is that, notwithstanding the assertion of their independence in matters of strategy and decision-making, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY will continue to maintain close trade and industrial relations that are mutually beneficial in the pursuit of their respective corporate interests, in compliance with applicable laws and regulations, particularly those governing competition and the markets.

This agreement covers in particular the following areas:

- reciprocal preference for purchases/sales;
- development of synergies in industrial activities;
- development of joint commercial offerings;
- in addition, the Company is the preferred partner of GDF SUEZ for its Sustainable Development Policy;
- coordination in sales, marketing, innovation and R&D.

### CONDITIONS

Industrial and commercial relations between GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY will be on an arm's length basis according to the principles of fairness and reciprocity, payment for services at market price and shareholders' equality.

### TERM AND TERMINATION

The agreement is concluded for an initial term of three (3) years with effect from July 22, 2013.

Either party may terminate any of these agreements at any time, subject to a six (6) months' prior notice.

## Transition agreement for external purchases

On October 1, 2013, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY entered into a transitional agreement in the field of external purchases, expiring on July 31, 2015. This agreement complies with the procedures applicable to the related-party transactions and thus was submitted to a prior approval by the Boards of Directors of each of the two companies. In addition, it will also be submitted for approval to the General Shareholders' Meetings of the two companies.

Under this agreement, which will expire on July 31, 2015, GDF SUEZ and the Company provide for the continuation of the framework

agreements entered into by GDF SUEZ for the benefit of the Company and for the cooperation between the two companies for the management of those framework agreements, allowing, during this transition period, to continue to pool some of their purchases, in order to benefit from the levers for synergies and the volume from the market of external suppliers.

The agreement provides for a payment by the Company to GDF SUEZ of a financial compensation for the management of the existing framework agreements.



## Transition agreements for IT services

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GDF SUEZ (via its subsidiary GDF SUEZ IT) and SUEZ ENVIRONNEMENT COMPANY have concluded a transition agreement for IT services, dated October 1, 2013, expiring on December 31, 2014 at the latest.

Through this agreement, GDF SUEZ IT commits to keep providing SUEZ ENVIRONNEMENT COMPANY (and its subsidiaries) with IT services until December 31, 2014 under similar terms as the one applied before the termination of the Shareholders' Agreement. Thus, services will be invoiced in accordance with the prices of GDF SUEZ IT's services catalog

## Sharing Agreement on pension obligations

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On March 5, 2014, GDF SUEZ (and some of its subsidiaries) and SUEZ ENVIRONNEMENT COMPANY (and some of its subsidiaries) entered into a sharing agreement on pension obligations. This agreement followed the procedure for regulated agreements and was thus subject to prior authorization by the Board of Directors of each of the Companies. This agreement will also be subject to the approval of the Shareholders' Meetings of both Companies.

This agreement pertains to employees who served during their careers both groups and potentially benefit from the defined benefits pension schemes described for brackets C and D of compensation, implemented within companies of the GDF SUEZ Group and the SUEZ ENVIRONNEMENT Group. In order to ensure that the end of the Shareholders' Agreement pertaining to the Company does not

adversely affect the calculation of pension rights, and to ensure that a part of the periods of employment for the employees concerned is not taken into account in relation to the above schemes, this Agreement schedules that any periods of employment completed within the GDF SUEZ Group up to July 22, 2013 will be taken into account for the calculation of rights by the SUEZ ENVIRONNEMENT Group, and that any periods of employment completed within the SUEZ ENVIRONNEMENT Group until July 22, 2013 will be taken into account for the calculation of rights by the GDF SUEZ Group.

This agreement schedules the assessment of company liabilities for each of the two Groups and the protocol to transfer the credit balance to the SUEZ ENVIRONNEMENT Group, standing at €59,266.

# 20

## FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL SITUATION AND REVENUES

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## 20.1 Consolidated financial statements

### 20.1.1 Consolidated statements of financial position

<i>In millions of euros</i>	Note	December 31, 2013	December 31, 2012
<b>Non-current assets</b>			
Intangible assets, net	10	4,517.5	4,060.8
Goodwill	9	3,184.3	3,256.9
Property, plant and equipment net	11	7,832.5	8,882.0
Available-for-sale securities	12	498.1	395.9
Loans and receivables carried at amortized cost	12	787.6	700.7
Derivative financial instruments	12	200.2	259.1
Investments in associates		497.1	490.9
Other assets		303.0	80.0
Deferred tax assets	7	730.1	755.1
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,550.4</b>	<b>18,881.4</b>
<b>Current assets</b>			
Loans and receivables carried at amortized cost	12	353.8	266.6
Derivative financial instruments	12	11.6	5.5
Trade and other receivables	12	3,628.5	3,805.3
Inventories		286.4	290.1
Other assets		1,279.6	1,116.8
Financial assets measured at fair value through income	12	91.6	23.5
Cash and cash equivalents	12	2,506.0	2,247.3
<b>TOTAL CURRENT ASSETS</b>		<b>8,157.5</b>	<b>7,755.1</b>
<b>TOTAL ASSETS</b>		<b>26,707.9</b>	<b>26,636.5</b>

# FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL SITUATION AND REVENUES

Consolidated financial statements

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<i>In millions of euros</i>	Note	December 31, 2013	December 31, 2012
Shareholders' equity, Group share		4,963.0	4,863.9
Non-controlling interests		1,946.6	1,995.3
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14</b>	<b>6,909.6</b>	<b>6,859.2</b>
<b>Non-current liabilities</b>			
Provisions	15	1,339.8	1,431.5
Long-term borrowings <sup>(a)</sup>	12	7,228.9	8,554.8
Derivative financial instruments	12	46.2	90.7
Other financial liabilities	12	3.6	2.7
Other liabilities		876.2	645.3
Deferred tax liabilities	7	568.5	573.9
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10,063.2</b>	<b>11,298.9</b>
<b>Current liabilities</b>			
Provisions	15	461.0	563.7
Short-term borrowings <sup>(a)</sup>	12	2,769.7	1,363.6
Derivative financial instruments	12	6.9	11.3
Trade and other payables	12	2,770.1	2,871.0
Other liabilities		3,727.4	3,668.8
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,735.1</b>	<b>8,478.4</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>26,707.9</b>	<b>26,636.5</b>

NB: The values in the tables are generally expressed in millions of euros. Rounding may in some cases produce a non-material discrepancy in totals or variances.

(a) See explanation of the variation in Note 12.3.1.

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**20.1.2 Consolidated income statements**

<i>In millions of euros</i>	Note	December 31, 2013	December 31, 2012
Revenues	3	14,643.8	15,101.6
Purchases		(2,976.6)	(3,486.9)
Personnel costs		(3,708.1)	(3,764.4)
Depreciation, amortization and provisions		(974.4)	(1,036.0)
Other operating expenses		(6,072.8)	(5,925.2)
Other operating income		272.0	256.7
<b>CURRENT OPERATING INCOME</b>	<b>4</b>	<b>1,183.9</b>	<b>1,145.8</b>
Mark-to-market on operating financial instruments		0.1	3.5
Impairment on property, plant and equipment, intangible and financial assets		12.7	(87.5)
Restructuring costs		(74.4)	(78.4)
Scope effects		40.4	63.5
Other gains and losses on disposals and non-recurring items		16.0	5.2
<b>INCOME FROM OPERATING ACTIVITIES</b>	<b>5</b>	<b>1,178.7</b>	<b>1,052.1</b>
Financial expenses <sup>(a)</sup>		(515.2)	(538.4)
Financial income <sup>(a)</sup>		113.0	119.2
<b>Net financial income (loss)</b>	<b>6</b>	<b>(402.2)</b>	<b>(419.2)</b>
Income tax expense	7	(205.4)	(185.7)
Share in net income of associates		31.0	22.4
<b>NET INCOME</b>		<b>602.1</b>	<b>469.6</b>
of which: Group share		352.2	251.4
Non-controlling interests		249.9	218.2
<b>Net income (Group share) per share (in euros)</b>	<b>8</b>	<b>0.65</b>	<b>0.45</b>

(a) Data presentation at December 31, 2012 has been changed for comparability purposes (reclassification of €25.1 million between financial expenses and financial income), to reflect the application of IAS 19 revised – Employee Benefits. See the explanation in Notes 1.2.1 and 6.2.

## 20.1.3 Statements of changes in consolidated shareholders' equity

<i>In millions of euros</i>	Number of shares	Share Capital	Premiums	Consolidated reserves	Change in fair value and other	Translation adjustments	Treasury shares	Undated deeply subordinated notes	Shareholders' equity, Group share	Non controlling interests	Total
<b>Shareholders' equity at December 31, 2011</b>	<b>510,233,829</b>	<b>2,040.9</b>	<b>4,147.2</b>	<b>(1,934.7)</b>	<b>(152.5)</b>	<b>136.8</b>	<b>(36.4)</b>	<b>744.8</b>	<b>4,946.1</b>	<b>1,871.1</b>	<b>6,817.2</b>
Net income				251.4					251.4	218.2	469.6
Other comprehensive income items				(80.5)	35.4	13.2			(31.9)	99.1	67.2
<b>Comprehensive income</b>				<b>170.9</b>	<b>35.4</b>	<b>13.2</b>			<b>219.5</b>	<b>317.3</b>	<b>536.8</b>
Share-based payment				23.1					23.1	-	23.1
Dividends distributed in cash				(330.8) <sup>(a)</sup>					(330.8)	(231.2)	(562.0)
Interests of undated deeply subordinated notes issue				(23.7)					(23.7)	-	(23.7)
Purchase/sale of treasury shares				(4.5)			26.4		21.9	-	21.9
Capital increase/reduction									-	0.7	0.7
Transactions between shareholders				0.6					0.6	22.2 <sup>(b)</sup>	22.8
Business combinations				0.6					0.6	14.8	15.4
Other changes				6.6					6.6	0.4	7.0
<b>Shareholders' equity at December 31, 2012</b>	<b>510,233,829</b>	<b>2,040.9</b>	<b>4,147.2</b>	<b>(2,091.9)</b>	<b>(117.1)</b>	<b>150.0</b>	<b>(10.0)</b>	<b>744.8</b>	<b>4,863.9</b>	<b>1,995.3</b>	<b>6,859.2</b>
<b>Shareholders' equity at December 31, 2012</b>	<b>510,233,829</b>	<b>2,040.9</b>	<b>4,147.2</b>	<b>(2,091.9)</b>	<b>(117.1)</b>	<b>150.0</b>	<b>(10.0)</b>	<b>744.8</b>	<b>4,863.9</b>	<b>1,995.3</b>	<b>6,859.2</b>
Net income				352.2					352.2	249.9	602.1
Other comprehensive income items				54.2	240.6	(202.2)			92.6	(174.6)	(82.0)
<b>Comprehensive income</b>				<b>406.4</b>	<b>240.6</b>	<b>(202.2)</b>			<b>444.8</b>	<b>75.3</b>	<b>520.1</b>
Share-based payment				24.5					24.5		24.5
Dividends distributed in cash				(8.9) <sup>(c)</sup>	(321.4) <sup>(c)</sup>				(330.3)	(213.1)	(543.4)
Interests of undated deeply subordinated notes issue				(23.7)					(23.7)		(23.7)
Purchase/sale of treasury shares				(8.3)			(3.6)		(11.9)		(11.9)
Capital increase/reduction									-	3.2	3.2
Transactions between shareholders				(6.5) <sup>(d)</sup>					(6.5)	59.1 <sup>(d)</sup>	52.6
Business combinations				(0.5)					(0.5)	26.1 <sup>(e)</sup>	25.6
IAS 19 revised Impacts (cf. Note 1.2.1)				(1.6)					(1.6)	(0.1)	(1.7)
Other changes				4.3					4.3	0.8	5.1
<b>Shareholders' equity at December 31, 2013</b>	<b>510,233,829</b>	<b>2,040.9</b>	<b>4,138.3</b>	<b>(2,018.7)</b>	<b>123.5</b>	<b>(52.2)</b>	<b>(13.6)</b>	<b>744.8</b>	<b>4,963.0</b>	<b>1,946.6</b>	<b>6,909.6</b>

(a) The Shareholders' Meeting of May 24, 2012 decided to distribute a dividend of €0.65 per share for the financial year 2011, this means a total dividend distribution of €330.8 million.

(b) Change mainly due to the impact of the dilution of Sita France, without loss of control, in Boone Comenor, following a sale of shares to Renault and a capital increase subscribed exclusively by Renault, cutting the holding of Sita France to 66.97%.

(c) The Shareholders' Meeting of May 23, 2013 decided to distribute a dividend of €0.65 per share for the financial year 2012, this means a total dividend distribution of €330.3 million.

(d) Change mainly due to the impact of the dilution of Agbar, following the entry of the local community in the company Aguas de Barcelona to manage the water distribution and the wastewater service in the Barcelona metropolitan area without loss of control (see Note 2 "Major transactions").

(e) Mainly due to the takeover of Mina Publica and Aguas de Sabadell by Agbar (see Note 2 "Major transactions").

## 20.1.4 Consolidated statements of comprehensive income

<i>In millions of euros</i>	Note	December 31, 2013	December 31, 2013 of which Group shares	December 31, 2013 of which non controlling interests	December 31, 2012	December 31, 2012 of which Group shares	December 31, 2012 of which non controlling interests
<b>Net income</b>		<b>602.1</b>	<b>352.2</b>	<b>249.9</b>	<b>469.6</b>	<b>251.4</b>	<b>218.2</b>
Available-for-sale securities	12	136.1 <sup>(a)</sup>	136.1	-	57.0 <sup>(a)</sup>	57.0	-
Net investment hedges		91.2	86.0	5.2	(14.2)	(11.4)	(2.8)
Cash flow hedges (excluding commodities)	13	21.9	17.5	4.4	(1.9)	0.9	(2.8)
Commodity cash-flow hedges	13	(3.0)	(2.6)	(0.4)	(1.2)	(1.0)	(0.2)
Deferred taxes on items above	7	(48.9)	(48.2)	(0.7)	0.1	(0.5)	0.6
Share of associates in reclassifiable items, net of taxes		51.8	51.8	-	(9.6)	(9.6)	-
Translation adjustments		(387.5) <sup>(d)</sup>	(202.2)	(185.3)	118.2 <sup>(b)</sup>	13.2	105.0
<b>Total reclassifiable items</b>		<b>(138.4)</b>	<b>38.4</b>	<b>(176.8)</b>	<b>148.4</b>	<b>48.6</b>	<b>99.8</b>
Actuarial gains and losses		88.5	85.5	3.0	(111.3)	(110.5)	(0.8)
Deferred taxes on actuarial gains and losses	7	(32.1)	(31.3)	(0.8)	30.1	30.0	0.1
<b>Total non-reclassifiable items</b>		<b>56.4</b>	<b>54.2</b>	<b>2.2</b>	<b>(81.2)</b>	<b>(80.5)</b>	<b>(0.7)</b>
<b>COMPREHENSIVE INCOME</b>		<b>520.1</b>	<b>444.8</b>	<b>75.3</b>	<b>536.8</b>	<b>219.5</b>	<b>317.3</b>

(a) Change linked mainly to the reversal of the negative change in fair value of Acea shares. This impairment was recorded in the income statement.

(b) The variation is mainly due to the appreciation of the Chilean peso.

(c) Mainly due to the remeasurement at fair value of Acea and Chongqing Water Group shares.

(d) This change mainly arises as a result of the depreciation of the Chilean peso, the Australian dollar, the US dollar and the pound sterling.

## 20.1.5 Consolidated statements of cash flows

<i>In millions of euros</i>	Note	December 31, 2013	December 31, 2012
<b>Net income</b>		<b>602.1</b>	<b>469.6</b>
- Share in net income of associates		(31.0)	(22.4)
+ Dividends received from associates		34.6	39.4
- Net depreciation, amortization and provisions		923.1	1,117.5
- Scope effects, other gains and losses on disposal and non-recurring items		(54.1)	(67.9)
- Other items with no cash impact		24.2	23.6
- Income tax expense	7	205.4	185.7
- Financial income	6	402.2	419.2
<b>Cash flows from operations before financial income/(expense) and income tax</b>		<b>2,106.5</b>	<b>2,164.7</b>
+ Tax paid <sup>(a)</sup>		(214.5)	(112.9)
<b>Change in working capital requirements <sup>(b)</sup></b>		<b>(68.2)</b>	<b>305.3</b>
<b>Cash flows from operating activities</b>		<b>1,823.8</b>	<b>2,357.1</b>
Investments in property, plant and equipment and intangible assets	3.4.3	(1,138.3)	(1,222.4)
Takeover of subsidiaries net of cash and cash equivalents acquired	3.4.3	(22.2)	(6.4)
Acquisitions of interests in associates and joint-ventures	3.4.3	(6.6)	(65.2)
Acquisitions of available-for-sale securities	3.4.3	(8.0)	(20.1)
Disposals of property, plant and equipment and intangible assets		125.5	33.8
Loss of controlling interests in subsidiaries net of cash and cash equivalents sold		10.4	77.3
Disposals of interests in associates and joint ventures		69.6	2.6
Disposals of available-for-sale securities		5.8	31.0
Interest received on non-current financial assets		8.2	13.4
Dividends received on non-current financial assets		43.0	19.1
Change in loans and receivables issued by the Company and others		(74.8)	(146.4)
<b>Cash flows from investing activities</b>		<b>(987.4)</b>	<b>(1,283.3)</b>
Dividends paid <sup>(c)</sup>		(556.1)	(601.1)
Repayment of borrowings <sup>(d)</sup>	12	(1,350.9)	(1,491.2)
Change in financial assets at fair value through income		(64.3)	(9.0)
Financial interest paid		(359.1)	(432.1)
Financial interest received on cash and cash equivalents		36.9	48.1
Flows on financial derivatives qualifying net investment hedges and compensation payments on financial derivatives		57.2	(67.8)
Increase in financial debt <sup>(d)</sup>	12	1,743.5	1,157.2
Increase in share capital		5.9	(0.1)
Purchase/sale of treasury shares		(11.6)	20.2
Change in share of interests in controlled entities	3.4.3	0.6	0.6
<b>Cash flows from financing activities</b>		<b>(497.9)</b>	<b>(1,375.2)</b>
Impact of changes in exchange rates and other		(79.8)	55.2
<b>TOTAL CASH FLOWS FOR THE PERIOD</b>		<b>258.7</b>	<b>(246.2)</b>
<b>Opening cash and cash equivalents</b>		<b>2,247.3</b>	<b>2,493.5</b>
<b>Closing cash and cash equivalents</b>	12	<b>2,506.0</b>	<b>2,247.3</b>

(a) The variation mainly reflects the settlement of tax disputes by Agbar for €20 million (see Note 24) and the state tax refund in favor of Agbar in 2012.

(b) The variation is mainly due to the sale and derecognition of trade receivables in 2012 for €317 million.

(c) Including withholding tax.

(d) These variations are detailed in Note 12 "Financial Instruments" (see explanation of significant changes that affect the gross debt and comments on the change in net debt).



## 20.1.6 Notes to the consolidated financial statements

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## NOTE 1 Basis of presentation, principles and accounting policies

### 1.1 Basis of presentation

SUEZ ENVIRONNEMENT COMPANY SA, the Parent Company of the Group, is a French *société anonyme* subject to the provisions of Book II of the French Commercial Code, as well as to all other legal provisions applying to French commercial corporations. It was incorporated in November 2000. The Group's headquarter is in the CB21 tower – 16, place de l'Iris – 92040 Paris-La Défense – France.

The Group is a major international player in the water and waste industries. It came about as the result of the SUEZ Group's 2008 regrouping of all its subsidiaries and holdings in the environment sector, within SUEZ ENVIRONNEMENT COMPANY, as part of the merger between Gaz de France and SUEZ. SUEZ ENVIRONNEMENT COMPANY has been listed on the Euronext Paris market (*Compartment A*) and Euronext Brussels market since July 22, 2008.

On February 19, 2014, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY approved and authorized the publication of the Group's consolidated financial statements for the fiscal year ended December 31, 2013.

### 1.2 Accounting standards

Pursuant to European Commission Regulation (EC) 809/2004 on Prospectus dated April 29, 2004, the financial information concerning the assets, liabilities, financial position, and profit and loss of SUEZ ENVIRONNEMENT COMPANY has been provided for the last two fiscal years ended December 31, 2012 and 2013, and was prepared in accordance with European Regulation (EC) 1606/2002 of July 19, 2002 relating to the application of international accounting standards (IFRS). The Group's Consolidated Financial Statements for the year ended December 31, 2013 were prepared in accordance with IFRS as issued by the IASB and endorsed by the European Union <sup>(1)</sup>.

The accounting standards applied in preparing the financial statements at December 31, 2013 are consistent with those applied in preparing the financial statements of December 31, 2012, with the exception of the items mentioned below in paragraphs 1.2.1 to 1.2.2.

(1) Basis of presentation available on the website of the European Commission, [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm)

## 1.2.1 IAS 19 Revised – Employee benefits applicable on January 1, 2013

Changes in accounting principles pursuant to the application of IAS 19 Revised are as follows for the Group:

- Under IAS 19 Revised, the net interest expense (income) on the net defined benefit liability is determined by applying the discount rate, used to measure the defined benefit obligation, to the net defined benefit liability (asset). This net interest expense (income) is presented as “financial expense” (“financial income”) in the income statement. Until December 31, 2012, two separate financial components regarding defined benefit plans were recognized in the Group’s income statement, which are now compensated:
  - an interest expense (“financial expense”), being the discount unwinding of the defined benefit obligation;
  - an interest income (“financial income”), being the expected return on plan assets;
- Under the amended standard, plan administration costs, other than those relating to asset management, are recognized in the profit and loss when the administration services are rendered. Before the revision of the IAS 19, administration costs were provisioned and included in the actuarial assumptions used to measure the defined benefit obligation;
- As from application of IAS 19 Revised, unvested past service cost shall be recognized immediately whereas previously it was recognized over the vesting period.

These changes in accounting principles are retrospectively applied starting from January 1, 2012. However, given the low incidence, the consolidated statement of financial position has not been restated. For the sake of comparison, financial income items were reclassified in the income statement, but net income was not restated. Applying these new standards would have generated:

- a €2.3 million increase in provision of post-employment benefits, a €0.6 million increase in deferred tax assets and a €1.7 million decrease of equity in the statement of financial position at December 31, 2012. These restatements are mainly due to the recognition of unvested past service cost;
- a €9.2 million decrease in net financial income with a tax effect of €3.8 million, that is a net decrease of €5.4 million in the December 31, 2012 income statement offset by an actuarial gain for the same amount in the statement of comprehensive income.

The additional information required by IAS 19 Revised is provided in Note 16, “Post-employment benefit obligations and other long-term benefits”.

## 1.2.2 Mandatory other standards, amendments and interpretations applicable in 2013

- IFRS 13 – Fair value measurement: this new standard provides as the sole definition of fair value per the entire IFRS the price that would be received when selling an asset or paid when transferring a liability during normal transactions between market operators at the valuation date, and extends to financial and non-financial assets and liabilities appraised at fair value in application of an existing standard, the reporting duty on the fair value level:

- Level 1: price listed for the same instrument on an active market;
- Level 2: directly or indirectly observable data for a similar instrument on an active market;
- Level 3: primarily non-observable data.

Application of these provisions is forthcoming beginning on January 1, 2013. They have no material impact on the Group’s income statement or statement of financial position. Additional Information required by IFRS 13 regarding the fair value of financial assets and liabilities are specifically provided in Note 12, “Financial Instruments”.

- Amendments to IAS 12 – Income Taxes – Deferred tax: Recovery of underlying assets. The Group is not concerned by these amendments.
- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities: Information, about rights to offset and about related arrangements associated with financial assets and liabilities are disclosed in the Note 12 “Financial Instruments”.
- Annual improvements – 2009-2011 Cycle: these amendments have no significant impact for the Group.
- IFRIC 20 – Stripping costs in the production phase of a surface mine: this interpretation has no bearing on the Group.

## 1.2.3 IFRS standards and amendments applicable after 2013 that the Group has elected not to early adopt

### 2014 applicable standards and amendments

- IFRS 10 – Consolidated financial statements;
- IFRS 11 – Joint Arrangements;

In adopting these new standards, the Group analyzed companies that had entered into governance agreements with outside investors in order to evaluate Group’s level of control on the joint ventures in question as well as the impact of eliminating proportionate consolidation.

The impact of applying these two standards on the Group’s key indicators based on figures at the end of December 2013 would be:

- Revenues: -€321 million,
- Current operating income: -€36 million,
- Net debt: -€59 million;

- IFRS 12 – Disclosure of Interests in Other Entities;
- Amendments to IAS 28 – Investments in Associates and Joint Ventures;
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments IAS 32 – Financial Instruments – Disclosures – Offsetting financial assets and financial liabilities;
- Amendments IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;

- IFRIC 21 – Levies <sup>(1)</sup>.

The impact resulting from the application of these standards and amendments is currently being assessed.

### 1.2.4 Reminder of IFRS 1 transition options

The Group used some of the options available under IFRS 1 for its transition to IFRS in 2005. The options that continue to have an effect on the consolidated financial statements are:

- translation adjustments: the Group elected to reclassify cumulative translation adjustments within equity in the consolidated reserves at January 1, 2004;
- business combinations: the Group elected not to restate business combinations that took place prior to January 1, 2004 in accordance with IFRS 3.

## ➔ 1.3 Measurement basis for preparation of the consolidated financial statements

The Consolidated Financial Statements have been prepared using the historical cost convention, except for financial instruments that are accounted for according to the financial instrument categories defined by IAS 39.

## ➔ 1.4 Use of judgment and estimates

The economic and financial crisis continues, while the Group maintains its risk management procedures of its financial instruments. The significant market volatility caused by the crisis is taken into account by the Group in the estimates made such as for its business plans and in the various discount rates used in impairment testing and computing provisions.

### 1.4.1 Estimates

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions to determine the value of assets and liabilities, the disclosure of contingent assets and liabilities at the reporting date, as well as the revenues and expenses reported during the period.

Due to uncertainties inherent in the estimation process, the Group regularly revises its estimates in light of currently available information. Final outcomes could differ from those estimates.

The key estimates used by the Group in preparing the Consolidated Financial Statements relate mainly to:

- the measurement of the fair value of assets acquired and liabilities assumed in a business combination;
- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (see Notes 1.5.4.1 and 1.5.7);
- the measurement of provisions, particularly for legal and arbitration proceedings and for pensions and other employee benefits (see Note 1.5.15);
- capital renewal and replacement liabilities (see Note 1.5.6);
- financial instruments (see Note 1.5.10);

- unmetered revenues (see Note 1.5.16);

- margin at termination relating to construction contracts (see Note 1.5.13);

- the measurement of capitalized tax-loss carry-forwards.

#### 1.4.1.1 MEASUREMENT OF THE FAIR VALUE OF ASSETS ACQUIRED AND LIABILITIES ASSUMED IN A BUSINESS COMBINATION

The fair value of the assets acquired and liabilities assumed is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows as well as the discount rate to apply. The values used reflect management's best estimates.

#### 1.4.1.2 RECOVERABLE AMOUNT OF GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The recoverable amount of goodwill, intangible assets and property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets and the discount rate to apply. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in adjustments to the impairment losses already booked.

#### 1.4.1.3 ESTIMATES OF PROVISIONS

Parameters with a significant influence on the amount of provisions include the timing of expenditure and the discount rate applied to cash flows, as well as the actual level of expenditure. These parameters are based on information and estimates deemed to be appropriate by the Group at the current time.

To the Group's best knowledge, there is no information suggesting that the parameters used taken as a whole are not appropriate. Furthermore, the Group is not aware of any developments that are likely to have a material impact on the provisions booked.

#### 1.4.1.4 PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS

Pension obligations are measured on the basis of actuarial calculations. The Group considers that the assumptions used to measure its obligations are appropriate and documented. However, any change in these assumptions may have a material impact on the resulting calculations.

#### 1.4.1.5 CAPITAL RENEWAL AND REPLACEMENT LIABILITIES

This item includes concession operators' liabilities for renewing and replacing equipment and for restoring sites. The liabilities are determined by estimating the cost of renewing or replacing equipment and restoring the sites under concession (as defined by IFRIC 12), discounted each year at rates linked to inflation. The related expense is calculated on a contract-by-contract basis with probable capital renewal and site restoration costs allocated over the life of each contract.

#### 1.4.1.6 FINANCIAL INSTRUMENTS

To determine the fair value of financial instruments that are not listed on an active market, the Group uses valuation techniques that are based on certain assumptions. Any change in these assumptions could have a material impact on the resulting calculations.

(1) As these standard and interpretation have not yet been adopted by the European Union, their exact terminology may change.

## 1.4.1.7 REVENUES

Revenues generated from customers whose consumption is metered during the accounting period are estimated at the reporting date based on historical data, consumption statistics and estimated selling prices. The Group has developed measuring and modelling tools that allow it to estimate revenues with a satisfactory degree of accuracy and subsequently ensure that risks of error associated with estimating quantities sold and the resulting revenues can be considered as not material.

## 1.4.1.8 MARGIN AT TERMINATION RELATING TO CONSTRUCTION CONTRACTS

The determination of total expected revenue and costs at termination involves significant estimates related to technical solutions, duration of project and contractual issues.

Management reassesses those estimates for the preparation of consolidated financial statements on a quarterly basis or more frequently if required by significant new developments in the course of the projects. Any significant change in expected revenue or expected costs implies an immediate adjustment of the margin already recognized for the portion of the project already performed, and impacts future margin for works still to be performed.

## 1.4.1.9 MEASUREMENT OF CAPITALIZED TAX LOSS CARRY-FORWARDS

Deferred tax assets are recognized on tax loss carry-forwards when it is probable that future taxable profit will be available to the Group against which the tax loss carry-forwards can be utilized. The likelihood of future taxable profits is estimated taking into account the existence of temporary taxable differences from the same tax entity and is passed on to the same deadlines towards the tax authority as well as the estimates of future taxable profits. Estimates of taxable profit and utilizations of tax loss carry-forwards were prepared on the basis of profit and loss forecasts as included in the medium-term business plan and, if necessary, on the basis of additional forecasts.

## 1.4.2 Judgment

As well as relying on estimates, the Group management also makes judgments to define the appropriate accounting treatment to apply to certain activities and transactions, when the effective IFRS standards and interpretations do not specifically deal with the related accounting issue.

This particularly applies in relation to the recognition of concession arrangements, the classification of agreements that contain a lease, and the recognition of acquisitions of non-controlling interests prior to January 1, 2010.

In accordance with IAS 1, the Group's current and non-current assets and current and non-current liabilities are shown separately on the consolidated statement of financial position. For most of the Group's activities, the breakdown into current and non-current items is based on when assets are expected to be realized, or liabilities extinguished. Assets expected to be realized or liabilities extinguished within 12 months of the reporting date are classified as current, while all other items are classified as non-current.

## ➔ 1.5 Accounting policies

### 1.5.1 Scope and methods of consolidation

The consolidation methods used by the Group include the full consolidation method, the proportionate consolidation method and the equity method:

- subsidiaries (over which the Group exercises exclusive control are fully consolidated);
- companies over which the Group exercises joint control are consolidated by the proportionate method, based on the Group's percentage of interest;
- the equity method is used for all associate companies over which the Group exercises significant influence. In accordance with this method, the Group recognizes its proportionate share of the investee's net income or loss on a separate line of the consolidated income statement under "Share in net income of associates". The accounting policies applied by these companies comply with IFRS and are consistent with the accounting policies of the Group.

The Group analyses what type of control exists on a case-by-case basis, taking into account the situations illustrated in IAS 27, 28 and 31.

All intercompany balances and transactions are eliminated in the Consolidated Financial Statements.

A list of the main fully and proportionately consolidated companies, together with investments accounted for by the equity method, is presented in Note 26 – List of the main consolidated companies at December 31, 2013 and 2012.

### 1.5.2 Foreign currency translation methods

#### 1.5.2.1 PRESENTATION CURRENCY OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's Consolidated Financial Statements are presented in euros (€).

#### 1.5.2.2 FUNCTIONAL CURRENCY

Functional currency is the currency of the primary economic environment in which an entity operates. In most cases, the functional currency corresponds to the local currency. However, certain entities may have a different functional currency from the local currency when that other currency is used for an entity's main transactions and better reflects its economic environment.

#### 1.5.2.3 FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded in the functional currency at the exchange rate prevailing at the date of the transaction. At each reporting date:

- monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. The related translation gains and losses are recorded in the income statement for the year to which they relate;
- non-monetary assets and liabilities denominated in foreign currencies are recognized at the historical cost applicable at the date of the transaction.

#### 1.5.2.4 TRANSLATION OF THE FINANCIAL STATEMENTS OF CONSOLIDATED COMPANIES WITH A FUNCTIONAL CURRENCY OTHER THAN THE EURO

The statement of financial position is translated into euros at year-end exchange rates. Income statement and statement of cash flow items are translated using the average exchange rate for the year. Any differences arising from the translation of the financial statements of consolidated companies are recorded under "Cumulative translation adjustment" as Other Comprehensive Income.

Goodwill and fair value adjustments arising from the acquisition of foreign entities are classified as assets and liabilities of those foreign entities. Therefore, they are denominated in the functional currencies of the entities and translated at the year-end exchange rate.

### 1.5.3 Business combinations

Business combinations accomplished before January 1, 2010 have been recognized in accordance with IFRS 3 prior to the revision effective January 1, 2010. In accordance with IFRS 3 Revised, these business combinations have not been restated.

Since January 1, 2010, the Group applies the purchase method as defined in IFRS 3 Revised, which consists of recognizing at the acquisition date the identifiable assets acquired and liabilities assumed at their fair values, including any non-controlling interests in the acquired company. Non-controlling interests are measured either at fair value or at proportionate interest in the net identifiable assets. The Group determines on a case-by-case basis which measurement option is to be used to recognize non controlling interests.

### 1.5.4 Intangible assets

Intangible assets are recognized at cost less any accumulated amortization and any accumulated impairment losses.

#### 1.5.4.1 GOODWILL

##### A. Recognition of goodwill

The application of IFRS 3 Revised on January 1, 2010 requires the Group to identify business combinations carried out before or after that date.

##### Business combinations carried out before January 1, 2010

Goodwill represents the excess of the cost of a business combination (acquisition price of shares plus any costs directly attributable to the business combination) and the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities recognized at the acquisition date (except if the business combination is achieved in stages).

For a business combination achieved in stages – i.e. where the Group acquires a subsidiary through successive share purchases – the amount of goodwill is determined separately for each exchange transaction based on the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of each exchange transaction.

##### Business combinations carried out after January 1, 2010

Goodwill is measured as being the amount by which the total of:

- i. the consideration transferred;
- ii. the amount of any non-controlling interest in the acquired company; and
- iii. in a business combination achieved in stages, the fair value at acquisition-date of the previously held interests in the acquired company,

exceeds the net balance of identifiable assets acquired and liabilities assumed.

The amount of goodwill recognized at the acquisition date cannot be adjusted after the end of the measurement period.

Goodwill relating to associates is recorded under "Investments in associates".

##### B. Measurement of goodwill

Goodwill is not amortized but is tested for impairment each year, or more frequently when an indication of impairment is identified. Impairment tests are carried out at the level of cash-generating units (CGUs), which constitute groups of assets generating cash inflows that are largely independent of the cash inflows from other cash-generating units.

The methods used to carry out these impairment tests are described in Note 1.5.7 "Impairment of property, plant and equipment and intangible assets".

Impairment losses in relation to goodwill cannot be reversed and are shown under "Impairment" in the income statement.

Impairment losses on goodwill relating to associates are reported under "Share in net income of associates".

#### 1.5.4.2 OTHER INTANGIBLE ASSETS

##### A. Development costs

Research costs are expensed as incurred.

Development costs are capitalized when the asset recognition criteria set out in IAS 38 are met. Capitalized development costs are amortized over the useful life of the intangible asset recognized. In view of the Group's activities, capitalized development costs are not material.

##### B. Other internally generated or acquired intangible assets

Other intangible assets include mainly:

- amounts paid or payable as consideration for rights relating to concession arrangements or public service contracts;
- customer portfolios acquired on business combinations;
- surface and underground water drawing rights, which are not amortized as they are granted indefinitely;
- concession assets;
- exclusive rights to distribute drinking water in a defined geographic area in perpetuity.

Intangible assets are amortized on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset. If this cannot be reliably calculated, the straight-line method is used, as a function of the useful lives presented in the table below (in years).

In years	Useful life	
	Minimum	Maximum
Concession rights	10	50
Customer portfolios	10	25
Other intangible assets	1	40

Some intangible assets (water rights, etc.) with an indefinite useful life are not amortized but are subject to an annual impairment test.

## 1.5.5 Property, plant and equipment

### 1.5.5.1 PROPERTY, PLANT AND EQUIPMENT – INITIAL MEASUREMENT AND SUBSEQUENT MEASUREMENT

Items of property, plant and equipment are recognized at their historical cost of acquisition, production or entry to the Group, less any accumulated depreciation and any accumulated impairment losses.

The carrying amount of these items is not revalued as the Group has elected not to apply the allowed alternative method, which consists of regularly revaluing one or more categories of property, plant and equipment.

Investment subsidies are deducted from the gross value of the assets concerned under the heading they were received.

In accordance with IAS 16, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has a present legal or constructive obligation to dismantle the item or restore the site. In counterpart, a provision is recorded for the same amount.

Property, plant and equipment acquired under finance leases are carried in the consolidated statement of financial position at the lower of the market value and the present value of the related minimum lease payments. The corresponding liability is recognized under financial debt. These assets are also depreciated using the methods and useful lives set out below.

The Group applies IAS 23 Revised, which consists in capitalizing borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

### 1.5.5.2 DEPRECIATION

In accordance with the components approach, the Group uses different depreciation terms for each significant component of a sole tangible asset when one of these significant components has a different useful life from that of the main tangible asset to which it relates.

Depreciation is calculated on a straight-line basis over normal useful lives.

The range of useful lives is due to the diversity of the assets and contractual terms in each category. The shortest periods relate to smaller equipment and furniture, while the longest useful lives concern network infrastructure.

Standard useful lives are as follows:

In years	Main depreciation periods
Constructions <sup>(a)</sup>	3 to 100
Plant and equipment	2 to 70
Transport equipment	3 to 14

(a) Including fittings

With respect to the assets accounted for as counterpart for the site restoration provisions, they are amortized according to the method set forth in Note 15.4.

## 1.5.6 Concessions arrangements

SIC 29 interpretation – Services Concession agreements – Disclosures – relates to concession contracts that should be disclosed in the Notes to the financial statements, while IFRIC 12 relates to the accounting treatment of certain concession arrangements.

These interpretations set out the common features of concession arrangements:

- concession arrangements involve the provision of a public service and the management of associated infrastructure, entrusted to the concession operator, together with specific capital renewal and replacement obligations;
- the grantor is contractually obliged to provide these services to the public (this criterion must be met for the arrangement to qualify as a concession);
- the operator is responsible for at least some of the management of the infrastructure and does not merely act as an agent on behalf of the grantor;
- the contract sets the initial prices to be levied by the operator and regulates price revisions over the concession period.

For a concession arrangement to fall within the scope of IFRIC 12, usage of the infrastructure must be controlled by the concession grantor. The requirement is met when the following two conditions are satisfied:

- the grantor controls or regulates what services the operator must provide with the infrastructure and determines to whom it must provide them, and at what price; and
- the grantor controls the infrastructure, i.e. retains the right to take back the infrastructure at the end of the concession.

Under IFRIC 12, the operator's rights over infrastructure operated under concession arrangements should be accounted for based on the nature of the compensation to be received. Thus:

- the "financial asset model" is applied when the operator has an unconditional right to receive cash or another financial asset, either directly from the grantor or indirectly by means of warranties given by the grantor for amounts receivable from the users of the public service (e.g. *via* a contractually guaranteed internal rate of return) and the grantor has the primary responsibility to pay the operator;
- in other cases, the "intangible asset model" is applied: the operator is entitled to bill the users of the public service and the users have primary responsibility to pay for the concession services.

In cases where the users actually pay the Group, but the local authority guarantees the amounts that will be paid for the duration of the contract (e.g., *via* a guaranteed internal rate of return), the financial asset model should be used to account for the concession infrastructure, since the local authority is, in substance, primarily responsible for payment. In practice, the financial asset model is used to account for BOT (Build, Operate and Transfer) contracts entered into with local authorities for public services such as wastewater treatment and household waste incineration).

However, where the local authority pays the Group but merely acts as an intermediary fee collector and does not guarantee the amounts receivable ("pass through arrangement"), the intangible asset model should be used to account for the concession since the users are, in substance, primarily responsible for payment.

"Primary responsibility" means that while the identity of the payer of the services is not an essential criterion, the person ultimately responsible for payment should be identified.

Pursuant to these principles:

- Property, plant and equipment received at no cost from the grantor as infrastructure, access to which the operator is granted for the purposes of the service agreement, may not be transferred and, as these will be returned to the grantor at no cost at the end of the contract, they are not recorded in the statement of financial position. In particular, infrastructure entrusted during the term of the contract by the grantor to the operator for servicing and maintenance is not recognized in the statement of financial position;
- Infrastructure undertaken by the operator is recognized as follows:
  - under the intangible asset model, the fair value of construction and other work on the infrastructure represents the acquisition cost of the intangible asset and should be recognized when the infrastructure is built provided that this work is expected to generate future economic benefits (e.g., the case of work carried out to extend the network). Where no such economic benefits are expected, the present value of commitments in respect of construction and other work on the infrastructure is recognized from the outset, with a corresponding adjustment to concession liabilities,
  - under the financial asset model, the amount receivable from the grantor is recognized at the time the infrastructure is built, at the fair value of the construction and other work carried out,
  - when the grantor has a payment obligation for only part of the investment, the cost is recognized in financial assets for the amount guaranteed by the grantor, with the balance included in intangible assets ("mixed model").

Renewal costs consist of obligations under concession arrangements with potentially different terms and conditions (obligation to restore the site, renewal plan, tracking account, etc.).

Renewal costs are recognized as either (i) intangible or financial assets depending on the applicable model, when the costs are expected to generate future economic benefits (i.e. they bring about an improvement); or (ii) expenses, where no such benefits are expected to be generated (i.e. the infrastructure is restored to its original condition).

Costs incurred to restore the asset to its original condition are recognized as a renewal asset or liability when there is a timing difference between the contractual obligation calculated on a time proportion basis, and its realization.

The costs are calculated on a case-by-case basis based on the obligations associated with each arrangement.

### 1.5.7 Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36, impairment tests are carried out on intangible assets and on property, plant and equipment whenever there is an indication that the assets may be impaired. Such indications may be based on events or changes in the market environment, or on internal sources of information. Intangible assets that are not amortized are tested for impairment annually.

#### Impairment indicators

This impairment test is only carried out for property, plant and equipment and intangible assets for the defined useful lives when there are indications of an alteration in their value. In general, this arises as a result of significant changes in the operational environment of the assets or from a poorer than expected economic performance.

The main indications of impairment used by the Group are:

- external sources of information:
  - significant changes in the economic, technological, political or market environment in which the entity operates or to which the asset is dedicated,
  - fall in demand;
- internal sources of information:
  - evidence of obsolescence or physical damage not budgeted for in the depreciation/amortization schedule,
  - worse-than-expected performance.

#### Impairment

Items of property, plant and equipment or intangible assets are tested for impairment at the level of the individual asset or cash-generating unit as appropriate, determined in accordance with IAS 36. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment loss. Upon recognition of an impairment loss, the depreciable amount – and possibly the useful life – of the asset concerned is revised.

Impairment losses recorded in relation to property, plant and equipment or intangible assets may be subsequently reversed if the recoverable amount of the assets is once again higher than their carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized in prior periods.

#### Measurement of recoverable amount

In order to review the recoverable amount of property, plant and equipment and intangible assets, the assets are, where appropriate, grouped into cash-generating units (CGUs) and the carrying amount of each unit is compared with its recoverable amount.

For operating entities which the Group intends to hold on a long-term and going concern basis, the recoverable amount of a CGU corresponds to the higher of its fair value less costs to sell and its value in use. Value in use is primarily determined based on the present value of future operating cash flows and a terminal value.

Standard valuation techniques are used based on the following main economic data:

- discount rates based on the specific characteristics of the operating entities concerned;
- terminal values in line with the available market data specific to the operating segments concerned and growth rates associated with these terminal values, not to exceed inflation.

Discount rates are determined on a post-tax basis and applied to post-tax cash flows. The recoverable amounts calculated on the basis of these discount rates are the same as the amounts obtained by applying the pre-tax discount rates to cash flows estimated on a pre-tax basis, as required by IAS 36.

For operating entities which the Group has decided to sell, the related carrying amount of the assets concerned is written down to the estimated market value less costs of disposal. When negotiations are ongoing, this is determined based on the best estimate of their outcome as of the reporting date.

In the event of a decline in value, the impairment loss is recorded in the consolidated income statement under "Impairment".

## 1.5.8 Leases

The Group holds assets for its various activities under lease contracts.

These leases are analyzed based on the situations and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not comply with the definition of a finance lease are classified as operating leases.

The following main factors are considered by the Group to assess whether or not a lease transfers substantially all the risks and rewards incidental to ownership: whether (i) the lease transfers ownership of the asset to the lessee by the end of the lease term; (ii) the lessee has an option to purchase the asset and if so, the conditions applicable to exercising that option; (iii) the lease term covers the major part of the estimated economic life of the asset; and (iv) the asset is of a highly specialized nature. A comparison is also made between the present value of the minimum lease payments and the fair value of the asset concerned.

### 1.5.8.1 ACCOUNTING FOR FINANCE LEASES

On initial recognition, assets held under finance leases are recorded as property, plant and equipment and the related liability is recognized under borrowings. At inception of the lease, finance leases are recorded at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

### 1.5.8.2 ACCOUNTING FOR OPERATING LEASES

Payments made under operating leases are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

### 1.5.8.3 ACCOUNTING FOR ARRANGEMENTS THAT CONTAIN A LEASE

IFRIC 4 deals with the identification of services and take-or-pay sales or purchase contracts that do not take the legal form of a lease but convey rights to customers/suppliers to use an asset or a group of assets in return for a payment or a series of fixed payments. Contracts meeting these criteria should be identified as either operating leases or finance leases. In the latter case, a financial receivable should be recognized to reflect the financing deemed to be granted by the Group where it is considered as acting as lessor and its customers as lessees.

This interpretation applies to some contracts with industrial or public customers relating to assets financed by the Group.

## 1.5.9 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value corresponds to the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is determined based on the first-in, first-out method or the weighted average cost formula.

## 1.5.10 Financial instruments

Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39.

### 1.5.10.1 FINANCIAL ASSETS

Financial assets comprise available-for-sale securities, loans and receivables carried at amortized cost including trade and other receivables, and financial assets measured at fair value through income including derivative financial instruments. Financial assets are broken down into current and non-current assets in the statement of financial position.

#### A. Available-for-sale securities

Available-for-sale securities include the Group's investments in non-consolidated companies and equity or debt instruments that do not satisfy the criteria for classification in another category (see below). These items are measured by using a weighted average cost formula.

On initial recognition, they are measured at fair value which generally corresponds to the acquisition cost plus transaction costs.

At each reporting date, available-for-sale securities are measured at fair value. For listed companies, fair value is determined based on the quoted market price at the closing date. Unlisted securities are measured using valuation models based primarily on the most recent market transactions, discounted dividends or cash flow and net asset value.

Changes in fair value are recognized directly in "Other Comprehensive Income", except when the decline in the value of the investment below its historical acquisition cost is judged significant or prolonged enough to require an impairment if needed. In this case, loss is recognized in income under "Impairment". Only impairment losses recognized on debt instruments (debt securities/bonds) may be reversed through income (refer to Note 12.1.1.2).



**B. Loans and receivables carried at amortized cost**

This item primarily includes loans and advances to associates or non-consolidated companies, and guarantee deposits as well as trade and other receivables.

On initial recognition, these loans and receivables are recorded at fair value plus transaction costs. At each reporting date, they are measured at amortized cost using the effective interest rate method.

On initial recognition, trade and other receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery. The amounts owed by customers under construction contracts are included in this item.

**C. Financial assets measured at fair value through income**

These financial assets meet the qualification or designation criteria set out in IAS 39.

This item mainly includes trading securities and short-term investments which do not meet the criteria for classification as cash or cash equivalents (see Note 1.5.11). The financial assets are measured at fair value at the reporting date and changes in fair value are recorded in the consolidated income statement.

**1.5.10.2 FINANCIAL LIABILITIES**

Financial liabilities include borrowings, trade and other payables, derivative financial instruments, and other financial liabilities.

Financial liabilities are broken down into current and non-current liabilities in the statement of financial position. Current financial liabilities primarily comprise:

- financial liabilities with a settlement or maturity date within 12 months of the reporting date;
- financial liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date;
- financial liabilities held primarily for trading purposes;
- derivative financial instruments qualifying as fair value hedges where the underlying is classified as a current item;
- all derivative financial instruments not qualifying as hedges.

**A. Measurement of borrowings and other financial liabilities**

Borrowings and other financial liabilities are measured at amortized cost using the effective interest rate method.

On initial recognition, any issue premiums/discounts, redemption premiums/discounts and issuing costs are added to/deducted from the nominal value of the borrowings concerned. These items are taken into account when calculating the effective interest rate and are therefore recorded in the consolidated income statement over the life of the borrowings using the amortized cost method.

As regards structured debt instruments that do not have an equity component, the Group may be required to separate an "embedded" derivative instrument from its host contract. The conditions under which these instruments must be separated are detailed below. When an embedded derivative is separated from its host contract, the initial carrying amount of the structured instrument is broken down into an embedded derivative component, corresponding to

the fair value of the embedded derivative, and a financial liability component, corresponding to the difference between the amount of the issue and the fair value of the embedded derivative. The separation of components upon initial recognition does not give rise to any gains or losses. Subsequently, the debt is recorded at amortized cost using the effective interest method, while the derivative is measured at fair value, with changes in fair value taken to income.

**B. Call options on non-controlling interests granted before January 1<sup>st</sup>, 2010**

Other financial liabilities primarily include put options on non-controlling interests granted by the Group. As no specific guidance is provided by IFRS and in view of the AMF (French Financial Market Authority) recommendations for year-end 2009, the Group has adopted the following accounting treatment for these commitments:

- when the put option is initially granted, the present value of the exercise price is recognized as a financial liability, with a corresponding reduction in non-controlling interests. When the value of the put option is greater than the carrying amount of the non-controlling interests, the difference is recognized as goodwill;
- at each reporting date, the amount of the financial liability is revised and any changes in the amount are recorded with a corresponding adjustment to goodwill;
- payments of dividends to non-controlling interests result in an increase in goodwill;
- in the income statement, non-controlling interests are allocated their share in income. In the statement of financial position, the share in income allocated to non-controlling interests reduces the carrying amount of goodwill. No finance costs are recognized in respect of changes in the fair value of liabilities recognized against goodwill.

**1.5.10.3 DERIVATIVES AND HEDGE ACCOUNTING**

The Group uses financial instruments to manage and reduce its exposure to market risks arising from fluctuations in interest rates, foreign currency exchange rates and commodity prices. Use of derivative instruments is governed by a Group policy for managing interest rate, currency and commodity risks.

**Definition and scope of derivative financial instruments**

Derivative financial instruments are contracts whose value changes in response to the change in one or more observable variables that do not require any material initial net investment and that are settled at a future date.

Derivative instruments therefore include swaps, options and futures, as well as forward commitments to purchase or sell listed and unlisted securities.

**Embedded derivatives**

An embedded derivative is a component of an agreement known as a host contract, which meets the definition of a derivative instrument and whose economic characteristics are not closely related to those of its host contract.

At Group level, the main contracts likely to contain embedded derivatives are those containing clauses or options that can affect the price, volume or maturity of the contract. In particular, these are contracts to buy or sell non-financial assets whose price may be adjusted in accordance with fluctuations of an index, a pricing provision, foreign currency prices, or the price of an asset other than the asset underlying the contract.

Embedded derivatives are separately recognized in the following cases:

- if the host contract is not a financial instrument already recognized at fair value with any fair value adjustment shown in income;
- if when separated from the host contract, the component still meets the definition of a derivative product (existence of an underlying instrument, absence of initial and future settlement);
- if the characteristics of the identified derivative are not closely related to those of the host contract. The determination of "closely related" is carried out on the date that the contract is signed.

When an embedded derivative is separated from its host contract, it is recognized at fair value in the statement of financial position and variations in fair value are recognized in income (if the embedded derivative is not documented in a hedge relationship).

### Derivative hedging instruments: recognition and presentation

Derivative instruments qualifying as hedging instruments are recognized in the statement of financial position and measured at fair value. However, their accounting treatment varies according to whether they are classified as:

- a fair value hedge of an asset or liability;
- a cash flow hedge;
- a hedge of a net investment in a foreign operation.

### Fair value hedges

A fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognized asset or liability, such as a fixed-rate loan or borrowing, or of assets, liabilities or an unrecognized firm commitment denominated in a foreign currency.

The gain or loss from re-measuring the hedging instrument at fair value is recognized in income. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is also recognized in income even if the hedged item is in a category in respect of which changes in fair value are recognized through "Other Comprehensive Income", or if it is normally recognized at amortized cost in the absence of hedging. These two adjustments are presented net in the income statement, with the net effect corresponding to the ineffective portion of the hedge.

### Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that could affect the Group's consolidated income. The hedged cash flows may be attributable to a particular risk associated with a recognized financial or non-financial asset or a highly probable forecast transaction.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in Other Comprehensive Income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in shareholders' equity are reclassified to the income statement, under the same caption as the loss or gain on the hedged item – i.e. current operating income for operating cash flows and financial income/expense for other cash flows – in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective, the cumulative gain or loss on the hedging instrument remains separately recognized in shareholders' equity until the forecast transaction occurs. However, if a forecast transaction is no longer highly probable, the cumulative gain or loss on the hedging instrument is recognized in income.

### Hedge of a net investment in a foreign operation

In the same way as for a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge of the currency risk is recognized directly in Other Comprehensive Income, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in Other Comprehensive Income are transferred to the consolidated income statement when the investment is sold or liquidated.

### Identification and documentation of hedging relationships

The hedging instruments and hedged items are designated at the inception of the hedging relationship. The hedging relationship is formally documented in each case, specifying the hedging strategy, the hedged risk and the method used to assess hedge effectiveness. Only derivative contracts entered into with external counterparts are considered eligible for hedge accounting.

Hedge effectiveness is assessed and documented at the inception of the hedging relationship and on an ongoing basis throughout the periods for which the hedge was designated. Hedges are considered to be effective when changes in fair value or cash flows between the hedging instrument and the hedged item are offset within a range of 80%-125%.

Hedge effectiveness is demonstrated both prospectively and retrospectively using various methods, based mainly on a comparison between changes in the fair value or cash flows between the hedging instrument and the hedged item. Methods based on an analysis of statistical correlations between historical price data are also used by the Group.

### Derivative instruments not qualifying for hedge accounting: recognition and presentation

These items mainly concern derivative financial instruments used in economic hedges that have not been – or are no longer – documented as hedging relationships for accounting purposes.

When a derivative financial instrument does not qualify or no longer qualifies for hedge accounting, changes in fair value are recognized directly in income, under "Mark-to-Market on commodity contracts other than trading instruments", in current operating income for derivative instruments with non-financial assets as the underlying, and in financial income or expenses for currency, interest rate and equity derivatives.

Derivative expiring in less than 12 months are recognized in the consolidated statement of financial position in current assets and liabilities, while derivatives expiring after this period are classified as non-current items.

#### Measurement of fair value

The fair value of listed instruments on an active market is determined based on the market price. In this case, these instruments are presented at **Level 1** of the fair value measurement.

The fair value of non-listed financial instruments for which there is observable market data is determined by using valuation techniques such as the valuation models applied for options, or by using the discounted cash flows method. The counterparty risk is taken into account when valuing derivative contracts.

The models used to value these instruments include assumptions based on market data in accordance with IFRS 13:

- the fair value of interest rate swaps is calculated based on discounted future cash flows;
- the fair value of forward exchange contracts and currency swaps is calculated based on current prices for contracts with similar maturity profiles by discounting the differential of future cash flows (the difference between the forward price of the contract and the recalculated forward price based on new market conditions applied to the nominal amount);
- the fair value of currency or interest rate options is determined using valuation techniques for options;
- commodity derivatives are valued as a function of market quotes based on discounted future cash flows (firm contracts: commodity swaps or commodity forwards), and option valuation models (optional contracts) for which it may be necessary to observe market price volatility. For contracts with maturity exceeding the depth of transactions for which prices are observable, or that are particularly complex, valuations may be based on internal assumptions;
- for complex contracts entered into with independent financial institutions, the Group uses valuations carried out by counterparties, on an exceptional basis.

These instruments are presented in **Level 2** of the fair value measurement hierarchy, unless their valuation depends significantly on non-observable parameters. In this case, they are presented at **Level 3** of the fair value measurement hierarchy. These largely involve derivative financial instruments with maturities exceeding the observable horizon for the forward prices of the underlying asset, or for which certain parameters, such as underlying volatility, are not observable.

#### 1.5.11 Cash and cash equivalents

These items include cash equivalents as well as short-term investments that are considered to be readily convertible into a known amount of cash and where the risk of a change in their value is deemed to be negligible based on the criteria set out in IAS 7.

Bank overdrafts are not included in the calculation of cash and cash equivalents and are recorded under "Short-term borrowings".

#### 1.5.12 Treasury shares

Treasury shares are recognized at cost and deducted from equity. Gains and losses on disposal of treasury shares are directly recorded in equity and do not therefore impact income for the period.

#### 1.5.13 Construction contracts

The engineering operations carried out by Degrémont and OIS fall within the scope of IAS 11 – Construction Contracts.

In accordance with IAS 11, the Group applies the percentage of completion method as described in section 1.5.16 ("Revenues") to determine the contract revenue and costs to be recorded in the consolidated income statement for each period.

When it is probable that total contract costs will exceed total contract revenue, the expected loss at termination is recognized as an expense immediately.

Partial payments received under construction contracts before the corresponding work has been carried out are recorded on the liabilities side of the statement of financial position as advances received from customers. The costs incurred plus any recognized profit less any recognized losses and progress billings are then determined. If this amount is positive, it is recognized as an asset under "Amount due from customers under construction contracts" within "Trade and other receivables". If the amount is negative, it is recognized as a liability under "Amount due to customers under construction contracts" within "Trade and other payables".

#### 1.5.14 Share-based payments

Under IFRS 2, the Group is required to recognize an expense (personnel costs) corresponding to benefits granted to employees in the form of share-based payments, in consideration for services provided. These services are valued at the fair value of the instruments awarded.

This payment may take the form of instruments paid in shares or in cash.

### EQUITY-SETTLED INSTRUMENTS

#### 1.5.14.1 STOCK OPTION PLANS

Options granted to Group employees are measured at the grant date using a binomial pricing model for options with no performance conditions, or a Monte Carlo pricing model for those with external performance conditions. These models take into account the characteristics of the plan concerned (exercise price, exercise period, performance conditions if any), market data at the time of grant (risk-free rate, share price, volatility, expected dividends), and a behavioral assumption in relation to beneficiaries. The value determined is recorded in personnel costs over the vesting period and offset against equity.

#### 1.5.14.2 ALLOTMENT OF BONUS SHARES

The fair value of bonus share plans is estimated based on the share price on the allotment date, taking into account the absence of dividend payments over the vesting period, the turnover rate for the relevant staff in each plan and the likelihood of the Group's

performance. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For performance shares that are allotted on a discretionary basis and include external performance conditions, a Monte Carlo model is used.

### 1.5.14.3 EMPLOYEE SHARE PURCHASE PLANS

Employee share purchase plans enable employees to subscribe to Company shares at a lower-than-market price. The fair value of the instruments awarded under employee share purchase plans is estimated on the allotment date based on the value of this discount awarded to employees and non-transferability period applicable to the share subscribed. As it is treated as a service rendered, the cost is recognized in full and offset against equity.

### CASH-SETTLED INSTRUMENTS

In specific cases where local legislation prohibits employee share purchase plans, share appreciation rights (SAR) are granted instead. When these instruments are settled in cash, their fair value is recognized in expenses over the vesting period, with an offsetting entry recorded in employee-related liabilities. Changes in the fair value of the liability are taken to income for each fiscal year.

## 1.5.15 Provisions

### 1.5.15.1 PROVISIONS FOR POST-EMPLOYMENT BENEFIT OBLIGATIONS AND OTHER LONG-TERM BENEFITS

Depending on the laws and practices in force in the countries where SUEZ ENVIRONNEMENT COMPANY operates, Group companies have obligations in terms of pensions, early retirement payments, retirement bonuses and other benefit plans. Such obligations generally apply to all of the employees within the companies concerned.

The Group's obligations in relation to pensions and other employee benefits are recognized and measured in accordance with IAS 19 Revised (see Note 1.2.1). Accordingly:

- the cost of defined contribution plans is expensed based on the amount of contributions payable in the period;
- the Group's obligations concerning pensions and other employee benefits payable under defined benefit plans are assessed on an actuarial basis. These calculations are based on assumptions relating to mortality, staff turnover and estimated future salary increases, as well as the economic conditions specific to each country or subsidiary of the Group. Discount rates are determined by reference to the yield, at the measurement date, on high-quality corporate bonds in the related geographical area (or on government bonds in countries where no representative market for such corporate bonds exists).

Provisions are recorded when commitments under these plans less the unrecognized past service cost exceed the fair value of plan assets. When the value of plan assets (capped where appropriate) is greater than the related commitments, the surplus is recorded as an asset under "Other current assets" or "Other non-current assets".

As regards post-employment benefit obligations, the Group recognizes actuarial gains and losses resulting from changes in actuarial assumptions and experience adjustments directly to

Other Comprehensive Income (equity) items. Where appropriate, adjustments resulting from applying the asset ceiling to net assets relating to overfunded plans are treated in a similar way.

However, actuarial gains and losses on other long-term benefits such as long-service awards, continue to be recognized immediately in income.

The net interest expense (income) in respect of pensions is presented as a "financial result".

### 1.5.15.2 OTHER PROVISIONS

The Group records a provision where it has a present obligation (legal or constructive), the settlement of which is expected to result in an outflow of resources embodying economic benefits with no corresponding consideration in return.

A provision for restructuring costs is recorded when the general criteria for setting up a provision are met, i.e., when the Group has a detailed formal plan relating to the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Provisions with a maturity of over 12 months are discounted when the effect of discounting is material. The Group's main long-term provisions, excluding the provisions for post-employment benefit obligations, are provisions for site restoration costs (relating to the waste services business). The discount rate (or rates) used reflect current market measurements of the time value of money and the risks specific to the liability concerned. Expenses corresponding to the reversal of discounting adjustments to long term provisions are recorded under other financial income and expenses.

A provision is recognized when the Group has a present legal or constructive obligation to restore a site. The counterpart for this provision is included in the carrying amount of the asset concerned. Adjustments to the provision due to subsequent changes in the expected outflow of resources, the site restoration date or the discount rate are deducted from or added to the cost of the corresponding asset in a symmetrical manner. The impacts of unwinding the discount are recognized in expenses for the fiscal year.

## 1.5.16 Revenues

Group revenues (as defined by IAS 18) are mainly generated from the following:

- Water services;
- Waste services;
- Engineering and construction contracts and other services.

Revenues on sales of goods are recognized on delivery (i.e., when the significant risks and rewards of ownership are transferred to the buyer), or as a function of the progress of the contract, in the case of provisions of services and construction contracts, when the price is fixed or determinable and receivables are likely to be recoverable.

Revenues are measured at the fair value of the consideration received or receivable. Where deferred payment has a material impact on the measurement of the fair value of this consideration, this is taken into account by discounting future receipts.

**1.5.16.1 WATER SERVICES**

Revenues generated by water distribution are recognized based on volumes delivered to customers, either specifically metered and invoiced or estimated based on the output of the supply networks.

The price for wastewater services and wastewater treatment is either included in the water distribution invoice, or is sent in a separate invoice to the local municipality or industrial client.

Commission fees received from the grantors of concessions are recorded as revenues.

**1.5.16.2 WASTE SERVICES**

Revenues arising from waste collection are generally based on the tonnage collected and the service provided by the operator.

Revenues from other forms of treatment (principally sorting and incineration) are recognized based on volumes processed by the operator and the incidental revenues generated by recycling and reuse, such as the sale of paper, cardboard, glass, metals and plastics for sorting centers, and the sale of electricity and heat for incinerators.

**1.5.16.3 ENGINEERING, CONSTRUCTION CONTRACTS AND SERVICES RENDERED**

Revenues from construction contracts are determined using the percentage of completion method and more generally according to the provisions of IAS 11 (see section 1.5.13). Depending on the contract concerned, the stage of completion may be determined either based on the proportion that costs incurred to date bear to the estimated total costs of the contract, or on the physical progress of the contract based on factors such as contractually defined stages.

Revenues also include revenues from financial concession assets (IFRIC 12) and lease receivables (IFRIC 4).

**1.5.17 Current operating income (COI)**

Current operating income is an indicator used by the Group to present "a level of operational performance that can be used as part of an approach to forecast recurring performance" (in accordance with CNC Recommendation 2009-R03 in the financial statements of companies applying IFRS). Current operating income is a sub-total which helps management to better understand the Group's performance because it excludes elements which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. For the Group, these elements relate to the marked-to-market (MtM) value of trading instruments, asset impairments, restructuring costs, scope effects, other gains and losses on disposals, and non-recurring items. They are defined as follows:

- MtM of trading instruments: This corresponds to changes in the fair value (marked-to-market) of financial instruments relating to commodities and gas which do not qualify as either trading or hedging instruments. These contracts are used in economic hedges of operating transactions;
- impairment of assets: this includes impairment losses on goodwill, intangible and tangible assets, investments in associates and available-for-sale securities;
- restructuring costs: These relate to costs of a restructuring program planned and controlled by management that materially changes either the scope of a business undertaken by an entity, or the manner in which that business is conducted, based on the criteria set out in IAS 37;

- scope effects.

This line includes:

- direct costs related to acquisitions of controlling interests,
- in the event of a business combination achieved in stages, impacts of the remeasurement of the previously held interest at acquisition-date fair value,
- subsequent changes in the fair value of contingent consideration,
- gains or losses from disposals of interests which result in a change in consolidation method, as well as any impact of the remeasurement of retained interests;
- other gains and losses on disposals and non-recurring items: This includes mainly capital gains and losses on disposals of non-current assets and available-for-sale securities.

**1.5.18 Statement of cash flows**

The Group consolidated statement of cash flows is prepared based on net income, using the indirect method.

"Interest received on non-current financial assets" is classified within investing activities because it represents a return on investments. "Interest received on cash and cash equivalents" is shown as a component of financing activities because the interest can be used to reduce borrowing costs.

Impairment losses on current assets are identified as definitive losses, and therefore any change in current assets is shown net of impairment.

Cash flows related to payment of taxes are treated separately.

**1.5.19 Income tax expense**

The Group computes taxes in accordance with the prevailing tax legislation in the countries where income is taxable.

In accordance with IAS 12, deferred taxes are recognized according to the liability method on temporary differences between the book values of assets and liabilities in the consolidated financial statements and their tax bases, using tax rates that have been enacted or substantively enacted by the reporting date. However, under the provisions of IAS 12, no deferred taxes are recognized for temporary differences arising from goodwill for which impairment losses are not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting income nor taxable income. In addition, deferred tax assets are only recognized to the extent that it is probable that taxable income will be available against which the deductible temporary difference can be utilized.

Temporary differences arising on restatements of finance leases result in the recognition of deferred taxes.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Net balances of deferred tax are calculated based on the tax position of each company or on the total income of the companies included within the consolidated tax group and the net position of each fiscal entity is recorded on the statement of financial position under assets or liabilities, as appropriate.

Deferred taxes are reviewed at each reporting date to take into account factors including the impact of changes in tax laws and the prospects of recovering deferred tax assets arising from deductible temporary differences.

Deferred tax assets and liabilities are not discounted.

## 1.5.20 Earnings per share

Basic earnings per share are calculated by dividing the adjusted net income Group share for the fiscal year attributable to ordinary shares by the weighted average number of shares outstanding during the fiscal year. The adjusted net income Group share takes into account the cost of the coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY. The average number of shares outstanding during the fiscal year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the course of the year.

## NOTE 2 Major transactions in 2013

### ➔ 2.1 Commercial paper issue

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up to €1,500 million. As of December 31, 2013, the outstanding notes totaled €679 million.

### ➔ 2.2 SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme

On January 17, 2013, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY decided to implement a new worldwide incentive scheme to benefit its employees, who will eventually receive 38 SUEZ ENVIRONNEMENT COMPANY shares each (see Note 21 "Share-based payments" of the present chapter).

### ➔ 2.3 Sale of United Water Arkansas (United States)

On February 1, 2013, United Water Inc., a subsidiary of SUEZ ENVIRONNEMENT, finalized the sale of its regulated water activities in Arkansas for €20.8 million.

### ➔ 2.4 Public tender offer for Aguas de Sabadell

On June 12, 2013, the Board of the Spanish Securities and Exchange Commission (CNMV) approved the public tender offer filed by Agbar to purchase shares of the company "Companyia d'Aigües de Sabadell, SA. (CASSA)".

Following the offer period, whose results were officially published on July 16, 2013 by the CNMV, Agbar held 77.7% of CASSA.

CASSA provides water services to approximately 350,000 inhabitants in more than 40 municipalities (mainly in Catalonia), with concession contracts. The revenues as of December 31, 2013 were €36.4 million.

### ➔ 2.5 Settlement agreement with the Urban Community of Lille

On July 3, 2013, the dispute between the company "Société des Eaux du Nord" (SEN) and the Urban Community of Lille (LMCU) ended (see Note 24 "Legal and arbitration proceedings" of the present chapter) by signing a settlement agreement providing mutual financial commitments, including:

- the payment of €60 million by SEN relating to renewal costs, amount increased by €8.7 million in order to take into account the conclusion of the independent expertise released in February 2014. The total payable amount is therefore €68.7 million;
- the acquisition in 2013 by LMCU of the production, storage and transport assets belonging to the SEN for an amount of €54 million.

### ➔ 2.6 Termination of the Shareholders' Agreement relating to SUEZ ENVIRONNEMENT COMPANY

As indicated in press releases dated December 5, 2012 and January 22, 2013 (see section 18.3.1 and chapter 19 of the 2012 Reference Document), the Shareholders' Agreement relating to SUEZ ENVIRONNEMENT COMPANY was terminated on July 22, 2013.

This decision resulted in GDF SUEZ losing control of SUEZ ENVIRONNEMENT COMPANY. As of July 22, 2013, the 35.68% stake held by the GDF SUEZ Group is accounted for under the equity method in the consolidated financial statements of GDF SUEZ.

GDF SUEZ has also expressed its intention to remain the Company's main shareholder and a long-term strategic partner. GDF SUEZ has affirmed its commitment not to reduce its stake in the Company and to support its development strategy. The Company's governance has been modified to reflect these changes. The number of Directors representing GDF SUEZ has been reduced, Gérard Mestrallet remaining as Chairman.

### ➔ 2.7 New bond issue

On October 8, 2013, SUEZ ENVIRONNEMENT COMPANY completed the placement of a €500 million bond issue maturing on October 9, 2023 with a fixed annual coupon of 2.75%.

### ➔ 2.8 Agbar to manage the entire water cycle (water and wastewater) in the Barcelona Metropolitan Area for 35 years

Agbar, a subsidiary of SUEZ ENVIRONNEMENT, and the Barcelona Metropolitan Area (AMB), have created a joint venture company dedicated to water and wastewater management of 24 municipalities, including the city of Barcelona and the surrounding communities. This contract, which has a duration of 35 years, will generate total revenues of €3.5 billion.

This new company is a public-private partnership in which Agbar has an 85% stake and the Barcelona Metropolitan Area holds the remaining 15%. The company will operate under the name Aguas de Barcelona, and will supply water and wastewater services to 3 million inhabitants.

### ➔ 2.9 Successful refinancing and resolution of legal disputes concerning the SUEZ ENVIRONNEMENT desalination plant in Australia

AquaSure, in which SUEZ ENVIRONNEMENT holds a 21% stake, reached an agreement on refinancing the seawater desalination plant in Melbourne (Victoria) for a total of AUD\$3.7 billion (or €2.4 billion), thus achieving a significant reduction in financial costs.

SUEZ ENVIRONNEMENT has also obtained a satisfactory resolution to the legal disputes related to the desalination plant's construction. All outstanding claims were ended and the remaining provisions were reversed on December 31, 2013.

### ➔ 2.10 Sita France sells its stake in the Nicollin Group

Sita France, a subsidiary of SUEZ ENVIRONNEMENT, and the Nicollin Group have concluded an agreement to sell Sita France's 36% stake in Nicollin.

## NOTE 3 Operating segments information

In accordance with the provisions of IFRS 8 – Operating Segments, the segments used below to present segment information have been identified based on internal reporting, in particular those segments monitored by the Management Committee, comprised of the Group's key operational decision-makers.

As for the preceding years, the Group uses four operating segments:

- Water Europe;
- Waste Europe;
- International;
- Other.

A distinction is made between the water distribution and water treatment services and the waste collection and waste treatment services in Europe.

The activities conducted internationally are grouped together and separated from those conducted in the Europe region. This specific segmentation reflects the difference in development strategy implemented internationally compared to the strategy pursued in Europe and is consistent with the Group's internal organizational systems and management structure.

### ➔ 3.1 Operating segments

SUEZ ENVIRONNEMENT COMPANY's subsidiaries are divided into the following operating segments:

- Water Europe: water distribution and treatment services, particularly under concession contracts (water management). These services are rendered to individuals, local authorities and industrial clients;

- Waste Europe: waste collection and treatment services for local authorities and industrial clients. These services include collection, sorting, recycling, composting, energy recovery and landfilling for both non-hazardous and hazardous waste;
- International: the Group is expanding in these business segments, depending on the opportunities that may arise, in the areas of water, waste and engineering services, with a special focus on risk-management resulting from specific local environments by setting up partnerships, entering into hedges, and limiting invested capital or other investments in highly regulated environments;
- the "Other" segment is essentially made up of holding companies, including SUEZ ENVIRONNEMENT COMPANY.

The accounting principles and valuation methods used to prepare internal reporting are the same as those used to prepare the consolidated financial statements. EBITDA and industrial capital employed are reconciled with the consolidated financial statements.

### ➔ 3.2 Key indicators by operating segment

In 2013, the operating segments Water Europe, Waste Europe and International have been modified to reflect the internal reporting monitored by the Management Committee consistently with the new organization of this Committee: Water and Waste activities located in Central Europe previously included in the International segment, are now reclassified in Water Europe and Waste Europe Segments.

The 2012 data in the tables below have been restated for comparison purposes.

# FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL SITUATION AND REVENUES

Consolidated financial statements

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## Revenues

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Non-Group	Group	Total	Non-Group	Group	Total
Water Europe	4,436.7	38.6	4,475.3	4,378.6	19.0	4,397.6
Waste Europe	6,551.3	35.7	6,587.0	6,751.9	42.4	6,794.3
International	3,652.2	29.5	3,681.7	3,956.7	32.8	3,989.5
Other	3.6	85.6	89.2	14.4	78.9	93.3
Intercompany eliminations		(189.4)	(189.4)		(173.1)	(173.1)
<b>TOTAL REVENUES</b>	<b>14,643.8</b>	<b>-</b>	<b>14,643.8</b>	<b>15,101.6</b>	<b>-</b>	<b>15,101.6</b>

## EBITDA

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Water Europe	1,184.7	1,188.9
Waste Europe	796.7	834.4
International	580.7	463.3
Other	(42.2)	(36.6)
<b>TOTAL EBITDA</b>	<b>2,519.9</b>	<b>2,450.0</b>

## Current operating income

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Water Europe	526.5	586.3
Waste Europe	303.3	328.5
International	421.5	299.7
Other	(67.4)	(68.6)
<b>TOTAL CURRENT OPERATING INCOME</b>	<b>1,183.9</b>	<b>1,145.8</b>

## Depreciation and amortization

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Water Europe	(422.3)	(401.8)
Waste Europe	(474.2)	(495.1)
International	(191.6)	(199.3)
Other	(5.9)	(4.9)
<b>TOTAL DEPRECIATION AND AMORTIZATION</b>	<b>(1,094.0)</b>	<b>(1,101.1)</b>

## Capital employed

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Water Europe	6,683.2	6,946.8
Waste Europe	4,297.6	4,417.1
International	3,175.2	3,144.0
Other	(112.1)	(71.7)
<b>TOTAL CAPITAL EMPLOYED</b>	<b>14,043.9</b>	<b>14,436.2</b>



**Investments in property, plant and equipment, intangible assets and financial assets**

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Water Europe	(424.7)	(467.3)
Waste Europe	(439.0)	(487.7)
International	(289.7)	(339.0)
Other	(21.1)	(19.5)
<b>TOTAL INVESTMENTS</b>	<b>(1,174.5)</b>	<b>(1,313.5)</b>

Financial investments included in this indicator include the acquisitions of additional interests in controlled entities, which are accounted for in cash flows used in financing activities in the consolidated statement of cash flows (under the item "Change in share of interest in controlled entities").

**→ 3.3 Key indicators by geographical area**

The indicators below are analyzed by:

- destination of products and services sold for revenues;
- geographical location of consolidated companies for capital employed.

<i>In millions of euros</i>	Revenues		Capital Employed	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
France	5,306.2	5,446.5	2,572.1	2,589.3
Europe	5,038.9	5,038.2	8,100.9	8,461.2
International	4,298.7	4,616.9	3,370.9	3,385.7
<b>TOTAL</b>	<b>14,643.8</b>	<b>15,101.6</b>	<b>14,043.9</b>	<b>14,436.2</b>

**→ 3.4 Reconciliation of indicators with consolidated financial statements****3.4.1 Reconciliation of EBITDA with current operating income**

The reconciliation of EBITDA with current operating income can be analyzed as follows:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
<b>Current Operating Income</b>	<b>1,183.9</b>	<b>1,145.8</b>
(-) Net depreciation, amortization and provisions	974.4	1,036.0
(-) Share-based payments (IFRS 2)	24.2	23.6
(-) Disbursements under concession contracts	337.4	244.6
<b>EBITDA</b>	<b>2,519.9</b>	<b>2,450.0</b>

### 3.4.2 Reconciliation of capital employed with items of the statement of financial position

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
(+) Tangible and intangible assets, net	12,350.0	12,942.8
(+) Goodwill, net	3,184.3	3,256.9
(+) Available-for-sale securities (excluding marketable securities and impact of revaluation of available-for-sale securities to fair value)	355.8	388.2
(+) Loans and receivables carried at amortized cost (excluding assets related to financing)	1,140.4	962.7
(+) Investments in associates	497.1	490.9
(+) Trade and other receivables	3,628.5	3,805.3
(+) Inventories	286.4	290.1
(+) Other current and non-current assets	1,582.6	1,196.8
(-) Provisions and actuarial losses/gains on pensions plans	(1,603.9)	(1,709.6)
(-) Trade and other payables	(2,770.1)	(2,871.0)
(-) Other current and non-current liabilities	(4,603.6)	(4,314.2)
(-) Other financial liabilities	(3.6)	(2.7)
<b>CAPITAL EMPLOYED</b>	<b>14,043.9</b>	<b>14,436.2</b>

### 3.4.3 Reconciliation of investments in tangible and intangible assets and financial investments with items in the statement of cash flows

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Investments in property, plant and equipment and intangible assets	(1,138.3)	(1,222.4)
Takeover of subsidiaries net of cash and cash equivalents acquired	(22.2)	(6.4)
Acquisitions of interests in associates and joint-ventures	(6.6)	(65.2)
Acquisitions of available-for-sale securities	(8.0)	(20.1)
Change in share of interests in controlled entities	0.6	0.6
<b>TOTAL INVESTMENTS</b>	<b>(1,174.5)</b>	<b>(1,313.5)</b>

## NOTE 4 Current operating income

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Revenues	14,643.8	15,101.6
Purchases	(2,976.6)	(3,486.9)
Personnel costs	(3,708.1)	(3,764.4)
Depreciation, amortization and provisions	(974.4)	(1,036.0)
Other operating income and expenses	(5,800.8)	(5,668.5)
<b>CURRENT OPERATING INCOME</b>	<b>1,183.9</b>	<b>1,145.8</b>

#### ➔ 4.1 Revenues

The following table shows Group revenues per category:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Sale, transport and distribution of electricity	458.4	494.6
Water and waste	12,982.6	13,113.2
Engineering and construction contracts and other services	1,202.8	1,493.8
<b>TOTAL</b>	<b>14,643.8</b>	<b>15,101.6</b>

#### ➔ 4.2 Personnel costs

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Short-term benefits	(3,582.1)	(3,636.3)
Share-based payments	(24.2)	(23.6)
Post-employment benefit obligations and other long-term benefits	(101.8)	(104.5)
<b>TOTAL</b>	<b>(3,708.1)</b>	<b>(3,764.4)</b>

Short-term benefits correspond to salaries and expenses recognized for the period. It includes the impact of CICE (tax credit for competitiveness and employment) in France.

Share-based payments are broken down in Note 21.

Post-employment benefit obligations and other long-term benefits are disclosed in Note 16. This amount corresponds to defined-benefit plan expenses (see Note 16.2.3) and to defined-contribution plan expenses (see Note 16.3).

#### ➔ 4.3 Depreciation, amortization and provisions

The amounts shown below are net of reversals.

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Depreciation and amortization	(1,094.0)	(1,101.1)
Depreciation of inventories and trade receivables	(14.8)	(24.4)
Net change in provisions	134.4	89.5
<b>TOTAL</b>	<b>(974.4)</b>	<b>(1,036.0)</b>

The depreciation breakdown is €740.8 million for property, plant and equipment and €353.2 million for intangible assets. The breakdown by type of asset is shown in Notes 10 and 11.

#### ➔ 4.4 Other operating income and expenses

Other operating income and expenses include the following amounts:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
<b>Other operating income</b>	<b>272.0</b>	<b>256.7</b>
<b>Other operating expenses</b>	<b>(6,072.8)</b>	<b>(5,925.2)</b>
Sub-contracting	(1,937.7)	(1,819.8)
Taxes excluding corporate income tax	(653.8)	(679.5)
Other expenses	(3,481.3)	(3,425.9)
<b>TOTAL</b>	<b>(5,800.8)</b>	<b>(5,668.5)</b>

"Other expenses" mainly include the following types of costs: rental expenses, external personnel, professional fees and compensation of intermediaries.

## NOTE 5 Income from operating activities

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
<b>CURRENT OPERATING INCOME</b>	<b>1,183.9</b>	<b>1,145.8</b>
MtM on operating financial instruments	0.1	3.5
Impairment on property, plant and equipment, intangible and financial assets	12.7	(87.5)
Restructuring costs	(74.4)	(78.4)
Scope effects	40.4	63.5
Other gains and losses on disposals and non-recurring items	16.0	5.2
<b>INCOME FROM OPERATING ACTIVITIES</b>	<b>1,178.7</b>	<b>1,052.1</b>

### ➔ 5.1 MtM on operating financial instruments

The mark-to-market on operating financial instruments amounted to a total gain of €0.1 million at December 31, 2013, versus a gain of €3.5 million in 2012 resulting primarily from the following factors:

- to optimize their margins, certain Group entities implement economic hedging strategies through forward contracts traded on the wholesale markets, aimed at reducing the sensitivity of the Group's margins to commodity price fluctuations. However, to the

extent that these strategies hedge net exposure to the price risk of the entities in question, they are not eligible for the recognition of hedging in accordance with the provisions of IAS 39 – Financial instruments – recognition and measurement. Consequently, all changes in the fair value of the forward contracts concerned must be reflected in the income statement;

- gains and losses are recorded in the income statement in respect of the ineffective portion of future cash flow hedging strategies on non-financial assets (cash flow hedges).

### ➔ 5.2 Impairments of property, plant and equipment, intangible assets and financial assets

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
<b>Impairments:</b>		
Goodwill	(1.0)	(1.7)
Property, plant and equipment and other intangible assets	(28.8)	(29.2)
Financial assets	(3.4)	(65.3)
<b>Total</b>	<b>(33.2)</b>	<b>(96.2)</b>
<b>Write-back of impairments:</b>		
Property, plant and equipment and other intangible assets	3.0	4.9
Financial assets	42.9	3.8
<b>Total</b>	<b>45.9</b>	<b>8.7</b>
<b>TOTAL</b>	<b>12.7</b>	<b>(87.5)</b>

#### 5.2.1 Impairments of goodwill

No significant impairment on goodwill was recognized in 2013 or 2012, pursuant to the procedure described in Note 9.3.

#### 5.2.2 Impairments of property, plant and equipment and intangible assets excluding goodwill

In 2013, this item mainly recognized impairment of property, plant and equipment in the Waste Europe operating segment.

In 2012, this item mainly recognized impairment of property, plant and equipment in the Water Europe and Waste Europe operating segments.

#### 5.2.3 Impairments of financial assets

At December 31, 2013, this item included the reversal of impairment losses on financial receivables relating to an International concession contract.

In 2012, this item essentially consisted of an impairment of €60.0 million recorded by the Group on non-consolidated Acea shares, a company listed on the Milan stock exchange, based on the share price at December 31, 2012.

### → 5.3 Restructuring costs

At December 31, 2013, this item mainly included the costs of adaptation plans related to the business slowdown in the Waste Europe and Water Europe segments, and at Degrémont, as well as the latest impacts of the Group's exit from Hungary.

In 2012, this item mainly recognized the costs associated with restructuring plans decided by Agbar (in Spain) and by Degrémont (mainly in France), and the costs of adaptation plans for the Waste Europe segment related to the slowdown in activity.

### → 5.4 Scope effects

In 2013, this item mainly included:

- a gain recognized on Sita France's disposal of its shares in companies of the Nicollin Group, as described in Note 2; and
- a gain resulting from the disposal of our stake in the company managing the concession in Cancun (Mexico).

In 2012, this item mainly included the gains realized on the disposal of shares in Eurawasser (Germany) and Altiservice (France), as well as the gain from the sale of regulated water activities in Connecticut (United States).

### → 5.5 Other gains/losses on disposals and non-recurring items

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Disposals of property, plant and equipment and intangible assets	13.6	1.2
Disposals of shares	2.4	4.0
<b>TOTAL</b>	<b>16.0</b>	<b>5.2</b>

In 2013 and in 2012, this item shows only insignificant individual amounts.

## NOTE 6 Net financial income/loss

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Expenses	Incomes	Total	Expenses	Incomes	Total
Cost of net debt	(431.7)	58.2	(373.5)	(466.2)	55.6	(410.6)
Other financial income and expenses	(83.5)	54.8	(28.7)	(72.2)	63.6	(8.6)
<b>FINANCIAL INCOME/(LOSS)</b>	<b>(515.2)</b>	<b>113.0</b>	<b>(402.2)</b>	<b>(538.4)</b>	<b>119.2</b>	<b>(419.2)</b>

### → 6.1 Cost of net debt

This item primarily includes interest expenses related to gross borrowings (calculated using the effective interest rate – EIR), gains and losses arising from foreign currency and interest rate hedging transactions on gross borrowings, as well as interest income on cash investments and changes in the fair value of financial assets measured at fair value through profit or loss.

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Expenses	Incomes	Total	Expenses	Incomes	Total
Interest expense on gross borrowings	(385.2)	-	(385.2)	(428.8)	-	(428.8)
Exchange gain/(loss) on borrowings and hedges	(21.7)	-	(21.7)	(22.1)	-	(22.1)
Unrealized income/(expense) from economic hedges on borrowings	(1.0)	-	(1.0)	-	-	-
Income/(expense) on cash and cash equivalents, and financial assets at fair value through income	-	37.5	37.5	-	45.7	45.7
Capitalized borrowing costs	-	10.2	10.2	-	6.7	6.7
Financial income (expense) relating to a financial debt or receivable restructuring	(23.8)	10.5	(13.3)	(15.3)	3.2	(12.1)
<b>COST OF NET DEBT</b>	<b>(431.7)</b>	<b>58.2</b>	<b>(373.5)</b>	<b>(466.2)</b>	<b>55.6</b>	<b>(410.6)</b>

The decrease in cost of net debt between December 31, 2013 and December 31, 2012 is mainly due to the impact of lower interest rates and the issuance of commercial paper instead of long-term syndicated credit lines.

## ➔ 6.2 Other financial income and expenses

In millions of euros	December 31, 2013			December 31, 2012		
	Expenses	Incomes	Total	Expenses	Incomes	Total
Net interest expenses related to post employment and other long term benefits <sup>(a)</sup>	(22.2)	-	(22.2)	(16.3)	-	(16.3)
Unwinding of discounting adjustment to long term provisions (except post employment)	(43.3)	-	(43.3)	(40.1)	-	(40.1)
Change in fair value of derivatives not included in net debt	(5.7)	-	(5.7)	-	3.8	3.8
Income from available-for-sale securities	-	27.0	27.0	-	25.1	25.1
Other	(12.3)	27.8	15.5	(15.8)	34.7	18.9
<b>OTHER FINANCIAL INCOME AND EXPENSES</b>	<b>(83.5)</b>	<b>54.8</b>	<b>(28.7)</b>	<b>(72.2)</b>	<b>63.6</b>	<b>(8.6)</b>

(a) As a result of the application of IAS 19 Revised (see Note 1.2.1 "Revised IAS 19 – Employee Benefits"), the net interest cost related to the application of the discount rate on net defined benefit plans obligations is presented on a separate line. Data presentation at December 31, 2012 has been changed for comparative purposes.

## NOTE 7 Income tax

### ➔ 7.1 Income tax expense in the income statement

#### 7.1.1 Breakdown of income tax expense in the income statement

Income tax expense for the fiscal year amounted to €205.4 million (compared to €185.7 million in 2012) and breaks down as follows:

In millions of euros	Dec. 31, 2013	Dec. 31, 2012
Current income tax	(236.6)	(171.7)
Deferred taxes	31.2	(14.0)
<b>TOTAL INCOME TAX EXPENSE RECOGNIZED IN INCOME</b>	<b>(205.4)</b>	<b>(185.7)</b>

### 7.1.2 Theoretical income tax expense and actual income tax expense

The reconciliation between the Group's theoretical income tax expense and actual income tax expense is shown in the following table:

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
<b>Net income</b>	<b>602.1</b>	<b>469.6</b>
- Share in net income of associates	31.0	22.4
- Income tax expense	(205.4)	(185.7)
<b>Income before income tax and share in net income of associates (A)</b>	<b>776.5</b>	<b>632.9</b>
Of which French companies	34.6	72.9
Of which companies outside France	741.9	560.0
Statutory income tax rate of SUEZ ENVIRONNEMENT COMPANY (B) <sup>(a)</sup>	38.0%	36.10%
<b>THEORETICAL INCOME TAX EXPENSE (C) = (A) X (B)</b>	<b>(295.1)</b>	<b>(228.5)</b>
Difference between the normal tax rate applicable to SUEZ ENVIRONNEMENT COMPANY and the normal tax rate applicable in jurisdictions in France and outside France <sup>(b)</sup>	88.4	66.5
Permanent differences <sup>(c)</sup>	(6.1)	(45.2)
Income taxed at a reduced rate or tax-exempt <sup>(d)</sup>	13.4	17.0
Additional tax expense <sup>(e)</sup>	(59.0)	(23.2)
Effect of unrecognized deferred tax assets on tax loss carryforwards and on other tax-deductible temporary differences	(27.0)	(18.4)
Recognition or utilization of tax income on previously unrecognized tax loss carryforwards and other tax-deductible temporary differences <sup>(f)</sup>	54.9	33.0
Impact of changes in tax rates <sup>(g)</sup>	2.9	(17.2)
Tax savings and credits <sup>(h)</sup>	23.4	11.7
Other	(1.4)	18.7
<b>Actual income tax expense</b>	<b>(205.4)</b>	<b>(185.7)</b>
<b>EFFECTIVE TAX RATE (ACTUAL INCOME TAX EXPENSE DIVIDED BY INCOME BEFORE INCOME TAX AND SHARE IN NET INCOME OF ASSOCIATES)</b>	<b>26.5%</b>	<b>29.3%</b>

(a) In 2013, the overall rate of corporate income tax in France increased to 38.00% for companies with revenues in excess of €250 million. This was due to the impact of the exceptional 10.7% levy for fiscal years 2013 and 2014. Given the current text, the tax rate should revert to 34.43% as of January 1, 2015.

(b) This mainly includes the impact of the rate difference between Chile (20%) and France.

(c) In 2012 the permanent differences mainly derived from the non-deductibility of impairment losses on Acea shares.

(d) In 2013, this mainly includes the impact of the reduced tax rate on capital gains from the disposal of interests in Nicollin and SMN by Sita France. In 2012, it mainly concerned the impact of the reduced tax rate on capital gains from the disposal of Eurawasser in Germany and Altiservice in France.

(e) The increase in additional tax expense in 2013 is due to the implementation in France of the new 3% contribution on dividends, the additional tax on disposals of subsidiaries in Mexico and to the residual tax effect on disposals of equity securities within the Group.

(f) In 2013, this includes the recognition of €11 million in deferred tax assets on tax loss carryforwards from previous years across the Australian tax consolidation scope.

(g) In 2012 this mainly included the impact of the revaluation of deferred tax liabilities at Agbar due to the increase in the tax rate of its subsidiary Aguas Andinas in Chile (from 17% to 20%) the same year.

(h) In 2013, the increase in this item is mainly due to the adoption of the new competitiveness and employment tax credit (CICE) in France.

The decrease in the effective tax rate at December 31, 2013, compared to 2012, is mainly due to:

- the impact of the new measure on the Competitiveness and Employment tax credit (CICE);
- capital gains taxed at a reduced rate on disposals of interests in Nicollin and SMN by Sita France.

These factors are partly offset by:

- the application of the French 3% tax on dividends distributed by SUEZ ENVIRONNEMENT COMPANY.

The low effective tax rate at December 31, 2013 is, as in 2012, mainly due to the Group's presence in countries with more favorable tax rates, such as Chile and the United Kingdom.

### 7.1.3 Analysis by type of temporary difference in deferred tax income/expenses on the income statement

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
<b>Deferred tax assets</b>		
Loss carryforwards and tax credit	(5.4)	73.4
Pension obligations	0.5	7.7
Concessions arrangements	(2.1)	(21.4)
Non-deductible provisions	7.9	2.1
Differences between the carrying amount of PPE and their tax bases	4.0	(2.2)
Measurement of financial instruments at fair value (IAS 32/39)	23.7	(6.5)
Other	(11.3)	(13.7)
<b>TOTAL</b>	<b>17.3</b>	<b>39.4</b>
<b>Deferred tax liabilities</b>		
Differences between the carrying amount of PPE and their tax bases	29.8	(22.5)
Concessions arrangements	(8.3)	7.1
Tax-driven provisions	1.0	(2.8)
Measurement of assets and liabilities at fair value (IAS 32/39)	(0.2)	1.9
Other	(8.4)	(37.1)
<b>TOTAL</b>	<b>13.9</b>	<b>(53.4)</b>
<b>NET DEFERRED TAXES</b>	<b>31.2</b>	<b>(14.0)</b>

The amounts shown under "Differences between the carrying amount of PPE and their tax bases" include, as in previous years, amortization of remeasured assets as part of the cost allocation of the business combinations related to the takeovers of Agbar and the former joint companies (Lyonnaise des Eaux France). In 2012, this item also included the remeasurement of deferred tax liabilities due to a change in the tax rate in Chile (impact unmatched in 2013).

In 2012, the amounts posted under "Loss carry-forwards" mainly reflected the recognition of deferred tax assets on loss carry-forwards in the Australian tax consolidation group.

### ➔ 7.2 Deferred tax income and expense recognized in "other comprehensive income"

Deferred tax income and expense recognized in "Other comprehensive income" break down as follows:

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Available-for-sale securities	(19.0)	(0.7)
Actuarial gains and losses	(32.1)	30.1
Net investment hedges	(24.3)	1.0
Cash flow hedges	(5.6)	(0.2)
<b>TOTAL EXCLUDING SHARE OF ASSOCIATES</b>	<b>(81.0)</b>	<b>30.2</b>
Share of Associates	(22.3)	(1.4)
<b>TOTAL</b>	<b>(103.3)</b>	<b>28.8</b>

The impact in 2013 is primarily due to the tax effect of:

- the fair value remeasurement of non-consolidated investments held in Chongqing Water group in China;
- actuarial gains and losses on pension obligations and other long-term benefits.



## 7.3 Deferred taxes in the statement of financial position

### 7.3.1 Change in deferred taxes

Movements in deferred taxes recorded in the statement of financial position, after netting off the deferred tax assets and liabilities by tax entity, are broken down as follows:

<i>In millions of euros</i>	Assets	Liabilities	Net balances
<b>At December 31, 2012</b>	<b>755.1</b>	<b>(573.9)</b>	<b>181.2</b>
From income statement	17.3	13.9	31.2
From other comprehensive income	(82.0)	1.0	(81.0)
Scope effects	12.3	0.1	12.4
Translation adjustments	(58.9)	60.4	1.5
Other impacts	20.1	(3.8)	16.3
Deferred tax netting off by tax entity	66.2	(66.2)	-
<b>AT DECEMBER 31, 2013</b>	<b>730.1</b>	<b>(568.5)</b>	<b>161.6</b>

### 7.3.2 Analysis of the net deferred tax position recognized on the statement of financial position (before netting off deferred tax assets and liabilities by tax entity), by type of temporary difference

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
<b>Deferred tax assets</b>		
Loss carry-forwards and tax credit	387.0	399.7
Pension obligations	208.3	241.2
Concessions arrangements	97.7	95.7
Non-deductible provisions	191.8	202.7
Differences between the carrying amount of PPE and their tax bases	129.3	122.8
Measurement of financial instruments at fair value (IAS 32/39)	9.9	27.5
Other	167.4	193.2
<b>TOTAL</b>	<b>1,191.4</b>	<b>1,282.7</b>
<b>Deferred tax liabilities</b>		
Differences between the carrying amount of PPE and their tax bases	(862.8)	(951.1)
Concessions arrangements	(27.3)	(18.8)
Tax-driven provisions	(10.5)	(11.7)
Measurement of assets and liabilities at fair value (IAS 32/39)	(20.7)	(1.5)
Other	(108.5)	(118.4)
<b>TOTAL</b>	<b>(1,029.8)</b>	<b>(1,101.5)</b>
<b>NET DEFERRED TAXES</b>	<b>161.6</b>	<b>181.2</b>

The deferred tax assets recognized on loss carry-forwards amounted to €387 million as of December 31, 2013 (versus €399.7 million as of December 31, 2012).

As of December 31, 2013, net deferred tax assets within the French tax consolidation group, including all temporary differences, totaled €308 million, a decrease of €26 million compared to December 31, 2012.

Management considers that the French tax consolidation Group will be able to use up its deferred tax assets on loss carry-forwards over the medium-term plan (approximately 45% of them) or beyond.

## 7.4 Unrecognized deferred taxes

### 7.4.1 Deductible temporary differences not recognized

#### TEMPORARY DIFFERENCES ON LOSSES CARRIED FORWARD

As of December 31, 2013, unused tax losses carried forward and not recognized in the statement of financial position (because they did not meet the criteria for recognition as a deferred tax asset) amounted to €132.6 million for ordinary tax loss carry-forwards, versus €150.8 million as of December 31, 2012.

#### OTHER TEMPORARY DIFFERENCES NOT RECOGNIZED

The amount of deferred tax assets on other unrecognized temporary differences amounted to €37.6 million as of December 31, 2013, compared to €71.0 million as of December 31, 2012.

### 7.4.2 Unrecognized deferred tax liabilities on taxable temporary differences relating to investments in subsidiaries

No significant deferred tax liability has been recognized on temporary differences when the Group is able to control the timing of their reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

## NOTE 8 Earnings per share

	Dec. 31, 2013	Dec. 31, 2012
Numerator (in millions of euros)		
<b>Net income, Group share</b>	<b>352.2</b>	<b>251.4</b>
coupon attributable to holders of undated deeply subordinated notes issued by SUEZ ENVIRONNEMENT COMPANY in September 2010	(23.7)	(23.7)
<b>ADJUSTED NET INCOME, GROUP SHARE</b>	<b>328.5</b>	<b>227.7</b>
Denominator (in millions)		
<b>WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES</b>	<b>509.1</b>	<b>508.7</b>
Earnings per share (in euros)		
<b>Net income Group share per share</b>	<b>0.65</b>	<b>0.45</b>
<b>Net diluted income Group share per share</b>	<b>0.64</b>	<b>0.45</b>

The Group's dilutive instruments included in the calculation of diluted earnings per share corresponds to the employee bonus share allocation plans, as well as the stock option plans reserved for employees (see Note 21.1 and 21.2).

## NOTE 9 Goodwill

### 9.1 Movements in the carrying amount of goodwill

In millions of euros	Gross amount	Impairment losses	Carrying amount
<b>AT DECEMBER 31, 2011</b>	<b>3,366.9</b>	<b>(102.2)</b>	<b>3,264.7</b>
Scope effects	(11.8)	-	(11.8)
Impairment losses	-	(1.7)	(1.7)
Translation adjustments	6.0	(0.7)	5.3
Other	0.4	-	0.4
<b>AT DECEMBER 31, 2012</b>	<b>3,361.5</b>	<b>(104.6)</b>	<b>3,256.9</b>
Scope effects	15.6	1.2	16.8
Impairment losses	-	(1.0)	(1.0)
Translation adjustments	(95.3)	6.9	(88.4)
Other	(0.4)	0.4	-
<b>AT DECEMBER 31, 2013</b>	<b>3,281.4</b>	<b>(97.1)</b>	<b>3,184.3</b>

In 2013, the net change in goodwill came to -€72.6 million. This is largely the result of:

- the takeover of Aguas de Sabadell by Agbar, described in Note 2, for +€9.5 million; and
- translation adjustments (mainly related to fluctuations in the Australian dollar, the pound sterling and the US dollar for -€88.4 million).

In 2012, the net change in goodwill was -€7.8 million. This stemmed mainly from:

- the sale of Eurawasser (-€26.2 million) and the sale by United Water of its regulated water activities in Connecticut (-€2.3 million);
- the first-time consolidation of entities in the Waste Europe operating segment (+€10.7 million); and
- translation adjustments (mainly related to fluctuations in the US dollar, the Hong Kong dollar, the pound sterling, the Swedish krona and the Chilean peso; +€5.3 million).

## ➔ 9.2 Main goodwill cash generating units (CGUs)

Goodwill CGUs break down as follows:

<i>In millions of euros</i>	Operating segment	Dec. 31, 2013	Dec. 31, 2012
<b>Material CGUs</b>			
Sita France	Waste Europe	542.6	540.2
Agbar	Water Europe	513.8	518.9
Sita News	Waste Europe	513.8	514.5
United Water	International	379.2	396.4
Sita UK	Waste Europe	373.0	381.1
Lyonnaise des Eaux	Water Europe	312.0	312.0
Sita Australia	International	152.7	185.2
Sita Waste Services	International	171.7	179.5
<b>Other CGUs</b> (individual goodwill of less than €150 million or 5% of total amount)		225.5	229.1
<b>TOTAL</b>		<b>3,184.3</b>	<b>3,256.9</b>

## ➔ 9.3 Impairment test

All goodwill cash-generating units (CGUs) are tested for impairment. Impairment tests were carried out based on actual results at the end of June, on the last forecast of the year taking into account the upcoming events in the second half of the year, and on the medium-term plan (MTP) over five years for the rest of the business plan.

The recoverable value of goodwill CGUs is calculated by applying various methods, primarily the discounted cash flow (DCF) method, which is based on the following:

- cash flow projections prepared over the duration of the medium-term plan approved by the Group Management Committee. These are linked to operating conditions estimated by the Management Committee, specifically the duration of contracts carried by entities of the CGU in question, changes in pricing regulations and future market outlooks;
- a terminal value for the period after the MTP, calculated by applying the long-term growth rate, which is between 1.5% and 3% depending on the activity, to normalized free cash flow <sup>(1)</sup> (used specifically in impairment tests) in the final year of the projections;

- a discount rate appropriate for the CGU depending on the business, country and currency risks of each CGU. The after-tax discount rates applied in 2013 range from 5.1% to 7.1%.

When this method is used, the measurement of the recoverable value of goodwill CGU is based on three scenarios (low, medium and high), distinguished by a change in a key assumption: the discount rate. The medium scenario is preferred.

Valuations thus obtained are systematically compared with valuations obtained using the market multiples method or the stock exchange capitalization method, when applicable.

Based on events reasonably foreseeable at this time, the Group believes there is no reason to find material impairment on the goodwill shown in the statement of financial position, and that any changes affecting the key assumptions described below should not result in excess book value over recoverable amounts.

<sup>(1)</sup> The "normalized" free cash flow used in impairment tests is different from free cash flow in the following aspects: no financial interest, use of a normalized tax rate, taking into account all investment flows (maintenance capital expenditures and financial disposals, already committed development capital expenditures and financial acquisitions).

### Main assumptions used for material goodwill

The following table describes the method and discount rate used in examining the recoverable amount of material goodwill CGUs:

Cash-generating units	Measurement method	Discount rates
Sita France	DCF + confirmation by multiple <sup>(a)</sup>	5.6%
Sita News	DCF + confirmation by multiple <sup>(a)</sup>	5.8%
United Water – regulated activity	multiples <sup>(a)</sup> + DCF	5.2%
Agbar	DCF + confirmation by multiple <sup>(a)</sup>	5.9%
Sita UK	DCF + confirmation by multiple <sup>(a)</sup>	6.1%
Lyonnaise des Eaux	DCF + confirmation by multiple <sup>(a)</sup>	5.1%
Sita Waste Services	DCF + confirmation by multiple <sup>(a)</sup>	6.7%
Sita Australia	DCF + confirmation by multiple <sup>(a)</sup>	7.1%

(a) Valuation multiples of comparable entities: market value or transactions.

### ➔ 9.4 Sensitivity to interest rate and operational assumptions

A change of 50 basis points upward or downward in the discount rate or growth rate of normalized free cash flow does not affect the recoverable amounts of goodwill CGUs, which remain higher than their book values.

The table below shows the sensitivity of the measurements of recoverable value exceeding book value, in response to changes in discount rates and growth rates:

Impact in % on excess of recoverable value over book value	Discount rates		Growth rate of "normalized" free cash flow	
	-50 bp	+50 bp	-50 bp	+50 bp
Sita France	35%	-27%	-23%	31%
Sita News	38%	-29%	-25%	33%
United Water – regulated activity	115%	-72%	-22%	36%
Agbar	62%	-48%	-42%	54%
Sita UK	54%	-42%	-34%	44%
Lyonnaise des Eaux	31%	-22%	-20%	27%
Sita Waste Services	32%	-26%	-21%	26%
Sita Australia	17%	-14%	-12%	14%

Moreover, we have ensured that, in 2013, a reasonable decrease (equal to or less than 5%) of both cash flows during the medium-term plan and of the terminal value does not call into question the goodwill values of the different significant CGUs.

### ➔ 9.5 Segment information

The carrying amount of goodwill can be analyzed by operating segment as follows:

In millions of euros	Dec. 31, 2013	Dec. 31, 2012 <sup>(a)</sup>
Water Europe	838.7	843.1
Waste Europe	1,567.2	1,578.8
International	778.4	835.0
Other	-	-
<b>TOTAL</b>	<b>3,184.3</b>	<b>3,256.9</b>

(a) In 2013, the Water and Waste activities located in Central Europe, which were previously included in the International segment, were reclassified to the Water Europe and Waste Europe segments. The 2012 data have been restated for comparison purposes (see Note 3.2).

The segment breakdown above is based on the operating segment of the acquired entity (and not on that of the acquirer).

**NOTE 10 Intangible assets****➔ 10.1 Movements in the carrying amount of intangible assets**

<i>In millions of euros</i>	Softwares	Intangible rights arising on concession contracts	Other	Total
<b>A. Gross amount at December 31, 2011</b>	<b>371.8</b>	<b>4,206.3</b>	<b>1,523.8</b>	<b>6,101.8</b>
Acquisitions	58.6	274.9	50.4	383.9
Disposals	(9.4)	(61.3) <sup>(a)</sup>	(4.8)	(75.5)
Translation adjustments	1.1	(6.1)	3.1	(1.9)
Changes in scope of consolidation	3.3	(54.4) <sup>(b)</sup>	14.4	(36.7)
Other	38.4	(155.1)	81.4	(35.3)
<b>At December 31, 2012</b>	<b>463.8</b>	<b>4,204.3</b>	<b>1,668.3</b>	<b>6,336.3</b>
Acquisitions	43.5	233.2	68.6	345.3
Disposals	(6.3)	(64.6) <sup>(a)</sup>	(6.9)	(77.8)
Translation adjustments	(6.5)	(23.2)	(46.1)	(75.8)
Changes in scope of consolidation	6.5	103.1 <sup>(c)</sup>	6.3	115.9
Other	8.5	1,217.6 <sup>(d)</sup>	(610.9) <sup>(d)</sup>	615.2
<b>AT DECEMBER 31, 2013</b>	<b>509.5</b>	<b>5,670.4</b>	<b>1,079.3</b>	<b>7,259.2</b>
<b>B. Accumulated depreciation and impairment at December 31, 2011</b>	<b>(259.9)</b>	<b>(1,376.1)</b>	<b>(419.9)</b>	<b>(2,055.9)</b>
Depreciation	(52.6)	(223.6)	(52.9)	(329.1)
Impairment losses	(0.1)	(5.5)	(3.8)	(9.4)
Disposals	8.4	59.2 <sup>(a)</sup>	3.8	71.4
Translation adjustments	(0.2)	3.6	0.3	3.7
Changes in scope of consolidation	0.4	38.4 <sup>(b)</sup>	0.3	39.1
Other	0.1	(117.2)	121.7	4.6
<b>At December 31, 2012</b>	<b>(303.9)</b>	<b>(1,621.2)</b>	<b>(350.5)</b>	<b>(2,275.6)</b>
Depreciation	(52.7)	(240.3)	(60.2)	(353.2)
Impairment losses	-	-	(0.5)	(0.5)
Disposals	3.5	56.9 <sup>(a)</sup>	6.2	66.6
Translation adjustments	3.8	11.8	10.1	25.7
Changes in scope of consolidation	(4.7)	(80.1) <sup>(c)</sup>	(2.4)	(87.2)
Other	2.0	(157.1) <sup>(d)</sup>	37.6	(117.5)
<b>AT DECEMBER 31, 2013</b>	<b>(352.0)</b>	<b>(2,030.0)</b>	<b>(359.7)</b>	<b>(2,741.7)</b>
<b>C. Carrying amount</b>				
<b>at December 31, 2011</b>	<b>111.8</b>	<b>2,830.1</b>	<b>1,104.0</b>	<b>4,045.9</b>
<b>at December 31, 2012</b>	<b>159.8</b>	<b>2,583.0</b>	<b>1,317.8</b>	<b>4,060.8</b>
<b>AT DECEMBER 31, 2013</b>	<b>157.5</b>	<b>3,640.4</b>	<b>719.6</b>	<b>4,517.5</b>

(a) "Disposals" reflect the derecognition at the end of the concession contract of intangible assets that fall within the scope of IFRIC 12.

(b) Changes in the scope of consolidation in 2012 were mainly due to the sale of Altiservice, a company that operates ski lifts in the French Pyrenees under public service delegations.

(c) Changes in the scope of consolidation in 2013 are mainly due to the takeovers of the Mina Pública group and Aguas de Sabadell by Agbar.

(d) "Other" in 2013 includes the reclassification of assets related to the Barcelona water distribution contract (Agbar) from "Property, plant and equipment" and "Non-depreciable intangible assets" to "Intangible rights arising on concession contracts", insofar as these assets now fall within the scope of IFRIC 12. See Note 2 "Major transactions".

## 10.1.1 Intangible rights arising on concession contracts

The Group manages a large number of concession contracts as defined by SIC 29 (see Note 20) in the drinking water distribution, wastewater treatment, and waste management businesses. Infrastructure rights granted to the Group as concession operator, falling within the scope of application of IFRIC 12, and corresponding to the intangible model, are recognized under this category. These include the rights to charge users recognized under the intangible asset model in IFRIC 12.

## 10.1.2 Non-depreciable intangible assets

Non-depreciable intangible assets, mainly composed of water rights, amounted to €124 million as of December 31, 2013, versus €326 million as of December 31, 2012, and were included in the "Other" column.

The decrease corresponds mainly to fixed intangible assets under the Barcelona water distribution contract, which are now amortizable. This is because, as part of Agbar's takeover of wastewater treatment activities in Barcelona, the initial water distribution contract now has a fixed term of 35 years. See Note 2 "Major Transactions".

No significant impairment was posted in this asset category in 2013.

## ➔ 10.2 Information on research and development expenses

Research and development activities relate to various studies regarding technological innovation, improvements in plant efficiency, safety, environmental protection and service quality.

Research and development activities that do not meet the assessment criteria defined in IAS 38 were posted to expenses in the amount of €74 million, unchanged from 2012.

Expenses related to in-house projects in the development phase that meet the criteria for recognition as an intangible asset are not material.

**NOTE 11 Property, plant and equipment****11.1 Movements in the carrying amount of property, plant and equipment**

<i>In millions of euros</i>	Lands	Constructions	Plant and equipment	Transport equipment	Capitalized dismantling and restoration costs	Construction in progress	Other	Total property, plant and equipment
<b>A. Gross amount</b>								
<b>At December 31, 2011</b>	<b>1,900.0</b>	<b>3,144.7</b>	<b>6,905.7</b>	<b>1,502.5</b>	<b>530.1</b>	<b>758.4</b>	<b>406.9</b>	<b>15,148.3</b>
Acquisitions	67.0	53.6	239.1	78.6	-	294.7	69.3	802.3
Disposals	(21.0)	(33.0)	(103.0)	(112.9)	-	-	(12.9)	(282.8)
Translation adjustments	32.5	81.5	69.0	10.9	3.2	24.1	(1.8)	219.4
Changes in scope of consolidation	(12.4)	2.7	(71.7)	(1.1)	5.7	3.8	(4.5)	(77.5)
Other	(49.3)	162.9	266.5	50.1	4.3	(445.9)	(39.3)	(50.7)
<b>At December 31, 2012</b>	<b>1,916.8</b>	<b>3,412.4</b>	<b>7,305.6</b>	<b>1,528.1</b>	<b>543.3</b>	<b>635.1</b>	<b>417.7</b>	<b>15,759.0</b>
Acquisitions	36.7	43.2	168.1	70.9	-	375.5	28.0	722.4
Disposals	(23.6)	(44.8)	(156.8)	(124.7)	(0.9)	-	(15.6)	(366.4)
Translation adjustments	(99.7)	(175.0)	(396.7)	(25.9)	(11.4)	(27.4)	(11.7)	(747.8)
Changes in scope of consolidation	16.8	24.9	(22.6)	0.1	-	0.9	3.6	23.7
Other	(33.3)	(16.5)	(107.7)	25.6	8.1	(344.1)	1.0	(466.9)
<b>AT DECEMBER 31, 2013</b>	<b>1,813.7</b>	<b>3,244.2</b>	<b>6,789.9</b>	<b>1,474.1</b>	<b>539.1</b>	<b>640.0</b>	<b>423.0</b>	<b>14,924.0</b>
<b>B. Accumulated depreciation and impairment</b>								
<b>At December 31, 2011</b>	<b>(774.4)</b>	<b>(1,049.8)</b>	<b>(2,775.9)</b>	<b>(993.4)</b>	<b>(526.3)</b>	<b>(3.8)</b>	<b>(242.1)</b>	<b>(6,365.7)</b>
Depreciation	(78.0)	(141.4)	(370.0)	(128.5)	(0.2)	-	(53.9)	(772.0)
Impairment losses	(1.3)	(5.6)	(12.3)	-	-	(0.5)	(0.1)	(19.8)
Disposals	16.5	27.1	88.8	102.4	-	0.6	12.8	248.2
Translation adjustments	(7.4)	(6.7)	(2.7)	(7.0)	(3.2)	(0.2)	0.8	(26.4)
Changes in scope of consolidation	2.8	(4.6)	25.7	2.7	(5.7)	-	3.3	24.2
Other	(13.7)	0.7	29.2	(0.4)	(4.3)	0.5	22.5	34.5
<b>At December 31, 2012</b>	<b>(855.5)</b>	<b>(1,180.3)</b>	<b>(3,017.2)</b>	<b>(1,024.2)</b>	<b>(539.7)</b>	<b>(3.4)</b>	<b>(256.7)</b>	<b>(6,877.0)</b>
Depreciation	(71.0)	(135.4)	(346.9)	(125.5)	(0.2)	-	(61.8)	(740.8)
Impairment losses	(9.3)	(2.3)	(5.1)	(10.5)	-	(0.1)	(1.8)	(29.1)
Disposals	0.2	23.0	125.5	111.8	0.9	-	14.2	275.6
Translation adjustments	35.1	30.2	148.5	14.5	11.4	0.1	6.9	246.7
Changes in scope of consolidation	-	(7.2)	3.8	(0.4)	-	-	(3.1)	(6.9)
Other	11.3	0.8	9.5	4.6	(8.1)	0.3	21.6	40.0
<b>AT DECEMBER 31, 2013</b>	<b>(889.2)</b>	<b>(1,271.2)</b>	<b>(3,081.9)</b>	<b>(1,029.7)</b>	<b>(535.7)</b>	<b>(3.1)</b>	<b>(280.7)</b>	<b>(7,091.5)</b>
<b>C. Carrying Amount</b>								
At December 31, 2011	1,125.6	2,094.9	4,129.8	509.1	3.8	754.6	164.8	8,782.6
At December 31, 2012	1,061.3	2,232.1	4,288.4	503.9	3.6	631.7	161.0	8,882.0
<b>AT DECEMBER 31, 2013</b>	<b>924.5</b>	<b>1,973.0</b>	<b>3,708.0</b>	<b>444.4</b>	<b>3.4</b>	<b>636.9</b>	<b>142.3</b>	<b>7,832.5</b>

In 2013, the main changes were as follows:

- Changes in the scope of consolidation had a net impact on property, plant and equipment of +€16.8 million. They relate mainly to the takeovers of Aguas de Sabadell and Mina Pública by Agbar, and to the sale of United Water Arkansas (see Note 2 "Major transactions");
- Disposals include the sale of property with a net book value of €46 million by Société des Eaux du Nord to the Urban Community of Lille (see Note 2 "Major transactions");
- "Other" mainly includes the reclassification of assets related to the Barcelona water distribution contract (Agbar), which now fall within the scope of IFRIC 12: from "Property, plant and equipment" to "Intangible rights arising on concession contracts". See Note 2 "Major transactions" and Note 10 "Intangible assets";
- At December 31, 2013, the main translation adjustments on the net value of property, plant and equipment concern the Chilean peso (-€339 million), the US dollar (-€75 million) and the Australian dollar (-€65 million).

In 2012, the main changes were as follows:

- Changes in the scope of consolidation had a net impact on property, plant and equipment of -€53.3 million. They related mainly to the sale of Eurawasser;

- The main translation adjustments on the net value of property, plant and equipment concerned the Chilean peso (+€205 million), the US dollar (-€33.6 million) and the British pound (+€10.3 million).

## ➔ 11.2 Pledged and mortgaged assets

Assets pledged and mortgaged as collateral for borrowings amounted to €150 million at December 31, 2013 against €157.4 million at December 31, 2012.

## ➔ 11.3 Contractual commitments for the acquisition of property, plant and equipment

In the course of ordinary operations, some Group companies also entered into commitments to invest in technical facilities, with a corresponding commitment by related third parties to deliver these facilities.

The Group's contractual commitments for property, plant and equipment amounted to €323.5 million at December 31, 2013, against €468.3 million at December 31, 2012. This change is mainly due to the €124.8 million reduction in Sita UK's commitments for property, plant and equipment due to the completion of the construction works of various projects.

## NOTE 12 Financial instruments

### ➔ 12.1 Financial assets

The following table shows the various financial asset categories and their breakdown as "non-current" and "current":

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Available-for-sale securities	498.1	-	498.1	395.9	-	395.9
Loans and receivables carried at amortized cost	787.6	3,982.3	4,769.9	700.7	4,071.9	4,772.6
Loans and receivables carried at amortized cost (excluding trade and other receivables)	787.6	353.8	1,141.4	700.7	266.6	967.3
Trade and other receivables	-	3,628.5	3,628.5	-	3,805.3	3,805.3
Financial assets measured at fair value	200.2	103.2	303.4	259.1	29.0	288.1
Derivative financial instruments	200.2	11.6	211.8	259.1	5.5	264.6
Financial assets measured at fair value through income	-	91.6	91.6	-	23.5	23.5
Cash and cash equivalents	-	2,506.0	2,506.0	-	2,247.3	2,247.3
<b>TOTAL</b>	<b>1,485.9</b>	<b>6,591.5</b>	<b>8,077.4</b>	<b>1,355.7</b>	<b>6,348.2</b>	<b>7,703.9</b>



## 12.1.1 Available-for-sale securities

*In millions of euros*

<b>AT DECEMBER 31, 2012</b>	<b>395.9</b>
Acquisitions	8.0
Net book value of disposals	(3.9)
Changes in fair value posted to equity as other comprehensive income	136.1 <sup>(a)</sup>
Changes in fair value posted to income statement	(1.4)
Changes in scope, exchange rates and other	(36.6)
<b>AT DECEMBER 31, 2013</b>	<b>498.1</b>

*(a) Mainly due to the re-measurement at fair value of Acea and Chongqing Water shares (see Note 12.1.1.2).*

The value of available-for-sale securities held by the Group amounts to €498.1 million as of December 31, 2013, which is divided between €296.5 million for listed securities and €201.6 million for unlisted securities (versus €193.5 million and €202.4 million respectively in 2012).

Changes in scope over the period mainly reflect the takeover of Aguas de Sabadell, now fully consolidated (see Note 2 "Major transactions").

## 12.1.1.1 GAINS AND LOSSES POSTED TO EQUITY AND INCOME FROM AVAILABLE-FOR-SALE SECURITIES

Gains and losses posted to equity and income from available-for-sale securities are as follows:

<i>In millions of euros</i>	Dividends	Post acquisition remeasurement			Income/(loss) on disposals
		Change in fair value	Impact of exchange rates	Impairment	
Shareholders' equity <sup>(a)</sup>		136.1	-		
Net income	27.0	-		(1.4)	2.9
<b>TOTAL AT DECEMBER 31, 2013</b>	<b>27.0</b>	<b>136.1</b>	<b>-</b>	<b>(1.4)</b>	<b>2.9</b>
Shareholders' equity <sup>(a)</sup>		57.0	-		
Net income	25.1	-		(65.1)	4.9
<b>TOTAL AT DECEMBER 31, 2012</b>	<b>25.1</b>	<b>57.0</b>	<b>-</b>	<b>(65.1)</b>	<b>4.9</b>

*(a) Excluding tax impact.*

## 12.1.1.2 ANALYSIS OF AVAILABLE-FOR-SALE SECURITIES AS PART OF IMPAIRMENT TESTS

The Group examines the value of the various available-for-sale securities on a case-by-case basis and taking the market context into consideration, to determine whether it is necessary to recognize impairments.

Among the factors taken into consideration for listed securities, the Group believes that a decline in the share price of more than 50% below historical cost or a decline in the share price below historical cost for more than 12 months consecutively are indicators of impairment.

The main listed securities items relate to shares in Acea and Chongqing Water.

At December 31, 2013, the fair-value adjustment of Acea and Chongqing Water shares led to their respective remeasurements of €64 million and €75 million, recorded in equity under "Other comprehensive income items".

At December 31, 2012, the Group recorded an impairment of €60 million in the income statement on the Acea shares.

## 12.1.2 Loans and receivables carried at amortized cost

In millions of euros	December 31, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
<b>Loans and receivables carried at amortized cost (excluding trade and other receivables)</b>	<b>787.6</b>	<b>353.8</b>	<b>1,141.4</b>	<b>700.7</b>	<b>266.6</b>	<b>967.3</b>
Loans granted to affiliated companies <sup>(a)</sup>	195.1	60.1	255.2	216.2	84.5	300.7
Other receivables at amortized cost	99.0	32.0	131.0	89.0	20.6	109.6
Concession receivables	492.0	259.1	751.1	392.0	160.7	552.7
Finance lease receivables	1.5	2.6	4.1	3.5	0.8	4.3
<b>Trade and other receivables</b>	<b>-</b>	<b>3,628.5</b>	<b>3,628.5</b>	<b>-</b>	<b>3,805.3</b>	<b>3,805.3</b>
<b>TOTAL</b>	<b>787.6</b>	<b>3,982.3</b>	<b>4,769.9</b>	<b>700.7</b>	<b>4,071.9</b>	<b>4,772.6</b>

(a) This item primarily includes loans granted to associates accounted for by the equity method and to non-consolidated companies, and amounted to €236.4 million as of December 31, 2013, versus €246.4 million as of December 31, 2012.

Depreciation and impairment on loans and receivables carried at amortized cost are shown below:

In millions of euros	December 31, 2013			December 31, 2012		
	Gross	Depreciation and impairment	Net	Gross	Depreciation and impairment	Net
Loans and receivables carried at amortized cost (excluding trade and other receivables)	1,222.3	(80.9)	1,141.4	1,083.2	(115.9)	967.3
Trade and other receivables	3,856.9	(228.4)	3,628.5	4,039.2	(233.9)	3,805.3
<b>TOTAL</b>	<b>5,079.2</b>	<b>(309.3)</b>	<b>4,769.9</b>	<b>5,122.4</b>	<b>(349.8)</b>	<b>4,772.6</b>

Information on the maturity of receivables that are past due but not impaired and on the monitoring of counterparty risk on loans and receivables at amortized cost (including trade and other receivables) is presented in Note 13.2, "Counterparty risk".

Net income and expenses on loans and receivables carried at amortized cost and recognized in the income statement break down as follows (including trade receivables):

In millions of euros	Interests	Remeasurement post-acquisition	
		Translation adjustment	Impairment
At December 31, 2012	60.6	-	(23.4)
<b>AT DECEMBER 31, 2013</b>	<b>70.4</b>	<b>(2.4)</b>	<b>25.8</b>

The positive impact of the aggregate "impairment" in 2013 comes from a reversal of impairment on a financial receivable relating to a concession contract in the International operating segment.

**TRADE AND OTHER RECEIVABLES**

On initial recognition, trade receivables are recorded at fair value, which generally corresponds to their nominal value. Impairment losses are recorded based on the estimated risk of non-recovery.

The net carrying amount posted to the statement of financial position represents a good measurement of fair value.

### 12.1.3 Financial assets measured at fair value through income

This item comprises derivative financial instruments as well as financial assets measured at fair value through income or loss excluding derivatives, and can be analyzed as follows:

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>200.2</b>	<b>11.6</b>	<b>211.8</b>	<b>259.1</b>	<b>5.5</b>	<b>264.6</b>
Debt-related derivatives (see Note 12.3.1)	162.7	9.1	171.8	237.1	-	237.1
Derivative hedging commodities (see Note 13.1.2)	-	0.1	0.1	-	3.3	3.3
Derivative hedging other items	37.5	2.4	39.9	22.0	2.2	24.2
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME EXCLUDING DERIVATIVES</b>	<b>-</b>	<b>91.6</b>	<b>91.6</b>	<b>-</b>	<b>23.5</b>	<b>23.5</b>
Financial assets measured at fair value through income (see Note 12.3.1)	-	91.6	91.6	-	23.5	23.5
<b>TOTAL</b>	<b>200.2</b>	<b>103.2</b>	<b>303.4</b>	<b>259.1</b>	<b>29.0</b>	<b>288.1</b>

Commodities derivatives, debt-related derivatives, and derivatives hedging other items are set up as part of the Group's risk management policy and are analyzed in Note 13.

Financial assets measured at fair value through income (excluding derivatives) are mainly UCITS and negotiable medium-term notes (MTNs); which are included in the calculation of the Group's net debt (see Note 12.3).

Income recognized on all financial assets measured at fair value through income as of December 31, 2013 was €0.3 million.

### 12.1.4 Cash and cash equivalents

The Group's financial risk management policy is described in Note 13.

"Cash and cash equivalents" amounted to €2,506.0 million as of December 31, 2013 versus €2,247.3 million as of December 31, 2012.

This item mainly includes term deposits of less than three months in the amount of €851.0 million, versus €513.4 million as of December 31, 2012, and cash in the amount of €1,550.6 million versus €1,726.2 million as of December 31, 2012.

In addition, restricted cash amounted to €45.6 million as of December 31, 2013.

Income recognized in respect of "Cash and cash equivalents" as of December 31, 2013 amounted to €37.9 million versus €45.4 million as of December 31, 2012.

### 12.1.5 Pledged and mortgaged assets

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Pledged and mortgaged assets	128.5	148.3

## ➔ 12.2 Financial liabilities

Financial liabilities are accounted for:

- in "Liabilities at amortized cost" for borrowings and debt, trade and other payables, and other financial liabilities;
- or in "liabilities measured at fair value through income" for derivative financial instruments.

The following table shows the various financial liability categories as of December 31, 2013, as well as their breakdown as "non-current" and "current":

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Borrowings	7,228.9	2,769.7	9,998.6	8,554.8	1,363.6	9,918.4
Derivative financial instruments	46.2	6.9	53.1	90.7	11.3	102.0
Trade and other payables	-	2,770.1	2,770.1	-	2,871.0	2,871.0
Other financial liabilities	3.6	-	3.6	2.7	-	2.7
<b>TOTAL</b>	<b>7,278.7</b>	<b>5,546.7</b>	<b>12,825.4</b>	<b>8,648.2</b>	<b>4,245.9</b>	<b>12,894.1</b>

### 12.2.1 Borrowings and debt

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	5,687.9	886.3	6,574.2	5,913.5	61.4	5,974.9
Commercial paper	-	679.0	679.0	-	-	-
Draw downs on credit facilities	186.8	101.4	288.2	909.1	118.6	1,027.7
Borrowings under finance leases	345.6	51.8	397.4	390.7	51.5	442.2
Other bank borrowings	797.5	189.5	987.0	871.0	185.2	1,056.2
Other borrowings	110.3	61.7	172.0	321.9	102.4	424.3
<b>Borrowings (gross amounts)</b>	<b>7,128.1</b>	<b>1,969.7</b>	<b>9,097.8</b>	<b>8,406.2</b>	<b>519.1</b>	<b>8,925.3</b>
Overdrafts and current cash accounts	-	704.6	704.6	-	758.4	758.4
<b>Outstanding financial debt</b>	<b>7,128.1</b>	<b>2,674.3</b>	<b>9,802.4</b>	<b>8,406.2</b>	<b>1,277.5</b>	<b>9,683.7</b>
Impact of measurement at amortized cost	5.4	90.6	96.0	(11.5)	86.1	74.6
Impact of fair value hedge	95.4	4.8	100.2	160.1	-	160.1
<b>BORROWINGS AND DEBT</b>	<b>7,228.9</b>	<b>2,769.7</b>	<b>9,998.6</b>	<b>8,554.8</b>	<b>1,363.6</b>	<b>9,918.4</b>

The fair value of gross financial debt as of December 31, 2013 was €11,107.6 million for a net book value of €9,998.6 million (for details see Note 12.4.2).

Gains and losses on borrowings and debt recognized in the income statement mainly comprise interest and are detailed in Note 6, "Financial income". Borrowings are analyzed in Note 12.3 "Net debt".

### 12.2.2 Derivative financial instruments (including commodities)

Derivative instruments recorded as liabilities are measured at fair value and may be analyzed as follows:

<i>In millions of euros</i>	December 31, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Debt-related derivatives	15.4	1.1	16.5	28.1	1.8	29.9
Derivatives hedging commodities	-	0.3	0.3	-	0.5	0.5
Derivatives hedging other items	30.8	5.5	36.3	62.6	9.0	71.6
<b>TOTAL</b>	<b>46.2</b>	<b>6.9</b>	<b>53.1</b>	<b>90.7</b>	<b>11.3</b>	<b>102.0</b>

These instruments are set up according to the Group's risk management policy and are analyzed in Note 13.

### 12.2.3 Trade and other payables

<i>In millions of euros</i>	December 31, 2013	December 31, 2012
Trade payables	2,509.4	2,621.3
Payables on fixed assets	260.7	249.7
<b>Total</b>	<b>2,770.1</b>	<b>2,871.0</b>

The carrying amount recorded to the statement of financial position represents a good measurement of fair value.

### 12.2.4 Other financial liabilities

Other financial liabilities correspond entirely to payables on share acquisition.

## ➔ 12.3 Net debt

### 12.3.1 Analysis by type of debt

In millions of euros	December 31, 2013			December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Outstanding borrowings	7,128.1	2,674.3	9,802.4	8,406.2	1,277.5	9,683.7
Impact of measurement at amortized cost	5.4	90.6	96.0	(11.5)	86.1	74.6
Impact of fair value hedge <sup>(a)</sup>	95.4	4.8	100.2	160.1	-	160.1
<b>Borrowings and debts</b>	<b>7,228.9</b>	<b>2,769.7</b>	<b>9,998.6</b>	<b>8,554.8</b>	<b>1,363.6</b>	<b>9,918.4</b>
Debt-related derivatives under liabilities <sup>(b)</sup>	15.4	1.1	16.5	28.1	1.8	29.9
<b>Gross debt</b>	<b>7,244.3</b>	<b>2,770.8</b>	<b>10,015.1</b>	<b>8,582.9</b>	<b>1,365.4</b>	<b>9,948.3</b>
Assets related to financing <sup>(c)</sup>	(0.9)	-	(0.9)	(4.6)	-	(4.6)
<b>Assets related to financing</b>	<b>(0.9)</b>	<b>-</b>	<b>(0.9)</b>	<b>(4.6)</b>	<b>-</b>	<b>(4.6)</b>
Financial assets measured at fair value through income excluding financial derivative instruments	-	(91.6)	(91.6)	-	(23.5)	(23.5)
Cash and cash equivalents	-	(2,506.0)	(2,506.0)	-	(2,247.3)	(2,247.3)
Debt-related derivatives under assets <sup>(b)</sup>	(162.7)	(9.1)	(171.8)	(237.1)	-	(237.1)
<b>Net cash</b>	<b>(162.7)</b>	<b>(2,606.7)</b>	<b>(2,769.4)</b>	<b>(237.1)</b>	<b>(2,270.8)</b>	<b>(2,507.9)</b>
<b>Net debt</b>	<b>7,080.7</b>	<b>164.1</b>	<b>7,244.8</b>	<b>8,341.2</b>	<b>(905.4)</b>	<b>7,435.8</b>
Outstanding borrowings	7,128.1	2,674.3	9,802.4	8,406.2	1,277.5	9,683.7
Assets related to financing <sup>(c)</sup>	(0.9)	-	(0.9)	(4.6)	-	(4.6)
Financial assets measured at fair value through income excluding financial derivative instruments	-	(91.6)	(91.6)	-	(23.5)	(23.5)
Cash and cash equivalents	-	(2,506.0)	(2,506.0)	-	(2,247.3)	(2,247.3)
<b>NET DEBT EXCLUDING AMORTIZED COST AND IMPACT OF DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>7,127.2</b>	<b>76.7</b>	<b>7,203.9</b>	<b>8,401.6</b>	<b>(993.3)</b>	<b>7,408.3</b>

(a) This item corresponds to the revaluation of the interest rate component of debt in a designated fair value hedging relationship.

(b) This item represents the fair value of debt-related derivatives regardless of whether or not they are designated as hedges.

(c) The financial assets related to financing are henceforth shown in reduction of the amount of debt. These generally refer to pledged deposits for financing subsidiaries.

The increase in the current portion of outstanding borrowings at December 31, 2013 is primarily due to the recognition in current financial debt of:

- bonds issued by SUEZ ENVIRONNEMENT COMPANY, with a fixed coupon of 4.875%, maturing in April 2014, with €770 million outstanding at December 31, 2013;
- commercial paper with €679 million outstanding at December 31, 2013.

The sensitivity of the debt (including interest rate and currency derivatives) to interest rate risk and currency risk is presented in Note 13 "Risks arising from financial instruments".

### 12.3.2 Bond and commercial paper issues

The main transactions performed by SUEZ ENVIRONNEMENT COMPANY in 2013 are as follows:

- On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up to €1,500.0 million. At December 31, 2013, the outstanding notes totaled €679.0 million.
- Commercial paper is recognized as current financial debt. However, the Group's policy is to back all commercial paper by available credit lines. Thus, the refinancing of commercial paper is guaranteed even in case of closure of the money market.
- At December 31, 2013, outstanding commercial paper was entirely covered by confirmed available for more than one year credit lines.
- In October 2013, SUEZ ENVIRONNEMENT COMPANY also carried out a €500 million bond issue with a coupon of 2.75% maturing in 2023.

### 12.3.3 Securitization of receivables

#### Context

Since 2002, SUEZ ENVIRONNEMENT has implemented a program for the sales of commercial receivables to a special purpose vehicle (SPV) called "*Fonds Commun de Créances*". The receivables transferred related to invoices linked to the Waste Europe activity in France, Belgium (exit from the program on November 25, 2013) and the Netherlands.

This program had a 5-year initial duration and was renewed in 2007 for five additional years that ended June 18, 2012.

The risks associated with securitized receivables, mainly credit risk and the risk of late payment, were retained by the Group. Consequently, the receivables sold could not be derecognized in the sense of IAS 39 (Financial Instruments: Recognition and Measurement) and were maintained on the consolidated statement of financial position. Sums received for the sales were therefore entered against a debt on the Group's consolidated statement of financial position.

#### Description of the program

The program ending June 18, 2012 was renewed for 5-year duration and modified in order to set up conditions allowing for derecognition of the receivables under IAS 39.

The main characteristics of the program are as follows:

- (a) a new SPV was created, called "*Fonds Commun de Titrisation*" (or FCT) to replace the previous one;
- (b) the preexisting securitization program was subject to a "simple" renewal;
- (c) a compartment dedicated to the Group's receivables was created within the FCT;
- (d) on the implementation date, part of receivables from the former securitization program were transferred to the new compartment; the other part continued to fund the former SPV compartment and switched in November 2012 (with the exception of Belgium, which continued to fund the former program until November 25, 2013);
- (e) the FCT used in the program is financing the new compartment by issuing three types of instruments:
  - shares known as "senior", issued on the markets through a dedicated channel,
  - a deposit known as "mezzanine", underwritten by the Group,
  - shares known as "subordinated", underwritten by an investor taking part in the program and with contracted involvement with the Group;
- (f) these shares are presented here in order of payment priority related to each other; the senior shares are therefore the first to be reimbursed and the subordinated shares are the last;
- (g) the Group subsidiaries involved remain in charge of recovering the receivables transferred against remuneration.

The sales of receivables are made by Group subsidiaries at their nominal value, minus a discount that covers the cost of financing the receivables, the risk of late payment and the credit risk.

The main commitments of the Group towards the securitization fund are the following:

- (h) set-up of a security deposit for the compartment, earning interest, and designed to cover, if the FCT reserves and the "subordinated" shares ever came to run out, any defaults and late payments on transferred receivables exceeding the amount estimated during the transfer and invoiced through the discount applied to the transfer price, to a set maximum limit (Cash Collateral 1 or CC1); this deposit is effective from the launch of the program and corresponds to the "mezzanine" deposit presented above;
- (i) set-up of a security deposit for the compartment, earning interest, and designed to preserve the correct execution of all financial obligations of Group entities party to the program, to a set maximum limit (Cash Collateral 2 or CC2); this deposit is only effective if certain events or triggers occur linked to the downgrading of SUEZ ENVIRONNEMENT COMPANY or to the non-respect by the Group of its contractual obligations. At December 31, 2013, this security deposit had not yet been formed;
- (j) existence of a mechanism known as "excess fee" through which, in certain cases, the FCT can give back part of the excess cash accumulated in the compartment when recovering receivables (transferred at discount prices). This mechanism corresponds to a part of the remuneration of Group subsidiaries for collecting receivables (see below);
- (k) an option, for all Group subsidiaries, to jointly request buyback at fair value of the receivables held by the compartment in a single and unique transaction, in case of program amortization, planned (with a 5-year term), or accelerated, and after agreement with the holders of "subordinated" shares. To date, accelerated amortization of the program is not expected before its maturity date;
- (l) issue of a guarantee for the risk of modification of tax rules;
- (m) preservation by each Group subsidiary of the follow-up and collection of receivables that it has transferred to the compartment; to this effect, a follow-up and collection agreement was signed by each of the subsidiaries acting as collector and by the compartment, this service being remunerated by FCT.

The Group remains exposed to the risks linked to the receivables transferred within the limit of the security deposits. It also receives part of the benefits from the FCT via the collection of an excess fee in its role as servicer.

However, the discount applied to the sales and the sizing of the "subordinated" shares allow almost all possible losses of the compartment to be absorbed. The probability that the "mezzanine" deposit is impacted is very low. Finally, the holders of the "subordinated" shares benefit from almost all the advantages through excess fees more favorable than those attributable to the Group, and the granting of the liquidation profit.

#### Accounting treatment

The new compartment of the FCT is not controlled by the Group and is therefore not consolidated.

According to IAS 39 and based on the terms of the new program and the quantitative analyses implemented, the Group transferred almost all the risks and rewards inherent to the ownership of the receivables sold. The receivables transferred within the scope of the new program are therefore fully derecognized from the Group's consolidated statement of financial position.

The loss arising from the sale of these receivables, through the applied discount, is recorded in the income statement under financial expenses (see Note 6).

The security deposit paid and representing the "mezzanine" shares underwritten by the Group is recorded under the item "Loans and receivables carried at amortized cost" on the Group's consolidated

statement of financial position. Its remuneration is recorded in the income statement under financial income (see Note 6).

The remuneration of services provided by the Group for follow-up and recovery of receivables transferred is shown in the income statement under financial income (see Note 6).

### Figures at December 31, 2013

The new securitization program has been the object of the first monthly sale of receivables on June 26, 2012 for assignors within Sita France; on November 23, 2012, assignors within Sita Spécialités, Sita Nederland, Sita UK and Sita Deutschland also sold receivables to the new compartment for the first time.

The figures as of December 31, 2013 are presented below:

*In millions of euros*

Total of receivables sold over the period	2,329.9
Gain / (loss) arising from sale over the period	(23.6) (b)
Remuneration for CC1	0.7 (c)
Remuneration of services for follow-up and recovery of receivables transferred over the period	10.5 (d)
Outstanding receivables transferred as of December 31, 2013	384.8 (a)
Book value of CC1 as of December 31, 2013	29.4 (e)
Fair value of CC1	29.4
Book value of CC2	*
Residual maturity of CC1	41 months
<b>Impact of sales of derecognized receivables in the sense of IAS 39 on net debt</b>	<b>343.0 (a) + (b) + (c) + (d) - (e)</b>

\* No security deposit known as "CC2" had been made as of December 31, 2013; payment of this deposit is subject to the conditions described above.

As a reminder, the subsidiaries Sita Wallonie and Sita Flanders, not involved in the new program, have sold their eligible receivables on a monthly basis under the renewal of the former program, which ended on November 25, 2013.

Total receivables sold during the period under the former program by Sita Wallonie and Sita Flanders, amounted to €163.5 million.

### 12.3.4 Change in net debt

Net debt fell by €191.0 million in 2013, mainly due to the following changes:

- the payment of cash dividends to shareholders of SUEZ ENVIRONNEMENT COMPANY amounting to €340.2 million (including the 3% tax on dividends distributed, for €9.9 million);

- the payment of cash dividends to minority shareholders of subsidiaries amounting to €179.7 million;
- the sale of United Water Arkansas generated a €17.3 million reduction in net debt (including the fees and taxes on the sale);
- the exchange rate variations resulted in a decrease of €228.0 million euros in net debt;
- net cash generated by the Group's activities as well as other changes in the scope of consolidation for the balance of the change in net debt.



### 12.3.5 Debt/equity ratio

<i>In millions of euros</i>	December 31, 2013	December 31, 2013
Net debt	7,244.8	7,435.8
Total equity	6,909.6	6,859.2
<b>Debt/equity ratio</b>	<b>104.9%</b>	<b>108.4%</b>

## 12.4 Fair value of financial instruments by level

### 12.4.1 Financial assets

#### Available-for-sale securities:

Listed securities are recognized in the consolidated statement of financial position at fair value for €296.5 million at December 31, 2013. They have a Level 1 fair value based on stock market prices at that date.

Unlisted securities valued at €201.6 million at December 31, 2013 are measured using valuation models based primarily on the most recent transactions, discounted dividends or cash flow and net asset value (fair value Level 3).

As of December 31, 2013, the change in Level 3 available-for-sale securities breaks down as follows:

<i>In millions of euros</i>	
<b>AT DECEMBER 31, 2012</b>	<b>202.4</b>
Acquisitions	4.6
Disposals	(3.9)
Gains and losses posted to equity	0.1
Gains and losses posted to income	(1.4)
Changes in scope, exchange rates and other	(0.2)
<b>AT DECEMBER 31, 2013</b>	<b>201.6</b>

### 12.4.2 Financial liabilities

The fair value of financial liabilities and financial instruments excluding commodities posted to liabilities are distributed as follows among the various levels of fair value (fair value levels are defined in Note 1.5.10.3):

<i>In millions of euros</i>	December 31, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Borrowings	11,107.6	5,500.4	5,607.2	-	10,865.8	5,192.5	5,673.3	-
Derivative financial instruments	53.1	-	53.1	-	102.0	-	102.0	-
Debt-related derivatives	16.5	-	16.5	-	29.9	-	29.9	-
Derivatives hedging commodities	0.3	-	0.3	-	0.5	-	0.5	-
Derivatives hedging other items	36.3	-	36.3	-	71.6	-	71.6	-
<b>TOTAL</b>	<b>11,160.7</b>	<b>5,500.4</b>	<b>5,660.3</b>	<b>-</b>	<b>10,967.8</b>	<b>5,192.5</b>	<b>5,775.3</b>	<b>-</b>

The main line of unlisted securities is Aguas de Valencia, the value of which is determined based on a multi-criteria analysis (DCF, multiples). A decline of 10% in the total value of Aguas de Valencia shares would result in a -€10.8 million decline in equity. The net value of other unlisted securities is not of a significant uniform amount that would have to be presented separately.

#### Loans and receivables carried at amortized cost (excluding trade and other receivables):

Loans and receivables carried at amortized cost (excluding trade and other receivables), amounting to €1,141.4 million at December 31, 2013, may contain elements that contribute to a fair value hedging relationship. At December 31, 2013, no hedges were put in place.

For the record, when a hedge is put in place, the fair value of the hedged item is considered to be Level 2, as calculated from observable interest rate and currency exchange data.

#### Derivative financial instruments:

The portfolio of derivative financial instruments used by the Group within the context of its risk management consists primarily of interest rate and exchange rate swaps, interest rate options, and currency swaps. It is recognized at its fair value at December 31, 2013 for €211.8 million. The fair value of virtually all of these contracts is determined using internal valuation models based on observable data. These instruments are considered Level 2.

#### Financial assets measured at fair value through profit or loss:

Financial assets measured at fair value amounting to €91.6 million at December 31, 2013, determined based on observable data, are considered Level 2.

## Bonds and borrowings:

Only listed bonds issued by SUEZ ENVIRONNEMENT COMPANY are presented in this table at Level 1. Other bonds are shown in this table at Level 2. All of these loans are measured in light of the interest rate risk (interest rate component); their fair value is determined on the basis of observable data.

## Derivative financial instruments:

See Note 12.4.1 for details on fair value level.

## ➔ 12.5 Offsetting of derivative assets and liabilities

The net amount of financial derivatives, after taking into account legally enforceable master netting agreements or similar agreements, whether or not offset in accordance with paragraph 42 of IAS 32, is presented in the table below:

In millions of euros	December 31, 2013				December 31, 2012			
	Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities		Financial derivatives instruments on net debt and others		Financial derivatives instruments on commodities	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Gross Amount <sup>(a)</sup>	211.7	(52.8)	0.1	(0.3)	261.3	(101.5)	3.3	(0.5)
<b>AMOUNT AFTER OFFSETTING</b>	<b>199.1</b>	<b>(40.2)</b>	<b>-</b>	<b>(0.2)</b>	<b>235.1</b>	<b>(75.3)</b>	<b>2.8</b>	<b>-</b>

(a) Gross amounts of recorded assets and liabilities

## NOTE 13 Management of risks arising from financial instruments

The Group mainly uses derivative instruments to manage its exposure to market risks. The management of financial risks is explained in chapter 4 "Risk factors" of the Reference Document.

counter markets, whether they are firm commitments or options, but always settled in cash. The Group's aim is to protect itself against adverse changes in market prices, which may specifically affect its supply costs.

## ➔ 13.1 Market risks

### 13.1.1.2 FAIR VALUE OF DERIVATIVE INSTRUMENTS LINKED TO COMMODITIES

### 13.1.1 Commodity market risks

The fair values of derivative instruments linked to commodities at December 31, 2013 and 2012 are presented in the table below:

#### 13.1.1.1 HEDGING OPERATIONS

The Group sets up cash flow hedges on fuel and electricity as defined by IAS 39 by using the derivative instruments available on over-the-

In millions of euros	December 31, 2013				December 31, 2012			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Cash flow hedges	0.1	-	0.3	-	3.3	-	0.5	-
<b>TOTAL</b>	<b>0.1</b>	<b>-</b>	<b>0.3</b>	<b>-</b>	<b>3.3</b>	<b>-</b>	<b>0.5</b>	<b>-</b>

The fair value of cash flow hedging instruments by type of commodity breaks down as follows:

<i>In millions of euros</i>	December 31, 2013				December 31, 2012			
	Assets		Liabilities		Assets		Liabilities	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
<b>ELECTRICITY</b>	-	-	-	-	<b>0.7</b>	-	-	-
Swaps	-	-	-	-	0.7	-	-	-
<b>OIL</b>	<b>0.1</b>	-	<b>0.3</b>	-	<b>2.6</b>	-	<b>0.5</b>	-
Swaps	0.1	-	0.3	-	2.6	-	0.5	-
<b>TOTAL</b>	<b>0.1</b>	-	<b>0.3</b>	-	<b>3.3</b>	-	<b>0.5</b>	-

### 13.1.2 Currency risk

The Group is exposed to financial statement translation risk due to the geographical spread of its activities: its statement of financial position and income statement are impacted by changes in exchange rates when consolidating its foreign subsidiaries with a currency other than the euro (translation risk). Translation risk is mainly concentrated on equity holdings in the United States, United Kingdom, Chile and Australia. The Group's hedging policy with regard to investments in non-eurozone currencies consists in contracting liabilities denominated in the same currency as the cash flows expected to derive from the hedged assets.

Among the hedging instruments used, borrowings in the relevant currency constitute the most natural hedging tool. The Group also uses foreign currency derivatives (swaps), which allow for the creation of synthetic currency debts.

Exposure to currency risk is reviewed monthly and the asset hedging coverage ratio (corresponding to the ratio between the carrying

amount of an asset denominated in a foreign currency outside the eurozone, and the debt assumed for that asset) is periodically reviewed in the light of market conditions and whenever assets are acquired or sold. Any significant change in the hedging ratio is subject to prior approval by the Treasury Committee.

Taking financial instruments into account, 62% of net debt was denominated in euro, 14% in US dollar, 5% in pound sterling, 14% in Chilean peso and 1% in Australian dollar at the end of 2013, compared to 57% in euro, 15% in US dollar, 5% in pound sterling, 16% in Chilean peso and 2% in Australian dollar at the end of 2012.

#### 13.1.2.1 ANALYSIS OF FINANCIAL INSTRUMENTS BY CURRENCY

The breakdown by currency of outstanding borrowings and of net debt, before and after taking interest rate and currency hedges into account, is presented below:

#### Outstanding borrowings

<i>In %</i>	December 31, 2013		December 31, 2012	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	73%	67%	67%	59%
US\$ zone	6%	10%	8%	12%
£ zone	4%	4%	3%	5%
CLP (Chilean peso)	11%	11%	13%	13%
AUD (Australian dollar)	1%	1%	4%	4%
Other currencies	5%	7%	5%	7%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Net debt**

In %	December 31, 2013		December 31, 2012	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Euro zone	70%	61%	67%	57%
US\$ zone	8%	14%	10%	15%
£ zone	5%	5%	4%	5%
CLP (Chilean peso)	14%	14%	15%	16%
AUD (Australian dollar)	1%	1%	2%	2%
Other currencies	2%	5%	2%	5%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**13.1.2.2 ANALYSIS OF CURRENCY RISK SENSITIVITY**

The sensitivity analysis was based on the net debt position (including currency derivatives), and derivatives designated as net investment hedges at the reporting date.

As regards **currency risk**, the sensitivity calculation consists in evaluating the impact in the consolidated financial statements of a +/-10% change in foreign exchange rates compared to closing rates.

**Impact on income:**

Changes in exchange rates against the euro only affect income through gains and losses on liabilities denominated in a currency other than the functional currency of the companies carrying the liabilities on their statement of financial position, and to the extent that these liabilities do not qualify as net investment hedges. A uniform +/-10% change in exchange rates would generate a loss or a gain of €34.3 million.

**Impact on equity:**

For financial liabilities (debt and derivatives) designated as net investment hedges, a uniform 10% change in exchange rates would have a positive or negative impact on equity of €122.6 million. This impact is offset by a counter-effect on the net investment in the hedged currency.

**13.1.3 Interest rate risk**

The Group aims to reduce its financing costs by limiting the impact of interest rate fluctuations on its income statement.

**Outstanding borrowings**

In %	December 31, 2013		December 31, 2012	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	26%	41%	30%	40%
Fixed rate	74%	59%	70%	60%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The Group's policy is to diversify net debt interest rate references between fixed and floating rates. The Group's aim is to achieve a balanced interest rate structure for its net debt in the medium term (5 to 15 years). The interest rate mix may change depending on market trends.

The Group therefore uses hedging instruments (particularly swaps) to protect itself from increases in interest rates in the currencies in which the debt is denominated.

The Group's exposure to interest rate risk is managed centrally and regularly reviewed (generally on a monthly basis) during meetings of the Treasury Committee. Any significant change in the interest rate mix is subject to prior approval by Management.

The cost of debt is sensitive to changes in interest rates on all floating-rate debt. The cost of debt is also affected by changes in market value of derivative instruments not classified as hedges under IAS 39.

The Group's main exposure to interest rate risk arises from loans and borrowings denominated in euro, US dollar, pound sterling, Chilean peso and Australian dollar, which represented 95% of net debt as of December 31, 2013.

**13.1.3.1 FINANCIAL INSTRUMENTS BY RATE TYPE**

The breakdown by type of rate of outstanding borrowings and net debt, before and after impact of hedging instruments, is shown in the following tables:

**Net debt**

In %	December 31, 2013		December 31, 2012	
	Before impact of derivatives	After impact of derivatives	Before impact of derivatives	After impact of derivatives
Floating rate	-2%	18%	6%	19%
Fixed rate	102%	82%	94%	81%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**13.1.3.2 ANALYSIS OF INTEREST RATE RISK SENSITIVITY**

The sensitivity analysis was based on the net debt position as at the reporting date (including interest rate derivative instruments).

For **interest rate risk**, sensitivity is calculated based on the impact of a rate change of +/-1% compared with year-end interest rates.

**Impact on income:**

A +/-1% change in short-term interest rates (for all currencies) on the nominal amount of floating-rate net debt and the floating-rate component of derivatives would have a negative or positive impact of €11.9 million on net interest expense.

A 1% increase in interest rates (for all currencies) would generate a gain of €0.6 million in the income statement due to the change in fair value of non-qualified derivatives. Conversely, a 1% decrease in interest rates would generate a €0.6 million loss.

**Impact on equity:**

An increase of 1% in all interest rates (uniform for all currencies) would generate a gain of €8.3 million in equity, linked to the change in fair value for derivatives documented as cash flow hedges and accounted for in the statement of financial position. On the other hand, a decrease of 1% would generate a loss of €9.2 million.

The asymmetrical impacts are attributable to the low short-term interest rates (less than 1%) applicable to certain financial assets and liabilities.

**13.1.4 Currency and interest rate risk hedges**

The fair values and notional amounts of the financial derivative instruments used to hedge currency and interest rate risks are as follows:

**Foreign currency derivatives**

In millions of euros	December 31, 2013		December 31, 2012	
	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	1.4	197.5	0.9	219.6
Cash-flow hedges	(0.6)	109.9	0.3	50.3
Net investment hedges	28.3	1,109.5	3.6	964.5
Derivative instruments not qualifying for hedge accounting	8.4	721.2	1.5	820.3
<b>Total</b>	<b>37.5</b>	<b>2,138.1</b>	<b>6.3</b>	<b>2,054.7</b>

**Interest rate derivatives**

In millions of euros	December 31, 2013		December 31, 2012	
	Total market value	Total nominal value	Total market value	Total nominal value
Fair-value hedges	149.4	1,820.5	209.4	1,820.5
Cash-flow hedges	(28.0)	321.9	(55.5)	864.2
Derivative instruments not qualifying for hedge accounting	(0.1)	348.2	(0.4)	420.5
<b>TOTAL</b>	<b>121.3</b>	<b>2,490.6</b>	<b>153.5</b>	<b>3,105.2</b>

The market values shown in the table above are positive for an asset and negative for a liability.

The Group defines foreign currency derivatives hedging by firm foreign currency commitments, and instruments transforming fixed-rate debt into floating-rate debt, as fair value hedges.

Cash-flow hedges correspond mainly to hedges of future operating cash flows in foreign currency and the hedging of floating-rate debt.

Net investment hedging instruments are mainly foreign exchange swaps.

Interest rate derivatives not designated as hedges consist of structured instruments, which because of their type and because they do not meet the effectiveness criteria defined in IAS 39, cannot be qualified as hedges for accounting purposes.

Foreign currency derivatives not designated as hedges provide financial cover for foreign currency commitments. Furthermore, the effect of foreign currency derivatives is almost entirely offset by translation adjustments on the hedged items.

#### Fair-value hedges:

As of December 31, 2013, the net impact of fair value hedges recognized in the income statement was -€0.6 million.

#### Cash flow hedges:

The breakdown by maturity of the market value of the foreign currency and interest rate derivatives designated as cash flow hedges is as follows:

#### At December 31, 2013

*In millions of euros*

	Total	2014	2015	2016	2017	2018	Beyond 5 years
<b>Fair value of derivatives by maturity date</b>	<b>(28.6)</b>	<b>(9.4)</b>	<b>(6.2)</b>	<b>(4.0)</b>	<b>(2.4)</b>	<b>(3.6)</b>	<b>(3.0)</b>

#### At December 31, 2012

*In millions of euros*

	Total	2013	2014	2015	2016	2017	Beyond 5 years
<b>Fair value of derivatives by maturity date</b>	<b>(55.3)</b>	<b>(28.4)</b>	<b>(5.2)</b>	<b>(4.2)</b>	<b>(3.2)</b>	<b>(2.3)</b>	<b>(12.0)</b>

The unrealized gains and losses directly recognized in shareholders' equity, Group share over 2013 amounted to +€91.7 million (including impacts on associates).

The ineffective portion of cash-flow hedges recognized in income amounted to -€6.3 million.

#### Net investment hedges

The ineffective portion of net investment hedges recognized in income is nil.

## ➔ 13.2 Counterparty risk

Through its operational and financial activities, the Group is exposed to the risk of default on the part of its counterparties (customers, suppliers, associates, intermediaries, banks) in the event that they find it impossible to meet their contractual obligations. This risk arises from a combination of payment risk (non-payment of goods or services rendered), delivery risk (non-delivery of goods or services already paid), and replacement risk on defaulting contracts (called mark-to-market exposure and corresponding to the risk that replacement terms will be different from the initially agreed terms).

### 13.2.1 Operating activities

#### Trade and other receivables

The gross maturity of past-due trade and other receivables is broken down below:

Trade and other receivables <i>In millions of euros</i>	Past-due non impaired assets at closing date				Impaired assets <sup>(a)</sup>	Non-impaired and not past-due assets	Total
	0-6 months	6-12 months	Over one year	Total	Total	Total	
At December 31, 2013	202.7	15.7	70.3	288.7	344.0	3,224.2	3,856.9
At December 31, 2012	220.2	29.0	47.2	296.4	363.7	3,379.1	4,039.2

(a) This figure corresponds to the nominal value of trade and other receivables that are partially or fully depreciated.

The ageing of receivables that are past due but not impaired may vary significantly depending on the type of customer with which the Group companies do business (private companies, individuals or public authorities). The Group decides whether to recognize impairment on a case-by-case basis according to the characteristics of the various types of customers. The Group does not consider that it is exposed to any material credit concentration risk in respect of receivables, taking into account the diversified nature of its portfolio.

#### Other assets

In "Other assets", the proportion of depreciated assets is not material in relation to the total amount of the item. Moreover, the Group does not consider that it is exposed to any counterparty risk on those assets.

### 13.2.2 Financial activities

The Group's maximum exposure to counterparty risk in its financial activities may be measured in terms of the carrying amount of financial assets excluding available-for-sale securities and the fair value of derivatives on the assets side of the statement of financial position (i.e. €7,579.3 million at December 31, 2013, and €7,308.0 million at December 31, 2012).

#### 13.2.2.1 COUNTERPARTY RISK ARISING FROM LOANS AND RECEIVABLES CARRIED AT AMORTIZED COST (EXCLUDING TRADE AND OTHER RECEIVABLES)

The gross maturity of past-due loans and receivables carried at amortized cost (excluding trade and other receivables) is analyzed below:

Loans and receivables carried at amortized cost (excluding trade and other receivables) In millions of euros	Past-due non impaired assets at closing date				Impaired assets <sup>(a)</sup>	Non-impaired and not past-due assets	Total
	0-6 months	6-12 months	Over one year <sup>(b)</sup>	Total	Total	Total	
At December 31, 2013	2.6	1.6	7.8	12.0	117.5	1,096.3	1,225.8
At December 31, 2012	-	1.3	4.2	5.5	137.0	943.3	1,085.8

(a) This figure corresponds to the nominal value of loans and receivables carried at amortized cost (excluding trade and other receivables) that are partially or fully depreciated.

(b) The change between the total past-due assets at December 31, 2012 (€5.5 million) and the past-due non-impaired assets over one year at December 31, 2013 (€7.8 million) is due to newly consolidated entities in 2013.

Loans and receivables carried at amortized cost (excluding trade and other receivables) do not include items relating to impairment (€80.9 million as of December 31, 2013 and €115.9 million as of December 31, 2012) or amortized cost (€3.5 million as of December 31, 2013 and €2.6 million as of December 31, 2012). The change in these items is presented in Note 12.1.2, "Loans and receivables at amortized cost".

#### 13.2.2.2 COUNTERPARTY RISK ARISING FROM INVESTMENT ACTIVITIES

The Group is exposed to counterparty risk on the investment of its cash surplus (cash and cash equivalents) and through its use of derivative financial instruments. Counterparty risk corresponds to the loss which the Group might incur in the event of counterparties

failing to meet their contractual obligations. In the case of derivative instruments, that risk corresponds to positive fair value.

The Group invests the majority of its cash surplus in, and negotiates its financial hedging instruments with, leading counterparties. As part of its counterparty risk management policy, the Group has set up management and control procedures that focus on the counterparty's accreditation according to its credit ratings, its financial exposure, as well as objective market factors (Credit Default Swaps, market capitalization), plus an assessment of risk limits.

At December 31, 2013, "cash and cash equivalents" and derivatives were the most significant items subject to counterparty risk. For these items, the breakdown of counterparties by credit rating is as follows:

Counterparty risk arising from investing activities	December 31, 2013				December 31, 2012			
	Total	Investment Grade <sup>(a)</sup>	Unrated <sup>(b)</sup>	Non Investment Grade <sup>(b)</sup>	Total	Investment Grade <sup>(a)</sup>	Unrated <sup>(b)</sup>	Non Investment Grade <sup>(b)</sup>
% of exposure	2,710.5	93%	2%	5%	2,503.5	95%	2%	3%

(a) Counterparties with a minimum Standard & Poor's rating of BBB- or Moody's rating of Baa3.

(b) Most of the two latter types of exposure consisted of consolidated companies with non-controlling interests or Group companies operating in emerging countries where cash cannot be centralized and is therefore invested locally.

(c) 2012 data have been restated to ensure comparability.

### 13.3 Liquidity risk

As part of its operating and financial activities, the Group could be exposed to a risk of insufficient liquidity, preventing it from meeting its contractual commitments.

#### 13.3.1 Available cash

The Group's financing policy is based on the following principles:

- diversification of financing sources between the banking and capital markets;

- balanced repayment profile of borrowings.

As of December 31, 2013, the Group's total net cash stood at €2,769.4 million (including €171.8 million in derivative financial instruments). Almost all surplus cash is invested in short-term bank deposits and interest-bearing accounts.

In addition, at December 31, 2013, the Group specifically had €2,980.0 million in confirmed credit facilities, including €288.2 million already drawn; unused credit facilities therefore totaled €2,691.8 million, €631.3 million of which will be maturing in 2014.

65% of total credit lines and 72% of undrawn facilities were centralized. None of these centralized lines contains a default clause linked to financial ratios or minimum credit ratings.

In addition, on January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for €1,500.0 million. At December 31, 2013, the outstanding notes totaled €679.0 million

As of December 31, 2013, bank funding accounted for 14% of gross financial debt (excluding bank overdrafts and liability current accounts as those elements don't correspond to sustainable financial resources). Funding from capital markets (bond issues for 72% and commercial paper for 8%) represented 80% of the outstanding borrowings (excluding bank overdrafts and liability current accounts).

At December 31, 2013, cash and cash equivalents (€2,506.0 million) and financial assets measured at fair value through income

(€91.6 million), net of bank overdrafts and liability current accounts (€704.6 million), amounted to €1,893.0 million versus €1,512.4 million at December 31, 2012.

The Group anticipates that its financing needs for the major planned investments will be covered by its net cash, the sale of mutual fund shares held for trading purposes, its future cash flows resulting from operating activities, and the potential use of available credit facilities.

### 13.3.2 Undiscounted contractual payments

In order to best reflect the current economic circumstances of operations, cash flows related to derivatives recognized as liabilities or assets shown below correspond to net positions. Moreover, the values shown in the table below are positive for a liability and negative for an asset.

At December 31, 2013, undiscounted contractual payments on outstanding borrowings by maturity and type of lenders are as follows:

<b>At December 31, 2013</b> <i>In millions of euros</i>	<b>Total</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Beyond 5 years</b>
Bonds issues	6,574.2	886.3	54.1	74.7	448.3	209.5	4,901.3
Commercial paper	679.0	679.0					
Draw downs on credit facilities	288.2	101.4	81.9	66.6			38.3
Borrowings under finance leases	397.4	51.8	47.2	46.8	47.3	75.4	128.9
Other bank borrowings	987.0	189.5	131.1	121.5	175.8	244.2	124.9
Other borrowings	172.0	61.7	13.2	9.0	32.2	8.6	47.3
Overdrafts and current accounts	704.6	704.6					
<b>Outstanding borrowings</b>	<b>9,802.4</b>	<b>2,674.3</b>	<b>327.5</b>	<b>318.6</b>	<b>703.6</b>	<b>537.7</b>	<b>5,240.7</b>
Financial assets relating to financing	(0.9)						(0.9)
Financial assets measured at fair value through income	(91.6)	(91.6)	-	-	-	-	-
Cash and cash equivalents	(2,506.0)	(2,506.0)	-	-	-	-	-
<b>Net debt excluding amortized cost and impact of derivative financial instruments</b>	<b>7,203.9</b>	<b>76.7</b>	<b>327.5</b>	<b>318.6</b>	<b>703.6</b>	<b>537.7</b>	<b>5,239.8</b>

<b>At December 31, 2012</b> <i>In millions of euros</i>	<b>Total</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Beyond 5 years</b>
<b>Outstanding borrowings</b>	<b>9,683.7</b>	<b>1,277.5</b>	<b>1,253.2</b>	<b>501.2</b>	<b>933.4</b>	<b>703.6</b>	<b>5,014.8</b>
Financial assets measured at fair value through income and Cash and cash equivalents	(2,275.4)	(2,270.8)	-	-	-	-	(4.6)
<b>Net debt excluding amortized cost and impact of derivative financial instruments</b>	<b>7,408.3</b>	<b>(993.3)</b>	<b>1,253.2</b>	<b>501.2</b>	<b>933.4</b>	<b>703.6</b>	<b>5,010.2</b>



As of December 31, 2013, undiscounted contractual payments on outstanding borrowings broke down as follows by maturity:

<b>At December 31, 2013</b> <i>In millions of euros</i>	<b>Total</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Beyond 5 years</b>
Undiscounted contractual interest payments on outstanding borrowings	3,169.0	376.7	332.4	321.7	309.7	274.8	1,553.7

<b>At December 31, 2012</b> <i>In millions of euros</i>	<b>Total</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Beyond 5 years</b>
Undiscounted contractual interest payments on outstanding borrowings	3,384.0	392.4	367.7	319.0	308.9	297.8	1,698.4

At December 31, 2013 undiscounted contractual payments on outstanding derivatives (excluding commodity instruments) recognized in liabilities and assets broke down as follows by maturity (net amounts):

<b>At December 31, 2013</b> <i>In millions of euros</i>	<b>Total</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Beyond 5 years</b>
Derivatives (excluding commodities)	(157.6)	(76.5)	(20.4)	(17.5)	(11.9)	(6.7)	(24.6)

<b>At December 31, 2012</b> <i>In millions of euros</i>	<b>Total</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Beyond 5 years</b>
Derivatives (excluding commodities)	(165.9)	(22.0)	(45.9)	(21.5)	(17.4)	(16.0)	(43.1)

The maturity of the confirmed undrawn credit facilities is as follows:

<i>In millions of euros</i>	<b>Total</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Beyond 5 years</b>
<b>At December 31, 2013</b>	<b>2,691.8</b>	<b>631.3</b>	<b>119.6</b>	<b>1,901.2</b>	-	-	<b>39.7</b>

<i>In millions of euros</i>	<b>Total</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>Beyond 5 years</b>
<b>At December 31, 2012</b>	<b>2,344.6</b>	<b>937.2</b>	<b>200.0</b>	<b>142.3</b>	<b>1,036.3</b>	-	<b>28.8</b>

Confirmed but unused lines of credit include a €1.5 billion multi-currency club deal (maturing in 2016) renegotiated in March 2011.

As of December 31, 2013, no counterparty represented more than 13% of confirmed unused credit facilities.

### ➔ 13.4 Equity risk

As of December 31, 2013, available-for-sale securities held by the Group amounted to €498.1 million (see Note 12.1.1).

A 10% decrease in the value of the listed securities would have a negative pre-tax impact of around €29.6 million on Group shareholders' equity.

The Group's portfolio of listed and unlisted equity investments is managed in accordance with a specific investment policy. Reports on the equity portfolio are submitted to Executive Management on a regular basis.

## NOTE 14 Shareholders' equity

### ➔ 14.1 Share capital

	Number of shares			Value (in millions of euros)		
	Total	Treasury shares	Outstanding shares	Share capital	Additional paid-in capital	Treasury shares
<b>At December 31, 2011</b>	<b>510,233,829</b>	<b>3,294,721</b>	<b>506,939,108</b>	<b>2,040.9</b>	<b>4,147.2</b>	<b>36.4</b>
Purchase and disposal of treasury shares		(2,151,332)	2,151,332			(26.4)
<b>At December 31, 2012</b>	<b>510,233,829</b>	<b>1,143,389</b>	<b>509,090,440</b>	<b>2,040.9</b>	<b>4,147.2</b>	<b>10.0</b>
Allocation of 2012 net income					(8.9)	
Purchase and disposal of treasury shares		185,039	(185,039)			3.6
<b>AT DECEMBER 31, 2013</b>	<b>510,233,829</b>	<b>1,328,428</b>	<b>508,905,401</b>	<b>2,040.9</b>	<b>4,138.3</b>	<b>13.6</b>

### ➔ 14.2 Treasury shares

A tacitly renewable €40 million liquidity contract is managed by Rothschild & Cie Banque. The aim of this contract is to reduce the volatility of the SUEZ ENVIRONNEMENT COMPANY's share price. This contract complies with the professional ethics charter drawn up by the *Association Française des Marchés Financiers* (French Financial Markets Association) and approved by the AMF.

There were 1,328,428 treasury shares (wholly held for the bonus share allocation plan) as of December 31, 2013 with a value of €13.6 million, compared to 1,143,389 shares (of which 1,007,000 held under the liquidity contract and 136,389 held for the bonus share allocation plan) as of December 31, 2012.

In order to partially hedge the stock option program approved by the Board of Directors on December 17, 2009, in May 2010 SUEZ ENVIRONNEMENT COMPANY acquired call options that replicate the conditions set on the stock options granted to employees ("mirror calls"). These represented a total of 1,833,348 shares. On December 17, 2013, the performance conditions for the stock option allocation have not been achieved; the "mirror call" became therefore null and void.

### ➔ 14.3 Other information on premiums and consolidated reserves

Consolidated premiums and reserves, including income for the year (€4,312 million as of December 31, 2013), incorporate the SUEZ ENVIRONNEMENT COMPANY legal reserve. In accordance with French law, SUEZ ENVIRONNEMENT COMPANY's legal reserve represents 10% of the share capital. This reserve may be distributed to shareholders only in the event of the liquidation of the Company.

### ➔ 14.4 Dividend distribution

As it did for fiscal years 2011 and 2012, the Board will propose a dividend, in this case €0.65 per share for a total of €330.8 million in cash based on the number of outstanding shares as of December 31, 2013, to the SUEZ ENVIRONNEMENT COMPANY's Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2013.

Subject to approval by the Shareholders' Meeting, this dividend will be paid out during the first half of 2014. This dividend is not recognized under liabilities in the financial statements at December 31, 2013 as these financial statements are presented before dividend allocation.

### ➔ 14.5 Total gains and losses recognized in equity (Group share)

<i>In millions of euros</i>	<b>Dec. 31, 2013</b>	<b>Change</b>	<b>Dec. 31, 2012</b>	<b>Change</b>	<b>Dec. 31, 2011</b>
Available-for-sale securities	144.0	136.1	7.9	57.0	(49.1)
Net investment hedges	12.6	86.0	(73.4)	(11.4)	(62.0)
Cash-flow hedges (excluding commodities)	(24.6)	17.5	(42.1)	0.9	(43.0)
Commodity cash-flow hedges	(0.3)	(2.6)	2.3	(1.0)	3.3
Deferred tax on available-for-sale securities and hedges	(8.7)	(48.2)	39.5	(0.5)	40.0
Share of associates on reclassifiable items, net of tax	0.5	51.8	(51.3)	(9.6)	(41.7)
Translation adjustments	(52.2)	(202.2)	150.0	13.2	136.8
<b>TOTAL RECLASSIFIABLE ITEMS</b>	<b>71.3</b>	<b>38.4</b>	<b>32.9</b>	<b>48.6</b>	<b>(15.7)</b>
Actuarial gains and losses	(198.9)	85.5	(284.4)	(110.5)	(173.9)
Deferred tax on actuarial gains and losses	57.3	(31.3)	88.6	30.0	58.6
<b>TOTAL NON RECLASSIFIABLE ITEMS</b>	<b>(141.6)</b>	<b>54.2</b>	<b>(195.8)</b>	<b>(80.5)</b>	<b>(115.3)</b>
<b>TOTAL</b>	<b>(70.3)</b>	<b>92.6</b>	<b>(162.9)</b>	<b>(31.9)</b>	<b>(131.0)</b>

All the items in the table above are reclassifiable to profit or loss in future periods, with the exception of actuarial gains and losses and related deferred taxes, which are reported in consolidated reserves Group share.

### ➔ 14.6 Undated deeply subordinated notes

In 2010, SUEZ ENVIRONNEMENT COMPANY issued undated deeply subordinated notes (known as hybrids) in the amount of €750 million (before issuance costs). These notes are subordinated to any senior creditor and bear an initial fixed coupon of 4.82% for the first five years.

In accordance with IAS 32 and taking into account its characteristics (no obligation to repay, no obligation to pay a coupon <sup>(1)</sup> unless a dividend is paid out to shareholders), this instrument is recognized in equity.

### ➔ 14.7 Equity management

SUEZ ENVIRONNEMENT COMPANY strives to optimize its financial structure on a continuous basis by achieving an optimal balance between net debt and equity as shown in the consolidated statement of financial position. The main aim of the Group in terms of managing its financial structure is to maximize value for shareholders, reduce the cost of capital, and maintain a strong rating while ensuring the desired financial flexibility in order to seize external growth opportunities which will create value. The Group manages its financial structure and makes adjustments in light of changes in economic conditions.

The management aims, policies and procedures have remained identical for several fiscal years.

<sup>(1)</sup> If there is no dividend distribution, the annual coupon remains due and will be paid on the next dividend payout. As the Shareholders' Meeting has not yet approved income allocation for 2013 no interest has been deducted from equity.

## NOTE 15 Provisions

As of December 31, 2013:

<i>In millions of euros</i>	December 31, 2012	Allowances	Reversals (utilizations)	Reversals (surplus provisions)	Scope effects	Impact of unwinding discount adjustments <sup>(a)</sup>	Translation adjustments	Other	December 31, 2013
Post-employment benefit obligations and other long-term benefits	672.9	33.1	(49.6)	-	1.5	22.2	(8.6)	(80.2)	591.3
Sector-related risks	117.7	0.2	(3.3)	-	1.2	-	(1.0)	(1.3)	113.5
Warranties	27.5	3.3	(6.6)	-	0.2	-	(0.2)	0.6	24.8
Tax risks, other disputes and claims	208.8	29.1	(94.2)	(0.2)	(0.1)	-	(1.2)	2.2	144.4
Site restoration	561.8	44.8	(61.5)	-	-	20.0	(12.8)	0.1	552.4
Restructuring costs	51.5	35.2	(39.9)	(0.1)	-	(0.1)	(0.4)	2.5	48.7
Other contingencies	355.0	75.0	(136.8) <sup>(b)</sup>	(9.9)	(0.4)	7.8	(28.9)	63.9 <sup>(b)</sup>	325.7 <sup>(c)</sup>
<b>TOTAL PROVISIONS</b>	<b>1,995.2</b>	<b>220.7</b>	<b>(391.9)</b>	<b>(10.2)</b>	<b>2.4</b>	<b>49.9</b>	<b>(53.1)</b>	<b>(12.2)</b>	<b>1,800.8</b>

(a) The discounting impact on post-employment and other long-term benefits relates to the interest expense calculated on the net amount of pension obligations and the fair value of plan assets, in accordance with IAS 19 Revised (see Note 1.2.1).

(b) These amounts mostly relate to the provision reversal for loss at termination of the construction contract for the Melbourne seawater desalination plant for €58 million. The reversal of the provision has been reclassified using the "Other" column to "Other current liabilities" in accordance with the presentation used by the Group for losses at termination of construction contracts (See Note 17).

(c) Provisions for "other contingencies" include a provision for the fair value of onerous contracts for €115.3 million in 2013 versus €137.5 million in 2012, following the acquisition of WSN by Sita Australia.

As of December 31, 2013, the variation of total provisions mainly derives from:

- the end of the dispute between the company "Eaux du Nord" and the urban community of Lille (see Note 2.5);
- the payment of tax adjustments, particularly in Spain;
- the decrease in provisions for post-employment and other long-term benefits of -€96.8 million. This variation essentially takes into account -€85.2 million of actuarial gains, and +€2.3 million related to the application of IAS 19 revised, which are accounted against equity, and located in the column "Other" of the above table. This variation does not take into account translation adjustments

and impacts of unwinding discount adjustments for the period, mentioned below;

- the translation adjustments of -€53.1 million, which are primarily generated by the Australian, American, and English subsidiaries;
- the +€49.9 million impact of unwinding discount adjustments mainly related to provisions for site restoration and for post-employment benefits.

The allowances, reversals and the impact of unwinding discount adjustments presented above and linked to discounting impacts are presented as follows in the income statement for 2013:

<i>In millions of euros</i>	(Reversals) / net allowances
Income from operating activities	(158.9)
Other financial income and expenses	49.9
Income tax expense	(22.5)
<b>TOTAL</b>	<b>(131.5)</b>

The analysis by types of provisions and the principles used to calculate them are explained below.

### ➔ 15.1 Post-employment benefits and other long-term benefits

See Note 16.

### ➔ 15.2 Sector-related risks

This item primarily includes provisions for risks relating to court proceedings involving the Argentinean contracts and to warranties given in connection with divestments that are likely to be called upon.

### → 15.3 Tax risks, other disputes and claims

This item includes provisions for ongoing disputes involving employees or social security agencies (social security contribution relief, etc.), disputes arising in the ordinary course of business (customer claims, accounts payable disputes), tax adjustments and tax disputes.

### → 15.4 Site restoration

The June 1998 European Directive on waste management introduced a number of obligations regarding the closure and long-term monitoring of landfills. These obligations lay down the rules and conditions incumbent upon the operator (or owner of the site where the operator fails to comply with its obligations) in terms of the design and scale of storage and collection and treatment of liquid (leachates) and gas (biogas) effluents. It also requires provisions for these facilities to be inspected over a 30-year period after closure.

These two types of provisions (rehabilitation and long-term monitoring) are calculated on a case-by-case basis depending on the site concerned. In accordance with the accrual basis of accounting, the provisions are recorded over the period that the site is in operation, pro rata to the depletion of landfill capacity (void-space) (matching of income and expenses). Costs to be incurred at the time of a site's closure or during the long-term monitoring period (30 years after a site is shut down within the European Union) are discounted to present value. An asset is recorded as a counterparty against the provision. It is depreciated in line with the depletion of the landfill capacity or the need for capping, during the period.

The rehabilitation provision calculations (at the time the facility is shut down) depend on whether the capping used is: semi-permeable, semi-permeable with drainage, or impermeable. That choice has a considerable impact on future levels of leachate effluents and therefore on future costs of treating such effluents. Calculating the provision requires an evaluation of the cost of rehabilitating the area to be covered. The provision recorded in the statement of financial position at year-end must cover the costs of rehabilitating

the untreated surface area (difference between the fill rate and the percentage of the site's area that has already been rehabilitated). The amount of the provision is reviewed each year based on work completed or still to be carried out.

The calculation of the provision for long-term monitoring depends on the costs linked to the production of leachate and biogas effluents on the one hand, and on the amount of biogas recycled on the other. Biogas recycling represents a source of revenue and is deducted from long-term monitoring expenses. The main expense items arising from long-term monitoring obligations relate to:

- construction of infrastructure (biogas recycling facility, installation of leachate treatment facility) and the demolition of installations used while the site was in operation;
- upkeep and maintenance of the protective capping and of the infrastructure (surface water collection);
- control and monitoring of surface water, underground water and leachates;
- replacement and repair of observation wells (piezometer wells);
- leachate treatment costs;
- biogas collection and processing costs (taking into account any revenues from biogas recycling).

The provision for long-term monitoring obligations that should be recorded in the statement of financial position at year-end depends on the fill rate of the facility at the end of the period, the estimated aggregate costs per year and per unit (based on standard or specific costs), the estimated closure date of the site and the discount rate applied to each site (depending on its residual life).

### → 15.5 Other contingencies

"Other contingencies" mainly includes provisions for miscellaneous employee-related and environment-related litigations and for various business risks.

**NOTE 16 Post-employment benefit obligations and other long-term benefits****➔ 16.1 Description of the main pension plans and related benefits**

Most Group companies grant their employees post-employment benefits (pension plans, retirement bonuses, medical coverage, benefits in kind, etc.) as well as other long-term benefits, such as jubilee and other long-service awards.

**16.1.1 Main pension plans**

In France, employees have defined-contribution retirement plans, such as the basic social security benefits, and supplementary pension schemes. Some employees also have optional retirement plans, some of which are defined-benefit plans through which the employer agrees to pay its employees, or a category of its employees, retirement benefits based on a contractually agreed amount. Thus, the so-called "1991" and "1998" defined-benefit plans at SUEZ ENVIRONNEMENT COMPANY, SUEZ ENVIRONNEMENT SAS, Lyonnaise des Eaux France and Eau et Force apply to those companies' senior executives. At December 31, 2013, the Projected Benefit Obligation (PBO) for this senior executives' plan was €46.4 million, against €42.5 million at December 31, 2012. The average duration of the actuarial liability for the senior executives' plans is 13 years. It should be noted that these plans are partially funded (25% of gross debt at December 31, 2013).

All employees also receive a retirement termination benefit in the form of a lump-sum payment on the date of the employee's effective departure. Such indemnities correspond to defined-benefit plans.

Outside France, the main retirement plans and related benefits involve the companies in the US and the UK.

In the United States, there are two defined benefit plans: the United Water Resources Inc. Retirement Plan, closed to new employees since January 2010, and the United Water Environmental Services Pension Plan for employees of the unregulated business sector. The latter was closed to non-unionized employees in December 2010. In addition, key executives have a specific retirement plan (SERP). At December 31, 2013, the PBO for the United Water defined-benefit pension plans was €369.6 million, against €417 million at December 31, 2012. The average duration of the actuarial liability for the United Water plans is 13 years. It should be noted that these plans are funded up to 67% at December 31, 2013.

In addition, all US subsidiaries offer a 401(k)-type defined-contribution plan to their employees.

In the United Kingdom, Sita UK has several defined-benefit retirement plans, most of which are closed to new hires, except for the Sita Final Salary Pension Scheme. Sita UK, as part of its expansion, has acquired various entities throughout the United Kingdom. These entities were most often public companies prior to their acquisition, so their staff was affiliated with the Local Government Pension Schemes (LGPS), which Sita UK must maintain. At December 31, 2013, the PBO for the Sita UK retirement plans was €104.7 million, against €106.6 million at December 31, 2012. The average duration of the actuarial liability for the Sita UK plans is 19 years. It should be noted that these plans are funded up to 94% at December 31, 2013.

Employees hired after the closing date of these plans are covered by a defined-contribution plan, the Sita Stakeholder pension plan.

As mentioned above, defined-benefit plans may be fully or partially funded by contributions to a pension fund (as it is the case in the US and the UK) or to a dedicated fund managed by an insurance company (France). These funds are fed by contributions made by the Company and, in certain cases, by the employees.

**16.1.2 Multi-employer pension plans**

Employees of some Group companies are affiliated to multi-employer pension plans. This is especially the case in the Netherlands, where most of the Group's entities are in business activities that make it mandatory to join an industry-wide scheme. These plans spread risk so that financing is assured through payroll-based contributions, calculated uniformly across all affiliated companies. In the Netherlands, multi-employer plans are defined benefit plans. However, the Group recognizes them as defined contribution plans in accordance with IAS 19.

Total contributions of €2.5 million are expected in 2014.

**16.1.3 Other post-employment benefit obligations and long-term benefits**

In addition to the supplementary pension schemes mentioned above, most Group companies grant their employees long-service awards – benefits corresponding to bonuses paid to employees while they are active, once they have met certain length of service conditions. Moreover, several Group companies agree to cover a portion of expenses incurred by their employees and/or retirees on the occurrence of specific events (illness, etc.), and in addition to amounts paid under defined contribution plans.

These obligations correspond to defined benefit plans. They are presented in the tables below, in "Other post-employment benefits" and "Other long-term benefits".

**➔ 16.2 Defined benefit plans****16.2.1 Amounts presented in the statement of financial position and the statement of comprehensive income**

In accordance with IAS 19, the information presented in the statement of financial position for post-employment and other long-term benefits corresponds to the difference between the present benefit obligation (gross liability) and the fair value of the plan assets. If this difference is positive, a provision is posted (net liability). If the difference is negative, a net asset is posted provided it satisfies the conditions for recognizing a net asset.

Changes in provisions and assets for pensions and related obligations recognized in the statement of financial position can be broken down as follows:

<i>In millions of euros</i>	Assets	Liabilities	Total
<b>BALANCE AT DECEMBER 31, 2011</b>	<b>6.0</b>	<b>(570.7)</b>	<b>(564.7)</b>
Translation gains and losses	0.2	3.3	3.5
Actuarial gains and losses <sup>(a)</sup>	(4.1)	(104.6)	(108.7)
Changes in scope of consolidation and other		0.6	0.6
Expense of the period <sup>(b)</sup>	(1.7)	(49.7)	(51.4)
Contributions	0.9	48.2	49.1
<b>BALANCE AT DECEMBER 31, 2012</b>	<b>1.3</b>	<b>(672.9)</b>	<b>(671.6)</b>
Translation gains and losses	0.3	6.2	6.5
Actuarial gains and losses <sup>(a)</sup>	1.7	83.5	85.2
Changes in scope of consolidation and other	(1.0)	(2.1)	(3.1)
Expense of the period <sup>(b)</sup>	(1.8)	(55.5)	(57.3)
Contributions	3.6	49.5	53.1
<b>BALANCE AT DECEMBER 31, 2013</b>	<b>4.1</b>	<b>(591.3)</b>	<b>(587.2)</b>

(a) Actuarial gains and losses on employee benefits

(b) Including actuarial gains and losses on long-term benefits (particularly long-service awards).

Plan assets and reimbursement rights are presented in the statement of financial position under "Other assets", current and non-current.

The expense for the year amounted to €57.3 million in 2013, against €51.4 million in 2012. The components of annual expenses for defined-benefit plans are explained in section 16.2.3.

Accumulated actuarial gains and losses recognized in Other Comprehensive Income (equity) amounted -€197 million at December 31, 2013, against -€285.4 million at December 31, 2012. They are shown below, excluding translation gains and losses which are presented separately in the statement of comprehensive income.

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
<b>OPENING BALANCE</b>	<b>(285.4)</b>	<b>(174.1)</b>
Actuarial gains and (losses) generated during the year	85.2	(108.7)
Scope effects	3.2	(2.6)
<b>CLOSING BALANCE</b>	<b>(197.0)</b>	<b>(285.4)</b>

The closing balance of actuarial gains and losses shown above includes actuarial gains and losses recognized within entities which are accounted for by the equity method (€0.8 million in 2013 versus -€1.8 million in 2012).

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## 16.2.2 Change in the amount of obligations and plan assets

The table below shows the amount of present benefit obligations and plan assets of the SUEZ ENVIRONNEMENT Group, the changes to these over the periods concerned, as well as a reconciliation with the amounts recognized in the statement of financial position.

In millions of euros	December 31, 2013				December 31, 2012			
	Pension benefit obligations	Other post-employment benefits	Other long term benefits	Total	Pension benefit obligations <sup>(a)</sup>	Other post-employment benefits <sup>(b)</sup>	Other long term benefits <sup>(c)</sup>	Total
<b>Change in projected benefit obligation</b>								
<b>Projected benefit obligation at the beginning of the period</b>	<b>(888.9)</b>	<b>(238.2)</b>	<b>(22.6)</b>	<b>(1,149.7)</b>	<b>(771.7)</b>	<b>(205.6)</b>	<b>(20.9)</b>	<b>(998.2)</b>
Service cost	(31.5)	(7.6)	(1.3)	(40.4)	(28.5)	(6.3)	(1.2)	(36.0)
Interest cost	(31.2)	(9.4)	(0.6)	(41.2)	(33.7)	(9.4)	(0.8)	(43.9)
Contributions paid	(1.3)	-	-	(1.3)	(1.4)	-	-	(1.4)
Amendments	-	-	-	-	(0.1)	0.1	-	(0.0)
Acquisitions/Disposals of subsidiaries	(2.8)	-	(0.3)	(3.1)	0.5	-	(0.0)	0.5
Curtailments/settlements	4.3	2.1	-	6.4	5.2	0.3	1.6	7.1
Special terminations	(0.2)	-	-	(0.2)	(0.1)	(0.1)	-	(0.2)
Financial actuarial gains and losses	37.3	16.6	0.8	54.7	(85.6)	(19.3)	(1.2)	(106.1)
Demographic actuarial gains and losses	11.1	(0.6)	1.0	11.5	(7.2)	(7.4)	(1.4)	(16.0)
Benefits paid	36.8	7.2	1.8	45.8	29.6	6.9	1.6	38.1
Other	17.1	5.0	0.1	22.2	4.1	2.6	(0.3)	6.4
<b>Projected benefit obligation at the end of period</b>	<b>A (849.3)</b>	<b>(224.9)</b>	<b>(21.1)</b>	<b>(1,095.3)</b>	<b>(888.9)</b>	<b>(238.2)</b>	<b>(22.6)</b>	<b>(1,149.7)</b>
<b>Change in fair value of plan assets</b>								
<b>Fair value of plan assets at the beginning of the period</b>	<b>429.8</b>	<b>46.0</b>	<b>-</b>	<b>475.8</b>	<b>389.7</b>	<b>42.0</b>	<b>-</b>	<b>431.7</b>
Expected return on plan assets	16.9	2.2	-	19.1	24.6	3.0	-	27.6
Contributions received	41.8	10.8	1.8	54.4	42.6	6.3	1.6	50.5
Acquisitions/Disposals of subsidiaries	-	-	-	-	-	-	-	-
Curtailments/settlements	(2.8)	-	-	(2.8)	(3.7)	(0.1)	-	(3.8)
Actuarial gains and losses	17.1	3.7	-	20.8	8.3	2.5	-	10.8
Benefits paid	(36.6)	(7.2)	(1.8)	(45.6)	(29.6)	(6.9)	(1.6)	(38.1)
Other	(11.3)	(2.3)	-	(13.6)	(2.1)	(0.8)	-	(2.9)
<b>Fair value of plan assets at the end of period</b>	<b>B 454.9</b>	<b>53.2</b>	<b>-</b>	<b>508.1</b>	<b>429.8</b>	<b>46.0</b>	<b>-</b>	<b>475.8</b>
<b>Funded status</b>	<b>A+B (394.4)</b>	<b>(171.7)</b>	<b>(21.1)</b>	<b>(587.2)</b>	<b>(459.1)</b>	<b>(192.2)</b>	<b>(22.6)</b>	<b>(673.9)</b>
Unrecognized past service cost				-	8.8	(6.5)	-	2.3
<b>Net benefit obligation</b>	<b>(394.4)</b>	<b>(171.7)</b>	<b>(21.1)</b>	<b>(587.2)</b>	<b>(450.3)</b>	<b>(198.7)</b>	<b>(22.6)</b>	<b>(671.6)</b>
<b>TOTAL LIABILITIES</b>	<b>(398.5)</b>	<b>(171.7)</b>	<b>(21.1)</b>	<b>(591.3)</b>	<b>(451.6)</b>	<b>(198.7)</b>	<b>(22.6)</b>	<b>(672.9)</b>
<b>TOTAL ASSETS</b>	<b>4.1</b>	<b>-</b>	<b>-</b>	<b>4.1</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>1.3</b>

(a) Pensions and retirement bonuses.

(b) Medical coverage, gratuities and other post-employment benefits.

(c) Long-service awards and other long-term benefits.



In 2013, the change in the net pension obligation is mainly due to actuarial gains which amounted to €87 million (€85.2 million recorded in "Other comprehensive income" and €1.8 million in the income statement).

In 2012, the change in the net pension obligation was mainly explained by the increase in the net actuarial loss of €111.3 million. This actuarial loss (€108.7 million recognized in other comprehensive

income and €2.6 million in the income statement) included a €112.4 million loss directly related to lower discount and inflation rates in 2012. Moreover, the experience adjustment, corresponding to the fair value measurement of plan assets at December 31, 2012, generated an actuarial gain of €10.8 million. The balance mainly reflected actuarial losses relative to experience adjustments on the benefit obligation.

### 16.2.3 Components of cost for the period

The net cost recognized in respect of pensions and other defined benefit obligations in 2013 and 2012 breaks down as follows:

<i>In millions of euros</i>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Current service cost	(40.4)	(36.0)
Net interest expense on the net defined benefit liability	(22.1)	(16.3)
Actuarial gains or losses	1.8	(2.6)
Past service cost	-	0.5
Gains or losses on pension plan curtailments, terminations and settlements	3.6	3.3
Special terminations	(0.2)	(0.3)
<b>TOTAL</b>	<b>(57.3)</b>	<b>(51.4)</b>
Of which recognized in current operating income	(35.2)	(35.1)
Of which recognized in financial income/(loss)	(22.1)	(16.3)

### 16.2.4 Funding policy and strategy

When defined benefit plans are funded, the related plan assets are invested through pension funds and/or with insurance companies, depending on the investment practices specific to the country concerned. The investment strategies underlying these defined benefit plans are aimed at striking the right balance between an optimum return on investment and an acceptable level of risk.

These strategies have a twofold objective:

- to maintain sufficient income streams and liquidity to cover pensions and other benefit payments; and
- in a controlled-risk environment, to achieve a long-term return on investment matching the discount rate or, as applicable, at least equal to the future returns required.

When plan assets are invested through pension funds, investment decisions and the allocation of plan assets are the responsibility of the fund manager concerned. For French companies, where plan assets are invested through an insurance company, the fund manager manages the investment portfolio in units of account or euros, and guarantees a rate of return on the related assets. Such diversified funds are characterized by active management benchmarked to composite indices, adapted to the long-term horizon of the liabilities and taking into account the government's eurozone obligations and the shares of the largest companies in and outside the eurozone. In the case of euro funds, the insurer's sole obligation is to ensure a fixed minimum return on plan assets.

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The funding of these obligations breaks down as follows:

<i>In millions of euros</i>	Present benefit obligation	Fair value of plan assets	Cost of unrecognized past service	Limit on defined benefit assets and supplementary provision	Total net obligation
Underfunded plans	(877.1)	446.3	4.3	-	(426.5)
Overfunded plans	(31.9)	29.5	-	-	(2.4)
Unfunded plans	(240.7)	-	(2.0)	-	(242.7)
<b>Total December 31, 2012</b>	<b>(1,149.7)</b>	<b>475.8</b>	<b>2.3</b>	<b>-</b>	<b>(671.6)</b>
Underfunded plans	(793.3)	451.3	-	-	(342.0)
Overfunded plans	(53.3)	56.8	-	-	3.5
Unfunded plans	(248.7)	-	-	-	(248.7)
<b>TOTAL DECEMBER 31, 2013</b>	<b>(1,095.3)</b>	<b>508.1</b>	<b>-</b>	<b>-</b>	<b>(587.2)</b>

The allocation of plan assets by main asset category breaks down as follows:

	2013	2012
Equities	39%	35%
Bonds	43%	47%
Real Estate	1%	1%
Other (including money market securities)	17%	17%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

The allocation of plan assets by geographical area of investment is as follows:

	Europe	North America	Latin America	Asia Oceania	Others
Equities	20%	51%	3%	21%	89%
Bonds	47%	40%	80%	73%	8%
Real Estate	3%	0%	4%	0%	0%
Other (including money market securities)	30%	9%	13%	6%	3%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 16.2.5 Actuarial assumptions

Actuarial assumptions are determined individually per country and company, in association with independent actuaries. The weighted rates are presented below:

	Pensions		Other post-employment benefits		Long-term benefits		Total benefit obligation	
	2013	2012	2013	2012	2013	2012	2013	2012
Discount rate	4.0%	3.9%	4.4%	4.1%	3.1%	3.5%	4.1%	3.9%
Estimated future increase in salaries	3.1%	3.2%	3.1%	4.0%	2.9%	3.5%	3.1%	3.4%
Inflation Rate	2.3%	2.3%	2.4%	2.4%	2.0%	1.9%	2.3%	2.3%
Average remaining working lives of participating employees	13 years	12 years	12 years	13 years	19 years	19 years	12 years	12 years

Discount and salary increase rates are shown including inflation.

#### 16.2.5.1 DISCOUNT RATE AND INFLATION

The discount rate used is determined by reference to the yield, at the measurement date, of AA corporate bonds with a maturity corresponding to the anticipated term of the obligation.

As of December 31, 2012 the 2013 rates were determined for each currency area (euro, US dollar and pound sterling) from data on AA bond yields (according to Bloomberg and iBoxx) extrapolated to long-term maturities based on the performance of government bonds.

According to estimates made by the Group, a change of plus or minus 1% of the discount rate would result in a change in actuarial liabilities of approximately 7%.

Inflation rates were determined for each currency zone. A change in the inflation rate of roughly 1% would result in a change in the actuarial liability of 5%.

#### 16.2.5.2 OTHER ASSUMPTIONS

The assumptions used for healthcare cost trend rates (including inflation) are 5.6% for 2014, 5.5% for 2015 and 5.4% for 2016. These assumptions are used for the valuation of other post-employment benefits.

A single percentage point change in the assumed increase in healthcare costs would have the following impact:

<i>In millions of euros</i>	Increase by 1 point	Decrease by 1 point
Impact on expenses	3.0	(2.4)
Impact on other post-employment benefits	34.7	(28.7)

### 16.2.6 Geographical breakdown of obligations

In 2013, the geographical breakdown of the main obligations and the related actuarial assumptions (including inflation) were as follows:

<i>In millions of euros</i>	Euro Zone		United Kingdom		United States		Rest of the world	
	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations	Pensions	Other benefit obligations
Funded status <sup>(a)</sup>	(277.2)	(106.3)	(6.5)	-	(73.9)	(48.2)	(36.9)	(38.2)
Discount rate	3.0%	3.0%	4.4%	-	5.1%	5.2%	4.1%	5.7%
Estimated future increase in salaries	3.0%	3.6%	3.5%	-	3.1%	3.0%	2.3%	2.1%
Inflation Rate	2.0%	N/A	2.5%	-	3.0%	3.0%	1.2%	1.9%
Average remaining working lives of participating employees	17 years	19 years	10 years	-	13 years	12 years	11 years	13 years

(a) Funded status corresponds to the difference between the present benefit obligation and the fair value of the plan assets.

Concerning "Rest of the world" category, the funded status relating to pension mainly concerns Sweden, while the funded status relating to the other benefit obligations stems largely from Morocco.

### 16.2.7 Payments due in 2014

The Group expects to contribute approximately €58.9 million to its defined benefit plans in 2014.

## ➔ 16.3 Defined contribution plans

In 2013, the Group SUEZ ENVIRONNEMENT recorded a €66.6 million expense in respect of contributions to Group defined contribution plans. These contributions are recorded under "Personnel costs" in the income statement.

## NOTE 17 Construction contracts

The "Amounts due from customers under construction contracts" and "Amounts due to customers under construction contracts" items are presented in the statement of financial position under "Other assets" and "Other liabilities" respectively.

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Amounts due from customers under construction contracts	102.2	127.3
Amounts due to customers under construction contracts	222.0	349.4
<b>NET POSITION</b>	<b>(119.8)</b>	<b>(222.1)</b>

According to the presentation method adopted by the Group, provisions for loss at termination of construction contracts have been transferred to the bottom of the statement of financial position under "Amounts due to customers under construction contracts". In 2013,

the decrease in this liability is mainly explained by the reversal of the remaining provision for loss at termination regarding the Melbourne desalination plant construction contract after the end of legal disputes (see Note 2 "Major transactions").

Contracts in progress at the closing date:

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Cumulated cost incurred and margins recognized	3,309.2	4,490.2
Advances received	34.5	27.4
Retentions	37.7	43.0

For the design and construction contracts of Degrémont and OIS, the Group guarantees, by contract, its customers on the delivery of plants ready for operation. In this context, the Group is required to give guarantees which are contingent liabilities, for which the Group believes that the probability of cash out is low.

The significant reduction in accrued costs and margins recognized at end-2013 compared with 2012 is mainly due to the end of construction on the Melbourne desalination plant, which was completed in December 2012.

## NOTE 18 Finance leases

The net amount of Property, plant and equipment assets owned under finance leases are broken down into various asset categories, depending on their type.

The main finance leases entered into by the Group concern the incineration plants of Novergie and Torre Agbar as a result of Agbar taking over in 2010, the rights and obligations of the finance lease previously linking Azurelau to Caixa, the owner and financial leaseholder of the building.

The reconciliation between the undiscounted value and the present value of minimum lease payments is as follows:

<i>In millions of euros</i>	Future minimum lease payments at Dec. 31, 2013		Future minimum lease payments at Dec. 31, 2012	
	Undiscounted value	Present value	Undiscounted value	Present value
During year 1	67.2	64.5	66.4	63.9
During years 2 to 5 inclusive	260.1	223.1	244.0	214.1
Beyond year 5	140.8	110.6	228.3	164.3
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS <sup>(a)</sup></b>	<b>468.1</b>	<b>398.2</b>	<b>538.7</b>	<b>442.3</b>

(a) Including amortized cost.

The following table provides a reconciliation of maturities of liabilities under finance leases as reported in the statement of financial position (see Note 12.2.1) with undiscounted future minimum lease payments by maturity:

<i>In millions of euros</i>	Total	During year 1	During years 2 to 5 inclusive	Beyond year 5
Liabilities under financial lease <sup>(a)</sup>	398.2	64.5	223.1	110.6
Impact of discounting future repayments of principal and interest	69.9	2.7	37.0	30.2
<b>UNDISCOUNTED FUTURE MINIMUM LEASE PAYMENTS</b>	<b>468.1</b>	<b>67.2</b>	<b>260.1</b>	<b>140.8</b>

(a) Including amortized cost.

## NOTE 19 Operating leases

Operating lease income and expenses recognized for fiscal years 2013 and 2012 break down as follows:

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Minimum lease payments	(361.3)	(325.6)
Contingent lease payments	(7.7)	(18.6)
Sub-letting income	-	-
Sub-letting expense	(7.8)	(4.1)
Other operating lease expenses	(12.4)	(14.3)
<b>TOTAL</b>	<b>(389.2)</b>	<b>(362.6)</b>

Future minimum lease payments due under non-cancelable operating leases can be analyzed as follows:

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
During year 1	201.1	191.1
During years 2 to 5 inclusive	358.6	388.3
Beyond year 5	311.8	320.3
<b>TOTAL</b>	<b>871.5</b>	<b>899.7</b>

## NOTE 20 Service concession arrangements

SIC 29 – Service Concession Arrangements-Disclosures was published in May 2001 and deals with the information regarding concession contracts which should be disclosed in the Notes to the Financial Statements.

IFRIC 12 – Service Concession Arrangements, published in November 2006 deals with the recognition of concession contracts which meet certain criteria according to which it is estimated that the concession-grantor controls the facilities (see Note 1.5.6).

As specified in SIC 29, a service concession agreement generally involves a transfer by the concession-grantor to the concession-holder for the entire duration of the concession:

(a) of the right to offer services enabling the public to access major economic and social services, and

(b) of the right, in certain cases, to use tangible and intangible assets and/or specified financial assets; in exchange for the commitment made by the concession-holder,

(c) to offer services in accordance with certain terms and conditions during the length of the concession; and

(d) if the need arises, to return the rights received at the beginning of the concession and/or acquired during the concession.

The common characteristic of all the service concession agreements is the fact that the concession holder is both granted a right and becomes bound by an obligation to offer public services.

The Group manages a large number of concession contracts as defined by SIC 29 in drinking water distribution, wastewater treatment, and waste management.

These concession contracts include terms and conditions on rights and obligations with regard to the infrastructure and to the obligations relating to public service, in particular the obligation to allow users to access the public service, an obligation, which, in certain contracts, may be subject to a timeframe. The terms of the concessions vary between 12 and 50 years, depending mainly on the level of investments to be made by the concession operator.

In exchange for these obligations, the Group is entitled to bill either the local authority granting the concession (mainly incineration activities and BOT water treatment contracts) or the users for the services provided. That right gives rise either to an intangible asset, or to a receivable, or a tangible asset, depending on the accounting model applicable (see Note 1.5.6).

The tangible asset model is used when the concession-grantor does not control the infrastructure, like for example, water distribution concession contracts in the United States which do not provide

for the return to the concession grantor at the end of the contract of the infrastructure, which remains the property of the SUEZ ENVIRONNEMENT Group.

A general obligation also exists to return the concession infrastructure in good working condition at the end of the contract. Where appropriate (see Note 1.5.6), this obligation results in the recognition of a capital renewal and replacement liability. The replacement liability amounted to €280 million at December 31, 2013 versus €288.7 million at December 31, 2012 and is classified as "Other current liabilities".

Services are generally billed at a fixed price which is index-linked for the duration of the contract. However, contracts contain clauses providing for periodic price adjustments (usually at the end of a five-year period) if there is a change in the economic conditions which were initially expected when the contracts were signed.

## NOTE 21 Share-based payments

Expenses recognized in respect of share-based payments are as follows:

In millions of euros	Note	(Expense) for the period	
		2013	2012
Stock-option plans	21.1	(5.1)	(7.3)
Performance share plans	21.2	(5.5)	(5.1)
Worldwide financial incentive scheme	21.3	(13.6)	(10.3)
Employees share issues <sup>(a)</sup>	21.4	-	(0.9)
<b>TOTAL</b>		<b>(24.2)</b>	<b>(23.6)</b>

(a) The impact of Share Appreciation Rights is shown excluding hedging by warrants.

### ➔ 21.1 Stock option plans

#### 21.1.1 Arrangements and grants

No stock options were allocated in 2013, as in 2011 and 2012. Arrangements relating to plans prior to 2013 are described in previous SUEZ, later GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

#### 21.1.2 Description of current plans

##### SUEZ ENVIRONNEMENT COMPANY STOCK OPTION PLANS

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2012	Exercised*	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2013	Expiration date	Residual life
12/17/2009	5/26/2009	12/17/2013	15.49	3,373,784	-	-	1,817,183	1,556,601	12/16/2017	4.0
12/16/2010	5/26/2009	12/16/2014	14.20	2,900,300	-	-	40,200	2,860,100	12/15/2018	5.0
<b>TOTAL</b>				<b>6,274,084</b>	-	-	<b>1,857,383</b>	<b>4,416,701</b>		

\* Under specific circumstances such as retirement or death, the anticipated exercise of options is authorized.

The average share price for SUEZ ENVIRONNEMENT COMPANY in 2013 was €10.95.

## GDF SUEZ STOCK OPTION PLANS

Plan	Date of the authorizing Shareholders' Meeting	Starting point for exercise of the options	Adjusted Exercise price	Outstanding number of shares at 12/31/2012	Exercised**	Granted	Cancelled or Expired	Outstanding number of shares at 12/31/2013	Expiration date	Residual life
12/9/2005*	4/27/2004	12/9/2009	22.79	1,693,667	-	-	1,693,667	-	12/9/2013	-
1/17/2007*	4/27/2004	1/16/2011	36.62	1,614,018	-	-	25,757	1,588,261	1/16/2015	1.0
11/14/2007*	5/4/2007	11/13/2011	41.78	1,270,806	-	-	15,744	1,255,062	11/13/2015	1.9
11/12/2008*	7/16/2008	11/12/2012	32.74	1,026,670	-	-	12,540	1,014,130	11/11/2016	2.9
11/10/2009*	5/4/2009	11/10/2013	29.44	389,154	-	-	5,580	383,574	11/9/2017	3.9
<b>TOTAL</b>				<b>5,994,315</b>	-	-	<b>1,753,288</b>	<b>4,241,027</b>		

\* Exercisable plans.

\*\* Under specific circumstances such as retirement or death, the anticipated exercise of options is authorized.

The average share price for GDF SUEZ in 2013 was €16.36.

## 21.1.3 Impact on the income statement

## SUEZ ENVIRONNEMENT COMPANY PLANS

Based on assumed employee turnover of 5%, the cost recorded during the period in relation to SUEZ ENVIRONNEMENT COMPANY stock option plans was €4.5 million.

In millions of euros	Weighted average fair value	(Expense) for the period		
		2013	2012	
SUEZ ENVIRONNEMENT COMPANY plan	12/17/2009	€3.3	(2.5)	(2.7)
SUEZ ENVIRONNEMENT COMPANY plan	12/16/2010	€2.9	(2.0)	(2.1)
<b>TOTAL</b>			<b>(4.5)</b>	<b>(4.8)</b>

## SUEZ AND GDF SUEZ PLANS

Based on assumed employee turnover of 5%, the cost recorded during the period in relation to the SUEZ and later GDF SUEZ stock option plans was €0.6 million.

In millions of euros	Weighted average fair value	(Expense) for the period		
		2013	2012	
GDF SUEZ plan	11/12/2008	€9.3	-	(1.9)
GDF SUEZ plan	11/10/2009	€6.0	(0.6)	(0.6)
<b>TOTAL</b>			<b>(0.6)</b>	<b>(2.5)</b>

## 21.1.4 Share Appreciation Rights (SARs)

In 2007, 2008 and 2009, U.S. employees were granted Share Appreciation Rights, an alternative arrangement to the SUEZ and later GDF SUEZ stock option plans. These rights have no material impact on the Group's financial statements for the year ended 2013.

## ➔ 21.2 Bonus share plans

### 21.2.1 Arrangements and grants

#### SUEZ ENVIRONNEMENT COMPANY PLAN OF MARCH 27, 2013

The Board of Directors, in its meeting of March 27, 2013, and in the accordance with the authorization of the Shareholders' Meeting of May 24, 2012, granted 1,315,100 bonus shares to 1,773 beneficiaries. The vesting period for these shares is from two to four years depending upon the country and the beneficiaries. These shares are also subject to a two-year lock-in period in France, Belgium and Spain.

These shares are conditional upon the following performance conditions:

For 834 beneficiaries, two out of three of the following conditions are planned according to their profile:

- a market performance condition, contingent upon SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the average performance of the CAC 40 and Eurostoxx Utilities indices over the period ranging from January 1, 2013 to February 27, 2015;
- a non-market performance condition based on the Group's cumulative recurring net result from January 1, 2013 to December 31, 2014;
- a non-market performance condition based on the Group's EBITDA from January 1, 2013 to December 31, 2014.

For the other beneficiaries, all allocated shares are subject to a non-market performance condition, specifically the Group's EBITDA between January 1, 2013 and December 31, 2014.

The fair value of bonus share plans is estimated based on the share price at the grant date, (i.e. €9.79), taking into account the absence of dividends over the vesting period, the turnover rate for the relevant staff in each plan, and the likelihood of the Group achieving its internal performance conditions. The estimation of the fair value of the plans also takes into account the non-transferability period associated with these instruments. The cost is expensed over the vesting period of the rights and offset against equity. For shares subject to market performance conditions, market performance is measured using Monte Carlo simulations.

### 21.2.3 Impact on the income statement

#### SUEZ ENVIRONNEMENT COMPANY PLANS

During the period, an expense of €5.2 million was recognized for the SUEZ ENVIRONNEMENT COMPANY bonus share plans.

	Number of shares granted	Weighted average fair value	(Expense) for the period	
			2013	2012
December 2009	173,852	€12.3	(0.2)	(0.3)
December 2010	829,080	€11.6	(0.1)	(2.7)
March 2012	828,710	€8.8	(2.3)	(1.8)
March 2013	1,315,100	€6.5	(2.6)	-
<b>TOTAL</b>			<b>(5.2)</b>	<b>(4.8)</b>

The following assumptions were applied:

- volatility of 29.2%;
- a 2-year risk-free rate of 0.19%, a 3-year risk-free of 0.35% and a 4-year risk-free of 0.61%;
- a normalized annual dividend of €0.65.

A Monte Carlo model was used to assess the market conditions applied to some of the allocated shares. The following assumptions were applied in addition to those cited above:

- correlation between SUEZ ENVIRONNEMENT COMPANY share price and the CAC 40 index: 65%;
- correlation between SUEZ ENVIRONNEMENT COMPANY share price and the Eurostoxx Utilities index: 70%;
- correlation between the CAC 40 and Eurostoxx Utilities indices: 85%;
- volatility of the Eurostoxx Utilities index: 23%;
- volatility of the CAC 40: 22%;
- index dividend rate: 3.5%.

The resulting fair value of the shares granted leads to a total expense of €8.1 million, recorded over the plan's duration.

At December 31, 2013, the impact of this plan on the net income Group share stands at -€2.6 million.

### 21.2.2 Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets have not been met in full, the number of shares granted to employees is reduced in accordance with the plan rules. Any such change in the number of shares leads to a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year-end. Volume reductions in 2012 due to the non-achievement of performance conditions are insignificant. In 2013, a profit of €1.6 million was recognized for the 2010 SUEZ ENVIRONNEMENT COMPANY bonus share plans to cancel the expenses recognized in previous years.



**SUEZ AND GDF SUEZ PLANS**

During the period a charge of €0.3 million was recognized on bonus share plans set up by SUEZ and subsequently GDF SUEZ.

	Number of shares granted	Weighted average fair value	(Expense) for the period	
			2013	2012
June 2008	24,740	€37.8		0.4
November 2008	357,034	€28.5	(0.1)	(0.3)
November 2009	146,656	€24.8	(0.2)	(0.4)
January 2010	9,660	€18.6		-
December 2011	1,200	€15.9	-	-
December 2012	2,400	€7.2	-	-
December 2013	3,300	€6.5	-	-
<b>TOTAL</b>			<b>(0.3)</b>	<b>(0.3)</b>

## ➔ 21.3 Worldwide incentive scheme

### 21.3.1 Arrangements and grant

#### SUEZ ENVIRONNEMENT COMPANY PLAN OF JANUARY 17, 2013

On January 17, 2013, the Board of Directors approved a new worldwide financial incentive scheme for employees of the Group. This plan provides in particular for the bonus allocation of 38 SUEZ ENVIRONNEMENT COMPANY shares to each employee, subject to the following conditions:

- a vesting period of three years (France, Italy, Spain) or four years (all other countries);
- a continuous service condition (except in cases of retirement, death or disability) within the Group at November 1, 2015 (France, Italy, Spain) or January 18, 2017 (all other countries);

- a mandatory holding period of two years from the vesting date (November 1, 2015) for employees in France, Italy and Spain.

The resulting fair value of the shares granted leads to a total expense of €17.4 million, recorded over the plan's duration. At December 31, 2013, the impact of this plan on the net income Group share stands at -€5.1 million.

Arrangements relating to plans prior to 2013 are described in previous SUEZ, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Document.

### 21.3.2 Fair value of allocated shares

The fair value of the shares allocated has been calculated using the method described in Note 1 to the consolidated financial statements as of December 31, 2013 (see Note 1.5.14). The following assumptions were used to measure the fair value per share of the new plans granted in 2013.

Grant date	Vesting date	End of lock-in period	Share price on grant date	Expected dividend rate	Financing cost for the employee	Cost of the restriction on availability (lock-in) (€/share)	Market performance condition	Fair value per share
1/17/2013	11/1/2015	11/1/2017	€9.0	€0.65	8.4%	-€0.9	No	€6.2
1/17/2013	11/1/2015	11/1/2018	€9.0	€0.65	8.4%	-€1.6	No	€5.5
17/012013	1/18/2017	1/18/2017	€9.0	€0.65	8.4%	-	No	€6.4
<b>WEIGHTED AVERAGE FAIR VALUE</b>								<b>€6.2</b>

### 21.3.3 Review of internal performance conditions

In addition to the service condition, some plans are subject to internal performance conditions. If the performance targets have not been met in full, the number of shares granted to employees is reduced

in accordance with the plan rules. Any such change in the number of shares leads to a reduction in the total expense of the plan, in accordance with IFRS 2. Performance conditions are reviewed at each year-end. There was no reduction in volume due to failure to achieve performance conditions in 2013.

### 21.3.4 Impact on the income statement

#### SUEZ ENVIRONNEMENT COMPANY PLANS

During the period, an expense of €6.1 million was recognized for the SUEZ ENVIRONNEMENT COMPANY worldwide incentive scheme.

	Number of shares granted	Weighted average fair value	(Expense) for the period	
			2013	2012
June 2009	2,040,810	€9.6	(1.0)	(2.0)
January 2013	3,018,720	€6.2	(5.1)	-
<b>TOTAL</b>			<b>(6.1)</b>	<b>(2.0)</b>

#### SUEZ AND GDF SUEZ PLANS

During the period, an expense of €7.5 million was recognized for the SUEZ and GDF SUEZ worldwide incentive scheme.

	Number of shares granted	Weighted average fair value	(Expense) for the period	
			2013	2012
June 2008	928,725	€39.0		(1.1)
July 2009	544,216	€19.7	(0.5)	(1.1)
June 2011	749,655	€19.9	(3.4)	(5.5)
October 2012	1,140,525	€11.7	(3.6)	(0.6)
<b>TOTAL</b>			<b>(7.5)</b>	<b>(8.3)</b>

### ➔ 21.4 Employee share issues

			(Expense) for the period	
			2013	2012
Plan SUEZ ENVIRONNEMENT Sharing 2011	Share Appreciation Rights	December 2011	0.4	(0.2)
Plan SUEZ ENVIRONNEMENT Sharing 2011	Matching shares – International	December 2011	(0.1)	(0.1)
Plan SUEZ Spring 2007	Matching shares – International	August 2007	-	(0.2)
Plan GDF SUEZ Link 2010	Matching shares – International	August 2010	(0.2)	(0.2)
Plan SUEZ Spring 2007	Share Appreciation Rights	August 2007	-	(0.2)
Plan GDF SUEZ Link 2010	Share Appreciation Rights	August 2010	(0.1)	-
<b>TOTAL</b>			<b>-</b>	<b>(0.9)</b>

There was no employee share issue in 2013. The only impacts on 2013 income linked to employee share issues came from SARs and the amortization of international matching contributions for the Spring 2007, LINK 2010 and Sharing 2011 plans.

In 2013, the accounting impact of employee share issues was not material.

The arrangements relating to Sharing 2011, Link 2010 and Spring 2007 plans are described in more detail in previous SUEZ, later GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY Reference Documents.

**NOTE 22 Related-party transactions**

The purpose of this note is to present material transactions between the Group and its related parties as defined by IAS 24.

Compensation for key executives is disclosed under Note 23 – “Executive compensation”. The main subsidiaries (fully consolidated companies) are listed under Note 26 – “List of the main consolidated

companies at December 31, 2013 and 2012”. Only material transactions are described below.

**➔ 22.1 Transactions with GDF SUEZ and related entities**

<i>In millions of euros</i>	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
<b>Transactions with GDF SUEZ:</b>		
Purchases/sales of goods and services	(5.1)	(15.2)
Non financial payables	26.5	22.7
Non financial receivables	1.1	1.9
Receivables carried at amortized cost <sup>(a)</sup>	22.9	24.7
Guarantees and commitments given	-	-
<b>Transactions with companies linked to GDF SUEZ:</b>		
Purchases/sales of goods and services	(5.4)	(10.8)
Financial income	10.1	10.7
Financial expenses	(1.6)	(12.4)
Non financial receivables	31.5	37.2
Non financial payables	7.8	1.7
Borrowings excluding financial instruments	2.1	144.0
Commodity derivatives (Liabilities)	0.3	0.5
Outstanding accrued interest	-	-
Net cash	-	14.0
Guarantees and commitments given	0.4	21.6
Guarantees and commitments received	-	-

<sup>(a)</sup> Refer to Note 2.2.1 of the chapter 20 of the 2009 SUEZ ENVIRONNEMENT COMPANY Reference Document – Synthetic Argentinean contract.

Except for a current account of €2.1 million with a consolidated company within the GDF SUEZ Group in North America, the outstanding debt excluding financial instruments to related companies of GDF SUEZ was fully repaid during the first half of 2013.

In addition, loans granted by GDF SUEZ Finance to Sita Polska were repaid during the first half of 2013. Consequently guarantees that were given by SUEZ ENVIRONNEMENT to GDF SUEZ relating to these loans for nearly €20 million have been released.

At December 31, 2013, the Group also held a €164 million loan to SFWD, a 50%-proportionately consolidated company. The “non-Group” share of €82 million was recognized under assets on the Group’s consolidated statement of financial position.

The Group also has a €301 million current account in the joint venture responsible for the construction of the seawater desalination plant near Melbourne. This joint venture is proportionately consolidated at 35%. The non-Group share of €196 million was recognized under assets in the Group’s consolidated statement of financial position.

**➔ 22.2 Transactions with joint ventures and associates****22.2.1 Joint ventures**

In 2013, the main transactions involving joint ventures chiefly corresponded to technical services performed within Degrémont, particularly concerning the water treatment contract in Jordan (for €5 million, Group share).

**22.2.2 Associates**

There were no significant transactions or commitments involving associates in 2013 or 2012.

## NOTE 23 Executive compensation

The Group's key executives were the nine members of the Management Committee at December 31, 2013 (see section 14.1.3. of this Reference Document).

Their compensation breaks down as follows:

<i>In millions of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Short-term benefits	5.8	4.7
Post-employment benefit <sup>(a)</sup>	1.3	1.3
Share-based payments	0.8	1.1
<b>TOTAL</b>	<b>7.9</b>	<b>7.1</b>

(a) Post-employment benefits relate to the SUEZ ENVIRONNEMENT Group plans only.

## NOTE 24 Legal and arbitration proceedings

### ➔ Competition and industry concentration

#### Inspections conducted by the European Commission

In April 2010, the European Commission conducted inspections at the premises of various French companies operating in the water and wastewater industry relating to their possible participation in practices contravening Articles 101 and 102 of the Treaty on the Functioning of the European Union. Inspections were thus conducted at SUEZ ENVIRONNEMENT and Lyonnaise des Eaux.

On January 13, 2012, the European Commission sent notice to SUEZ ENVIRONNEMENT of its decision to launch a formal inquiry to determine whether the companies Saur, SUEZ ENVIRONNEMENT, Veolia Environnement and the *Fédération professionnelle des entreprises de l'eau* (French professional federation of water companies) engaged in anti-competitive practices affecting contracts for the delegated management of water and wastewater services in France.

In a decision dated April 23, 2013, the European Commission closed this inquiry.

Following its investigation, the Commission has indeed identified no facts that could justify a statement of objections.

### ➔ Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €144.4 million as of December 31, 2013 (excluding litigation in Argentina).

There is no other governmental, judicial, or arbitration proceedings of which the Group is aware of that is suspended or with which it is threatened, likely to have or that has already had, in the past twelve months, a material impact on the Group's financial position or profitability.

#### Société des Eaux du Nord

Negotiations had been underway since 2008 between the Urban Community of *Lille Métropole* (LMCU) and Société des Eaux du Nord (SEN), a subsidiary of Lyonnaise des Eaux, as part of the five-year review of the drinking-water distribution management contract. These negotiations related mainly to amendments signed in 1996 and 1998 that were being challenged by the local authority.

LMCU and SEN disagreed over the challenging of these amendments. In order to resolve this longstanding technical issue, LMCU and SEN decided at the end of 2009 to submit the dispute to an independent arbitration commission, as was provided in the contract. This commission was chaired by Mr. Michel Camdessus, former Managing Director of the International Monetary Fund, who rendered his conclusions on March 30, 2010.

Despite the conclusions of the Commission report, at the Community Council meeting of June 25, 2010 LMCU voted in favor of proposed unilateral amendments to the contract, specifically to include a €115 million payment command against SEN that was issued on July 29, 2010.

Two appeals, calling for the annulment of the June 25 deliberations and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6, 2010 by SEN and Lyonnaise des Eaux (in the latter's capacity as SEN shareholder).

By a judgment of February 20, 2013, the Administrative Court cancelled the unilateral amendments to the contract. In particular, this exempts SEN from paying the €115 million command.

LMCU lodged an appeal of the judgment with the Administrative Court of Douai on April 24, 2013.

A settlement agreement was reached between the parties on July 3, 2013.

Under the terms of this agreement, the parties have settled all of their disputes and determined their mutual financial obligations. The parties paid and committed themselves to pay their obligations in accordance with the terms of the agreement.

### Litigation in Argentina

In Argentina, tariffs applicable to public-service contracts were frozen by the Public Emergency and Exchange Regime Reform Law (Emergency Act) in January 2002, preventing the application of contractual price indexation that would apply in the event of a depreciation of the Argentine peso against the US dollar.

In 2003, SUEZ – now GDF SUEZ – and its co-shareholders in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean investment protection treaties.

These ICSID arbitration proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006, and hearings for both disputes were held in 2007. At the same time as the ICSID proceedings, the concession-holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

However, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its Shareholders' Meeting on January 13, 2006.

At the same time, Aguas Argentinas applied to file a *Concurso Preventivo* (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about US\$40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid US\$6.1 million and US\$3.8 million respectively.

For the record, SUEZ and SUEZ ENVIRONNEMENT – prior to both the SUEZ-Gaz de France merger and the listing of SUEZ ENVIRONNEMENT COMPANY on the stock exchange – agreed to the economic transfer to SUEZ ENVIRONNEMENT of the rights and obligations associated with the interests held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

The Group considers that the provisions recorded in the financial statements relating to this litigation are appropriate.

In two decisions dated July 30, 2010, the ICSID recognized the Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts.

In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.

A report on the Buenos Aires concession was presented by the expert to the ICSID in 2013. The expert report on the Santa Fe concession is meanwhile expected in 2014. The proceedings are ongoing.

### United Water (New York State, United States)

In March 2008, certain residents on the banks of the Hackensack River in Rockland County (New York State) filed a claim for a total amount of US\$66 million (subsequently raised to US\$130 million) with the New York Supreme Court against United Water (New York) following flooding in the aftermath of heavy rains.

These residents claimed faulty maintenance of the reservoir and of the DeForest Lake dam adjoining DeForest Lake, which allegedly did not operate properly in the aftermath of the heavy rains in question and did not enable the gradual overflow of water into the Hackensack River on which it is built, thus causing flooding in the homes of the said residents. As the rainwater drainage network operated by United Water flows into the river upstream from the dam, the residents, although living in a flood zone, claimed compensatory damages and interest from United Water in the amount of US\$65 million, as well as punitive damages and interest in the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

United Water maintained that it was not responsible for the floods or the maintenance of the dam and reservoir, and that the claims were unlikely to succeed, and filed a motion to dismiss in July 2009 on the basis that it had no obligation to operate the dam for flood prevention purposes. Its motion was dismissed on August 27, 2009 and the dismissal confirmed on June 1, 2010. United Water has appealed this latest ruling.

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents. It was then definitively dismissed on May 31, 2011.

The claim for compensatory damages and interest was dismissed on October 12, 2012 by the Supreme Court of Rockland County. The residents referred to the judge, in order to have him reconsider the jury's decision. The judge rejected this request on January 25, 2013. On February 12, 2013, the residents appealed this last decision, and had six months in order to present their conclusions, which they did not do. United Water Inc. therefore filed a motion to dismiss, and the case was permanently closed.

### Degrémont (Melbourne)

In July 2009, SUEZ ENVIRONNEMENT, in conjunction with its subsidiary Degrémont under a special purpose entity called Aquasure, was awarded the project for a seawater desalination plant by the State of Victoria. This 30-year contract covers the financing, designing, building and operation of the plant. The purpose of this plant consists of three production lines with a total capacity of 450,000 m<sup>3</sup> of drinking water per day to meet approximately one-third of Greater Melbourne's water needs.

Aquasure, a vehicle specially created for the project and owned by multiple funds and investors (including SUEZ ENVIRONNEMENT, which holds a 21% interest), is signatory to the agreements with the State of Victoria. Aquasure then allocated the contract for the design and build stages of the plant to a joint venture consisting of Thiess (65% – Leighton Group, the leading Australian civil-engineering group) and Degrémont (35%). The operating stage was allocated to a joint venture between Degrémont (60%) and Thiess (40%).

The contractual timeline provided for the progressive commissioning of desalinated water as of December 19, 2011 and the final delivery of the plant on June 30, 2012.

Construction work began in September 2009. However, site progress was constantly and significantly impacted by (i) major weather events and (ii) particularly acute union action (persistent social unrest and low productivity).

The impact of the above events on the contractual timeline pushed back the projected dates for commissioning and final delivery by several months, with the final acceptance of the plant taking place on December 17, 2012.

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 (prorogable) between Aquasure and the Thiess-Degrémont construction joint venture.

An additional expense was booked in the financial statements, as detailed in Note 2 to the consolidated financial statements as at December 31, 2012.

On April 24, 2012, the aforementioned parties signed a new moratorium to ensure financing for Aquasure between July 1, 2012 and the earlier of the final delivery of the plant or February 28, 2013 on the one hand, and to allow the submission and pursuit of claims against the State of Victoria on the other hand.

As the final delivery of the plant was made on December 17, 2012, the parties decided to prorogate the effects of the standstill until February 28, 2013. A further amendment was made on March 1, 2013 to allow the parties to continue their discussions.

Aquasure and the construction joint venture Thiess-Degrémont had first signed a settlement agreement allowing them to settle their dispute, excluding the claims they intend to lodge against the State of Victoria. This agreement was subject to the approvals of the State of Victoria and the lenders.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believed, however, that the majority of additional costs incurred to date were linked to elements, many of which were attributed to force majeure and could not be fully attributed to them.

Accordingly, various claims have been filed against the State of Victoria:

- the first claim related to compensation for 71 days not worked due to bad weather was notified on January 30, 2013;
- a second claim related to the consequences of a change in social welfare regulations after the tender submitted by Aquasure, notified on April 4, 2013;
- a third claim related to the payment for water produced before delivery of the plant was notified on June 12, 2013.

An agreement to end all of these claims was reached with the State of Victoria in October 2013, which enabled SUEZ ENVIRONNEMENT to reverse all remaining provisions, which amounted to €58 million.

## → Tax litigations

### Sociedad General de Aguas de Barcelona

Agbar was subject to a number of tax audits, mainly relating to corporate tax.

With respect to corporate tax, Agbar received a reassessment notice from the Spanish tax authorities for the 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of €28 million in addition to penalties of €12 million. Agbar also received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of €41 million in addition to penalties of €25 million. In May 2009, Agbar was also notified of a reassessment in the amount of €60.5 million for the 2002-2004 fiscal years, without additional penalties.

In court, the company challenged these notices, which were, for each period in question, justified with similar arguments by the tax authorities. Agbar considers the tax authorities' arguments groundless.

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal made by the Spanish government with respect to 1996 and 1997, Agbar received the repayment of €4.1 million in taxes wrongly levied as well as €1 million in late penalties. The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

Moreover, in May 2008 the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, Agbar was awarded a partially favorable decision by the court of appeal. Agbar subsequently filed an appeal with the Supreme Court concerning the disputes related to the reassessments upheld. The Spanish government also appealed the ruling in favor of Agbar.

On October 25, 2012, Agbar was given the ruling of the Supreme Court, validating what had been decided by the Court of Appeals.

Agbar received notification of the decision of the Supreme Court in March 2013 and paid the sum of €20 million corresponding to the principal. The interest of €9 million was challenged before the Central Administrative Tribunal.

Finally, in June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002-2004. In June 2012 the Court reached a decision partially in Agbar's favor.

Agbar filed an appeal before the Court of Appeals regarding the other elements for which the Administrative Court has not held in favor of Agbar.

**NOTE 25 Subsequent events**

There is no significant subsequent event.

**NOTE 26 List of the main consolidated companies at December 31, 2013 and 2012**

The aim of this note is to present the list of entities covering 80% of the following indicators: Revenues, EBITDA, Net Debt and capital employed.

Names	Headquarters address	% interest			% control		Consolidation methods <sup>(a)</sup>	
		Dec. 2013	Dec. 2012	Dec. 2013	Dec. 2012	Dec. 2013	Dec. 2012	
SUEZ ENVIRONNEMENT COMPANY	Tour CB21, 16, place de l'Iris 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC	
<b>WATER EUROPE</b>								
LYONNAISE DES EAUX France	Tour CB21, 16, place de l'Iris 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC	
EAU ET FORCE	300, rue Paul-Vaillant-Couturier BP 712 92007 Nanterre – France	100.0	100.0	100.0	100.0	FC	FC	
EAUX DU NORD	217, boulevard de la Liberté BP 329 59020 Lille – France	99.3	99.2	99.3	99.2	FC	FC	
SOCIÉTÉ DES EAUX DE VERSAILLES ET DE SAINT-CLOUD (SEVESC)	5-7, rue Pierre-Lescot 78000 Versailles – France	100.0	100.0	100.0	100.0	FC	FC	
HISUSA	Torre Agbar – Av. Diagonal, 211 08018 Barcelona – Spain	75.7	75.7	75.7	75.7	FC	FC	
AGBAR	Torre Agbar – Av. Diagonal, 211 08018 Barcelona – Spain	75.4	75.4	99.5	99.5	FC	FC	
AGUAS ANDINAS	Avenida Presidente Balmaceda 1398 Piso 4, Santiago – Chile	21.4	21.4	50.1	50.1	FC	FC	
UTILITY SERVICES CO, Inc	P.O. Box 1350 – 535 Courtney Hodges Blvd. – Perry, Georgia 31069 – USA	100.0	100.0	100.0	100.0	FC	FC	
<b>WASTE EUROPE</b>								
SITA HOLDINGS UK LTD	Grenfell road, Maidenhead Berkshire SL6 1ES, UK	100.0	100.0	100.0	100.0	FC	FC	
SE DEUTSCHLAND GmbH	Industriestrasse 161 D-50999 Köln, Germany	100.0	100.0	100.0	100.0	FC	FC	
SITA NEDERLAND BV	Mr. E.N. van Kleffensstraat 6, Postbus 7009, NL – 6801 HA Arnhem, The Netherlands	100.0	100.0	100.0	100.0	FC	FC	
SITA FRANCE	Tour CB21, 16, place de l'Iris 92040 Paris La Défense Cedex – France	99.9	99.9	99.9	99.9	FC	FC	
SITA BELGIUM	5, avenue de la Métrologie 1130 Haren – Belgium	100.0	100.0	100.0	100.0	FC	FC	
SOCALUX	Lamesch SA – ZI Wolser Nord BP 75 – L-3201 Bettembourg – Luxembourg	100.0	100.0	100.0	100.0	FC	FC	

# FINANCIAL INFORMATION RELATING TO THE COMPANY'S ASSETS, FINANCIAL SITUATION AND REVENUES

Consolidated financial statements

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Names	Headquarters address	% interest			% control		Consolidation methods <sup>(a)</sup>	
		Dec. 2013	Dec. 2012	Dec. 2013	Dec. 2012	Dec. 2013	Dec. 2012	
SITA CZ	Konevova, 1107/54 – 130 00 Praha 3 – Czech Republic	100.0	100.0	100.0	100.0	FC	FC	
SE POLSKA	Ul. Kopernika, 17, 02359 Warszawa – Poland	100.0	100.0	100.0	100.0	FC	FC	
SITA SVERIGE AB.	Kungsgardsleden – 26271 Angelholm – Sweden	100.0	100.0	100.0	100.0	FC	FC	
SITA SUOMI OY	Sahaajankatu 49 – 00880 Helsinki – Finland	100.0	100.0	100.0	100.0	FC	FC	
<b>INTERNATIONAL</b>								
SITA WASTE SERVICES	2801 Island Place Tower – 510 King's Road – North Point – Hong Kong	100.0	100.0	100.0	100.0	FC	FC	
SITA AUSTRALIA	PO Box 160, Kempas Creek NSW 2171 – Australie	60.0	60.0	60.0	60.0	FC	FC	
UNITED WATER	200 Old Hook Road, Harrington Park New Jersey – USA	100.0	100.0	100.0	100.0	FC	FC	
MACAO WATER	718 avenida do Conselheiro Borja Macao Via – Macao – China	42.5	42.5	Consolidated via SFH	Consolidated via SFH	PC	PC	
DEGRÉMONT	Tour CB21, 16, place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC	
ONDEO INDUSTRIAL SOLUTIONS	Tour CB21, 16, place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC	
LYDEC	48, boulevard Mohamed-Diouri, Casablanca – Morocco	51.0	51.0	51.0	51.0	FC	FC	
SINO FRENCH HOLDING (SFH)	New World Tower 29/f 16-18 Queensroad Central – Hong Kong	50.0	50.0	50.0	50.0	PC	PC	
PT PAM LYONNAISE JAYA	Central Senayan 1, 7 <sup>th</sup> floor Jl. Asia Afrika n°8 – 10270 Jakarta – Indonesia	51.0	51.0	51.0	51.0	FC	FC	
<b>OTHER</b>								
SUEZ ENVIRONNEMENT SAS	Tour CB21, 16, place de l'Iris, 92040 Paris La Défense Cedex – France	100.0	100.0	100.0	100.0	FC	FC	

(a) FC: Full consolidation.

PC: Proportional consolidation.

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**NOTE 27 Fees of the statutory auditors and members of their networks**

The accounting firms Ernst & Young and Mazars act as statutory auditors for the SUEZ ENVIRONNEMENT Group. Information on fees paid to the statutory auditors and members of their networks is provided in accordance with Decree 2008-1487.

	Ernst & Young				Mazars			
	Amount		%		Amount		%	
<i>In thousands of euros</i>	2013	2012	2013	2012	2013	2012	2013	2012
<b>Audit</b>								
Statutory audits, attest engagements, review of individual and consolidated accounts								
■ SUEZ ENVIRONNEMENT COMPANY SA	663	680	7%	7%	592	565	14%	13%
■ Fully and proportionately consolidated subsidiaries	6,913	6,967	75%	73%	3,126	3,333	74%	79%
Other audit procedures and incidental assignments in relation to Auditor's engagement to the statutory auditor's mission								
■ SUEZ ENVIRONNEMENT COMPANY SA	186	126	2%	1%	202	179	5%	4%
■ Fully and proportionately consolidated subsidiaries	1,063	1,319	12%	14%	292	160	7%	4%
<b>Sub-total</b>	<b>8,825</b>	<b>9,092</b>	<b>96%</b>	<b>95%</b>	<b>4,212</b>	<b>4,237</b>	<b>100%</b>	<b>100%</b>
<b>Other Services</b>								
Tax	330	376	4%	4%	21	6	0%	0%
Other	-	88	-	1%	-	-	-	-
<b>Sub-total</b>	<b>330</b>	<b>464</b>	<b>4%</b>	<b>5%</b>	<b>21</b>	<b>6</b>	<b>0%</b>	<b>0%</b>
<b>TOTAL <sup>(a)</sup></b>	<b>9,155</b>	<b>9,556</b>	<b>100%</b>	<b>100%</b>	<b>4,233</b>	<b>4,243</b>	<b>100%</b>	<b>100%</b>

(a) The amounts relating to the entities consolidated proportionately, which largely involved tasks assigned to the statutory auditors, totaled 135 thousands of euros in 2013 (203 thousands of euros in 2012). These fees were paid in full to Ernst & Young.

## 20.2 Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of SUEZ ENVIRONNEMENT COMPANY;

- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

### I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Notes 1.2.1 "IAS 19 Revised – Employee benefits applicable on January 1, 2013" and 1.2.2 "Mandatory other standards, amendments and interpretations applicable in 2013" to the consolidated financial statements, which outline the impact resulting from the application of new standards, amendments and interpretations whose application is mandatory.

### II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As disclosed in Note 1.4.1 to the consolidated financial statements, SUEZ ENVIRONNEMENT COMPANY group is required to make estimates and assumptions in order to prepare its financial statements. This note also specifies that the future results of the related operations could be different from these estimates according to different assumptions or situations. These significant accounting estimates relate to the fair valuation of assets acquired and liabilities assumed within a business combination, the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets, provisions, capital renewal and replacement liabilities, financial instruments, revenues generated but not metered (as in "meters not read"), margin at termination on construction contracts and the assessment of the tax loss carry forwards recognized as deferred tax assets.
- In respect of assets acquired and liabilities assumed within a business combination, we have examined data and assumptions allowing their fair valuation and reviewed the correct adjustment

of the goodwill accounted for at the acquisition date. We have also verified that Note 9 to the consolidated financial statements provides appropriate information.

- In respect of the recoverable amount of goodwill, property, plant and equipment and intangible assets, we have examined the methods adopted to perform impairment tests, as well as the data and assumptions used. We have reviewed the calculations made by the Group and verified that Notes 1, 5, 9, 10 and 11 to the consolidated financial statements provide appropriate information.
- As regards provisions, and particularly provisions for site rehabilitation, litigation, retirement and other employee benefits, we have assessed the bases on which these provisions have been established and verified that Notes 15, 16 and 24 to the consolidated financial statements provide appropriate information.
- In respect of capital renewal and replacement liabilities, we have assessed the bases on which they have been established and verified that Note 20 to the consolidated financial statements provides appropriate information.

- As regards financial instruments, we have examined data and assumptions used for the valuation models allowing the fair valuation of non-listed financial instruments and verified that Notes 12 and 13 to the consolidated financial statements provide appropriate information.
- In respect of sales of water metered during the accounting period, the Group prepares an estimate of the revenues based on historical data of consumption as well as the estimated selling price. Our work consisted in examining the data and assumptions used to calculate these estimates and verifying that Note 1 to the consolidated financial statements provides appropriate information.
- As regards margin at termination on construction contracts, our work consisted in examining the relating processes put in place by the Group, assessing the data and assumptions on which are based the kept estimations and verifying that Notes 1, 2, 17 and 24 to the consolidated financial statements provide appropriate information.
- As regards the tax loss carry-forwards recognized as deferred tax assets, our work consisted in verifying that the recognition criteria were satisfied and in assessing the assumptions underlying the forecasts of taxable profits and the relating use of tax loss carry-forwards. We have also verified that Notes 1 and 7 to the consolidated financial statements provide appropriate information.

In the course of our assessments, we verified the reasonableness of these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, February 20, 2014

The statutory auditors

*French original signed by*

#### Mazars

Thierry Blanchetier

Isabelle Massa

#### Ernst & Young et Autres

Charles-Emmanuel Chosson

Pascal Macioce

## 20.3 Parent Company financial statements

### 20.3.1 Balance sheet assets

<i>In thousands of euros</i>	Reference	Note	Dec. 31, 2013			Dec. 31, 2012
			Gross	Amortization and depreciation	Net	Net
<b>NON-CURRENT ASSETS</b>						
Equity investments			6,157,390.3	-	6,157,390.3	6,157,390.3
Receivables related to equity investments			4,796,629.3	-	4,796,629.3	5,216,905.7
Other financial assets			31,081.7	-	31,081.7	23,181.7
<b>Financial assets</b>		<b>Note 1</b>	<b>10,985,101.3</b>	<b>-</b>	<b>10,985,101.3</b>	<b>11,397,477.6</b>
<b>NON-CURRENT ASSETS</b>	<b>I</b>		<b>10,985,101.3</b>	<b>-</b>	<b>10,985,101.3</b>	<b>11,397,477.6</b>
<b>CURRENT ASSETS</b>						
<b>Advances and downpayments on orders</b>		<b>Note 2</b>	<b>2.5</b>	<b>-</b>	<b>2.5</b>	<b>5.3</b>
Trade and related receivables		Note 2	119.4	-	119.4	151.2
Other receivables		Note 2	85,180.2	-	85,180.2	97,350.9
SUEZ ENVIRONNEMENT SAS current account		Note 2	1,278,887.8	-	1,278,887.8	523,031.0
Accrued income from cash instruments		Note 2	63,477.4	-	63,477.4	63,530.8
<b>Receivables</b>			<b>1,427,664.9</b>	<b>-</b>	<b>1,427,664.9</b>	<b>684,064.0</b>
Cash and cash equivalents			1,051,927.0	-	1,051,927.0	658,613.5
Marketable securities		Note 3	66,677.5	-	66,677.5	15,460.0
<b>Cash, cash equivalents and short-term securities</b>			<b>1,118,604.5</b>	<b>-</b>	<b>1,118,604.5</b>	<b>674,073.5</b>
<b>Accruals</b>		<b>Note 4</b>	<b>65,240.8</b>	<b>-</b>	<b>65,240.8</b>	<b>76,466.8</b>
<b>Bond redemption premiums</b>			<b>18,823.9</b>	<b>-</b>	<b>18,823.9</b>	<b>14,216.7</b>
<b>CURRENT ASSETS</b>	<b>II</b>		<b>2,630,336.5</b>	<b>-</b>	<b>2,630,336.5</b>	<b>1,448,826.4</b>
<b>UNREALIZED FOREIGN EXCHANGE LOSSES</b>	<b>III</b>	<b>Note 9</b>	<b>9,243.5</b>	<b>-</b>	<b>9,243.5</b>	<b>16,748.4</b>
<b>TOTAL ASSETS</b>	<b>(I+II+III)</b>		<b>13,624,681.3</b>	<b>-</b>	<b>13,624,681.3</b>	<b>12,863,052.4</b>

**20.3.2 Balance sheet liabilities**

<i>In thousands of euros</i>	Reference	Note	Dec. 31, 2013	Dec. 31, 2012
<b>SHAREHOLDERS' EQUITY</b>				
Share capital			2,040,935.3	2,040,935.3
Additional paid-in capital			4,138,327.9	4,147,187.4
Legal reserve			204,093.5	204,093.5
Other reserves			-	3,488.8
Retained earnings			1,356.5	154,213.0
Net income for the period			382,605.9	165,090.7
<b>Shareholders' equity</b>	<b>I</b>	<b>Note 5</b>	<b>6,767,319.0</b>	<b>6,715,008.7</b>
<b>PROVISIONS FOR CONTINGENCIES AND LOSSES</b>				
Provisions for contingencies			9,243.5	16,748.4
Provisions for losses			36,005.8	22,891.5
<b>Provisions for contingencies and losses</b>	<b>II</b>	<b>Note 6</b>	<b>45,249.3</b>	<b>39,639.9</b>
<b>DEBT AND PAYABLES</b>				
Bond issues			5,199,745.8	4,499,192.7
Bank borrowings			679,000.4	665,636.9
Undated deeply subordinated notes			759,904.1	759,904.1
Current accounts and borrowings from subsidiaries			110,140.2	110,591.7
<b>Financial debt</b>		<b>Notes 7 and 8</b>	<b>6,748,790.6</b>	<b>6,035,325.4</b>
Trade and related payables			3,587.4	3,558.1
Tax and employee-related debt			2,234.7	593.5
Accrued expenses on cash instruments			14,270.5	14,568.9
Other debt			656.2	848.4
<b>Operating payables</b>			<b>20,748.9</b>	<b>19,569.0</b>
<b>DEBT AND PAYABLES</b>	<b>III</b>		<b>6,769,539.5</b>	<b>6,054,894.4</b>
<b>DEFERRED INCOME</b>	<b>IV</b>	<b>Note 4</b>	<b>33,835.2</b>	<b>38,421.0</b>
<b>UNREALIZED FOREIGN EXCHANGE GAINS</b>		<b>Note 9</b>	<b>8,738.3</b>	<b>15,088.5</b>
<b>TOTAL LIABILITIES</b>	<b>(I+II+III+IV+V)</b>		<b>13,624,681.3</b>	<b>12,863,052.4</b>

### 20.3.3 Income statement

<i>In thousands of euros</i>	Reference	Note	Dec. 31, 2013	Dec. 31, 2012
Other revenue		Note 10	5,726.8	5,416.0
<b>Net revenue</b>			<b>5,726.8</b>	<b>5,416.0</b>
Reversal of provisions for stock options and bonus shares		Note 11	12,374.4	631.1
Reversals of depreciation, provisions and transferred expenses		Note 11	1,256.5	2,587.8
Others			0.9	0.0
<b>Operating income</b>			<b>19,358.6</b>	<b>8,634.9</b>
Other purchases and external expenses			(16,458.3)	(18,532.6)
Taxes and similar			(2,777.9)	(3,890.7)
Wages and salaries			(1,688.6)	(1,394.3)
Payroll taxes			(579.5)	(417.1)
Allocation to provisions for stock options and bonus shares		Note 6	(24,802.7)	(6,321.2)
Allocation to provisions			(10,944.3)	(10,594.1)
Other operating expenses			(452.2)	(410.5)
<b>Operating expenses</b>			<b>(57,703.5)</b>	<b>(41,560.5)</b>
<b>NET OPERATING INCOME</b>	<b>I</b>		<b>(38,344.8)</b>	<b>(32,925.6)</b>
Financial income from equity investments			352,601.7	100,743.3
Other financial income			224,098.8	227,574.5
Other interest and similar income			115,390.6	119,852.9
Gain on disposal of marketable securities			270.5	-
Reversals of provisions and transferred expenses			16,748.4	28,981.4
Foreign exchange gains			10,541.1	12,097.3
<b>Financial income</b>			<b>719,651.0</b>	<b>489,249.4</b>
Interest and similar expense			(316,179.2)	(348,656.4)
Allocation to amortization and provisions			(11,123.4)	(18,439.2)
Foreign exchange losses			(11,704.6)	(10,903.3)
<b>Financial expenses</b>			<b>(339,007.1)</b>	<b>(377,998.9)</b>
<b>NET FINANCIAL INCOME</b>	<b>II</b>	<b>Note 12</b>	<b>380,643.9</b>	<b>111,250.5</b>
<b>CURRENT INCOME BEFORE TAX</b>	<b>III=I+II</b>		<b>342,299.0</b>	<b>78,324.9</b>
Non-recurring gains from financial transactions			865.4	2,099.6
Reversals of provisions and transferred expenses			-	-
<b>Non-recurring gains</b>			<b>865.4</b>	<b>2,099.6</b>
Non-recurring expenses from operations			-	(7.0)
Non-recurring expenses on financial transactions			(14,271.4)	(8,161.4)
<b>Non-recurring expenses</b>			<b>(14,271.4)</b>	<b>(8,168.4)</b>
<b>NON-RECURRING PROFIT(LOSS)</b>	<b>IV</b>	<b>Note 13</b>	<b>(13,406.1)</b>	<b>(6,068.9)</b>
<b>INCOME TAX (TAX CONSOLIDATION)</b>	<b>V</b>	<b>Note 14</b>	<b>53,712.9</b>	<b>92,834.6</b>
<b>NET INCOME</b>	<b>III+IV+V</b>		<b>382,605.9</b>	<b>165,090.7</b>

### 20.3.4 Cash flow statement

<i>In thousands of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Net income	382,605.9	165,090.7
Net depreciation, amortization and provisions	5,609.4	14,882.3
<b>Gross cash flow</b>	<b>388,215.3</b>	<b>179,973.0</b>
Change in working capital requirement	12,992.7	40,774.1
<b>NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES</b>	<b>401,208.0</b>	<b>220,747.1</b>
Change in receivables related to equity investments	414,964.2	521.3
Change in other financial assets and accrued interest on bank overdrafts / term deposits	(9,697.0)	(21,937.7)
<b>NET CASH FLOW GENERATED FROM INVESTING ACTIVITIES</b>	<b>405,267.2</b>	<b>(21,416.4)</b>
Dividends paid	(330,295.5)	(330,848.1)
Increase in share capital	0,0	0,0
Increase in capital premiums and reserves	0,0	0,0
Share buyback	1,842.4	20,128.0
Change in current accounts	(755,856.8)	(286,038.3)
Bond issues	700,000.0	58,700.0
Change in other financial debt	679,000.0	100,014.4
Purchase / Sale of marketable securities	(53,059.9)	0.0
Accrued interest and premiums	9,047.7	1,867.7
<b>NET CASH FLOW GENERATED FROM FINANCING ACTIVITIES</b>	<b>250,677.9</b>	<b>(436,176.3)</b>
<b>NET CHANGE IN CASH POSITION</b>	<b>1,057,153.1</b>	<b>(236,845.6)</b>
<b>Net cash at beginning of period</b>	<b>(7,074.1)</b>	<b>229,771.6</b>
<b>Net cash at end of period</b>	<b>1,050,079.1</b>	<b>(7,074.1)</b>

The change in current accounts in 2013 corresponds to SUEZ ENVIRONNEMENT SAS financing to fund its subsidiaries.

### 20.3.5 Significant events in the year

#### TERMINATION OF THE SHAREHOLDERS' AGREEMENT RELATING TO SUEZ ENVIRONNEMENT COMPANY

As indicated in press releases dated December 5, 2012 and January 22, 2013 (see sections 18.3.1 and chapter 19 of the 2012 Reference Document), the shareholders' agreement relating to SUEZ ENVIRONNEMENT COMPANY was terminated on July 22, 2013.

This decision resulted in GDF SUEZ losing control of SUEZ ENVIRONNEMENT COMPANY. As of July 22, 2013, the 35.68% stake held by the GDF SUEZ Group is accounted for under the equity method in the consolidated financial statements of GDF SUEZ.

GDF SUEZ has also expressed its intention to remain the Company's main shareholder and a long-term strategic partner. GDF SUEZ has affirmed its commitment not to reduce its stake in the Company and to support its development strategy. The Company's governance has been modified to reflect these changes. In particular, the reduction of the number of Directors representing GDF SUEZ, with Gérard Mestrallet remaining as Chairman, will be considered, along with the conditions under which SUEZ ENVIRONNEMENT Group's employees might be represented on the Board of Directors.

#### COMMERCIAL PAPER ISSUE

On January 3, 2013, SUEZ ENVIRONNEMENT COMPANY established a commercial paper program for up to €1,500 million. As of December 31, 2013, the outstanding notes totaled €679 million.

#### NEW BOND ISSUE

On October 8, 2013, SUEZ ENVIRONNEMENT COMPANY completed the placement of a €500 million bond issue maturing on October 9, 2023 with a fixed annual coupon of 2.75%.

#### SUEZ ENVIRONNEMENT COMPANY WORLDWIDE INCENTIVE SCHEME

On January 17, 2013, the Board of Directors of SUEZ ENVIRONNEMENT COMPANY decided to implement a new worldwide incentive scheme to benefit its employees, who will eventually receive 38 SUEZ ENVIRONNEMENT COMPANY shares each (see Note 5 "Shareholders' equity – Bonus share and performance share plans").

### 20.3.6 Accounting principles and policies

The 2013 Parent Company financial statements are presented in euros in accordance with the General Accounting Standards set out in the *Plan Comptable Général* (PCG) per regulation No. 99-03 of the French Accounting Regulatory Committee (*Comité de Réglementation Comptable*, or CRC), and the measurement methods described below.

Financial transactions relating to equity investments and related receivables, particularly amortization and amortization reversals, have been included under non-recurring items instead of financial income. Pursuant to Article 120-2 of the PCG, SUEZ ENVIRONNEMENT COMPANY (SEC) considers that this classification, which diverges from the PCG, better reflects the income statement situation, as it groups under non-recurring income all income components relating to equity interests along with capital gains and losses on disposals.

The fiscal year spans a 12-month period from January 1 to December 31, 2013.

#### FINANCIAL ASSETS

##### Equity investments

Equity investments represent long-term investments providing the Company with control or significant influence over the issuer, or helping it to establish business relations with the issuer.

New investments are recognized at their acquisition cost plus directly related external incidental expenses.

In line with Article 21 of the 2007 French finance law, which changes the taxation of the acquisition costs of equity investments, and based on CNC (*Conseil National de la Comptabilité*) Recommendation 2007-C, SUEZ ENVIRONNEMENT COMPANY recognizes the tax on equity-investment acquisition cost on a staggered basis over five years in an accelerated tax depreciation/amortization account.

Investments that SUEZ ENVIRONNEMENT COMPANY intends to hold on a long-term basis are written down to bring their acquisition value down to their value in use. Value in use is assessed by reference to the intrinsic value, yield value, expected cash flow, stock market price and any foreign currency hedge.

Investments which SUEZ ENVIRONNEMENT COMPANY has decided to sell are written down if their book value is lower than their market price. If sale negotiations are ongoing, the best estimate is used to determine the sale price.

##### Receivables related to equity investments

These are loans granted to companies in which SUEZ ENVIRONNEMENT COMPANY holds equity.

Related receivables are recognized at their face amount. Receivables denominated in a foreign currency are reported using the exchange rate prevailing at period-end. In line with the treatment adopted for equity investments, related receivables are written down if the associated risk is higher than the value of the shares and if the shares have already been depreciated.

##### Other financial assets

These mainly include mutual funds held by SUEZ ENVIRONNEMENT COMPANY under a liquidity contract. A provision may be constituted based on the criteria used for equity investments as described above.

#### RECEIVABLES

Receivables reported within current assets are carried on the balance sheet at their face amount, with non-payment risk analyzed on a case-by-case basis. Bad debts are depreciated in an amount reflecting the risk incurred.

#### TREASURY SHARES

SUEZ ENVIRONNEMENT COMPANY shares are recognized on the date of delivery, at acquisition cost excluding transaction fees.

Shares intended to be held on a long-term basis, for cancellation or trading purposes, are recognized under financial assets.

Shares acquired as part of the buy-back programs or the liquidity contract<sup>(1)</sup> are shown under short-term marketable securities. Shares held as part of stock option and bonus share plans are part of such programs and are therefore also shown under marketable securities.

Upon disposal, the cost price of the shares is established by allocation category using the First In, First Out (FIFO) method.

If the market value of SUEZ ENVIRONNEMENT COMPANY shares classified as marketable securities is lower than their acquisition cost, an amortization equal to the amount of that difference is recognized in financial income (under liquidity contract).

Regarding SUEZ ENVIRONNEMENT COMPANY shares assigned to stock option plans:

- If they relate to an unexercisable plan (where the market price is lower than the strike price), the depreciation posted to financial provisions under operating income is measured in terms of the average price of all the plans involved;
- if they relate to an exercisable plan (where the market price is higher than the strike price) a provision for expenses is posted to provisions for stock options and bonus shares, under operating income.

As part of the stock option plans, and as an alternative to holding shares assigned to these plans, SUEZ ENVIRONNEMENT COMPANY may acquire instruments that can be settled in shares. These instruments consist of call options subscribed when setting up the plan, or after that date up to the end of the vesting period.

A provision is set aside for stock option plans when at the end of the reporting period, the share price exceeds the strike price of the call options granted. The provision is recorded on a straight-line basis over the vesting period and ultimately covers the loss on disposal corresponding to the acquisition value of the shares less the strike price paid by employees. This provision is recognized in provisions for expenses.

Where SUEZ ENVIRONNEMENT COMPANY is hedged by call options, the provision includes the premium paid.

(1) SUEZ ENVIRONNEMENT COMPANY has signed a liquidity contract with an investment services provider. The provider's contractual role is to intervene in the market on a daily basis, buying and selling SUEZ ENVIRONNEMENT COMPANY shares, in order to maintain liquidity and to stimulate the market for Company shares on the Paris Stock Exchange. The amounts paid to this provider are shown under other financial assets.



**MARKETABLE SECURITIES EXCLUDING TREASURY SHARES**

Securities held for trading are recognized at their acquisition price. If the closing market price is less than their book value, an amortization is recognized for the difference. In the case of listed securities, their market value is measured at the average closing price in the settlement month.

**FOREIGN CURRENCY TRANSACTIONS**

Income and expenses denominated in foreign currencies are recorded at their equivalent value in euros at the transaction date.

Foreign currency receivables, payables and cash and cash equivalents are translated at the exchange rate prevailing at period-end. Foreign exchange gains and losses are posted to income when they relate to cash and cash equivalents, or to the balance sheet under "Unrealized foreign exchange gains and losses" when they relate to receivables and payables. Unrealized losses are provisioned.

**PROVISIONS FOR CONTINGENCIES AND LOSSES**

Pursuant to CRC Regulation 2000-06 on liabilities, provisions are recognized when (i) the Company has a present legal or constructive obligation as a result of a past event; (ii) it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision should be the best estimate of the expenditure required to settle the obligation at the end of the reporting period.

**Provision for bonus shares to employees**

Pursuant to CRC Regulation 2008-15 of December 4, 2008, a provision is set aside for bonus share grants on a straight-line basis over the vesting period and ultimately covers the loss on disposal corresponding to the carrying amount of the treasury shares awarded without consideration to employees. This provision is recognized in "Provisions for contingencies" and has an impact on the Company's operating income.

**Pensions and other employee benefit obligations**

The actuarial method used is that of vested rights with future salary levels determined using the projected unit method. The Company's obligations regarding pensions, early retirement payments, retirement bonuses and other plans are assessed on an actuarial basis using mortality and employee turnover assumptions and salary projections, and a discount rate based on the investment-grade corporate bond yield at the measurement date.

**Provisions for equity investment risk**

The Company may establish provisions for contingencies if it believes that its commitments exceed the assets held or if some of its equity investments harbor risk that may not materialize as an asset impairment.

**FINANCIAL DEBT****Bond issue premiums and costs**

Bond issues that include a premium are recognized in liabilities on the balance sheet at their total value including any redemption premium. Accordingly, redemption premiums are recognized in balance sheet assets as "Bond redemption premiums" and are amortized using the straight line method over the term of the bond.

Issue premiums received are deducted from the issue costs. Any difference outstanding is recorded under prepaid income and is recognized in income over the life of the bond.

In accordance with the CNC recommendation, bond issuance costs are amortized on a straight-line basis over the lifetime of the contracts concerned. Issuance costs mainly include brokers' commissions.

**Undated deeply subordinated notes**

In accordance with Recommendation 28 from the *Ordre des experts comptables* (French Institute of Chartered Accountants) issued in October 1994, undated deeply subordinated notes are classified as financial debt. The issue premium is recognized in balance sheet assets, and the year's tax-deductible interest expense is recognized as a financial expense in the income statement. Issuance costs are amortized over the lifetime of the contracts on a straight-line basis.

**FINANCIAL AND OPERATING INSTRUMENTS**

SUEZ ENVIRONNEMENT COMPANY uses derivatives in order to manage and reduce its exposure to interest rate and foreign exchange volatility or to secure the value of certain financial assets. Accordingly, unrealized capital losses at year-end on financial instruments held by SUEZ ENVIRONNEMENT COMPANY for hedging purposes and shown as off-balance-sheet commitments are not provisioned.

Gains and losses on interest rate and, where applicable, currency swaps, are recognized on a *pro rata temporis* basis in the income statement as financial income/expense over the lifetime of the underlying assets.

Premiums paid for options are recognized on the same basis.

**INCOME TAX AND TAX CONSOLIDATION**

The 5% exceptional contribution was raised to 10.7% in 2013. This tax is payable by entities whose revenues exceed €250 million.

The provision restricting the deduction of financial expenses – the so-called "robot" (planer) – was adopted under the 2013 French finance law. Under it, 15% of net financial expenses are not tax deductible for fiscal years 2012 and 2013. This rate will be 25% for fiscal years starting January 1, 2014.

Under the amended French finance law of August 16, 2012, a 3% contribution is payable by French companies on cash dividends paid to shareholders as from that date. This contribution does not apply to dividends paid between consolidated companies.

The draft French finance law for 2014 provides for a special tax of 50% on all compensation above €1 million, capped at 5% of revenues generated in the year for which it is due. This tax applies from 2013.

## 20.3.7 Notes to the financial statements

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## NOTE 1 Financial assets

<i>In thousands of euros</i>	Dec. 2012	Increase	Decrease	Dec. 2013
Consolidated equity investments <sup>(a)</sup>	6,157,390.3			6,157,390.3
<b>Equity investments</b>	<b>6,157,390.3</b>	<b>0.0</b>	<b>0.0</b>	<b>6,157,390.3</b>
Receivables related to equity investments <sup>(b)</sup>	5,216,905.7	1,919.0	(422,195.4)	4,796,629.3
Other financial assets <sup>(c)</sup>	23,181.7	28,327.6	(20,427.6)	31,081.7
<b>Other financial assets</b>	<b>5,240,087.4</b>	<b>30,246.6</b>	<b>(442,623.0)</b>	<b>4,827,711.0</b>
<b>FINANCIAL ASSETS</b>	<b>11,397,477.6</b>	<b>30,246.6</b>	<b>(442,623.0)</b>	<b>10,985,101.3</b>

(a) Consolidated equity investments only include SUEZ ENVIRONNEMENT SAS shares.

(b) All receivables related to equity investments concern SUEZ ENVIRONNEMENT SAS.

(c) At December 31, 2013, this amount corresponds solely to sums paid to the investment services provider under the liquidity contract.

**NOTE 2 Maturity of receivables**

<i>In thousands of euros</i>	Gross amount as of Dec. 31, 2013	< 1 year	> 1 year
Receivables related to equity investments	4,796,629.3	1,919.0	4,794,710.3
Other financial assets	31,081.7	31,081.7	
<b>Non-current assets</b>	<b>4,827,711.0</b>	<b>33,000.7</b>	<b>4,794,710.3</b>
Advances and downpayments on orders	2.5	2.5	
Trade and related receivables	119.4	119.4	
Other receivables	85,180.2	85,180.2	
SUEZ ENVIRONNEMENT SAS current account	1,278,887.8	1,278,887.8	
Accrued income from cash instruments	63,477.4	63,477.4	
<b>Current assets</b>	<b>1,427,667.3</b>	<b>1,427,667.3</b>	<b>0.0</b>
<b>RECEIVABLES</b>	<b>6,255,378.3</b>	<b>1,460,668.0</b>	<b>4,794,710.3</b>

"Other receivables" mainly include the amount that the Government owes the Company in respect of the gain from tax consolidation, which benefits SUEZ ENVIRONNEMENT COMPANY as the Parent Company of the tax consolidation group (€65.7 million for 2013).

**NOTE 3 Marketable securities**

This item breaks down as follows:

<i>In thousands of euros</i>	Position as of Dec. 31, 2013	Position as of Dec. 31, 2012
Treasury shares held for stock option and bonus share plans	13,617.6	6,799.2
Treasury shares held for market purposes (liquidity contract)	0.0	8,660.8
Certificates of deposit	0.0	0.0
<b>GROSS AMOUNT</b>	<b>13,617.6</b>	<b>15,460.0</b>
Provisions for impairment of treasury shares held for market purposes (liquidity contract)	0.0	0.0
<b>PROVISIONS FOR DEPRECIATION</b>	<b>0.0</b>	<b>0.0</b>
<b>NET CARRYING AMOUNT</b>	<b>13,617.6</b>	<b>15,460.0</b>

The Group uses derivative instruments ("call options") to hedge the SUEZ ENVIRONNEMENT COMPANY stock option plans.

In 2010, 1,833,348 SUEZ ENVIRONNEMENT COMPANY stock options were purchased for €5.4 million to hedge the stock option plans. No additional purchases have been made since.

These call options in the amount of €28.4 million were exercisable at any time before December 13, 2017.

As the external performance condition on these plans was not met, the call options were not exercised.

**NOTE 4 Deferred expenses, deferred income, and accruals**

Accruals break down as follows:

<i>In thousands of euros</i>	Dec. 31, 2012	Increase	Decrease	Dec. 31, 2013
Issuance costs	43,972.4	1,208.1	(6,425.3)	38,755.2
Credit facility set-up fees	6,630.5		(2,711.0)	3,919.5
Prepaid expenses	25,864.0	170.8	(3,468.6)	22,566.1
<b>DEFERRED EXPENSES</b>	<b>76,466.8</b>	<b>1,378.8</b>	<b>(12,604.9)</b>	<b>65,240.8</b>

Issuance costs increased by €1,208,100, relating to the implementation of the new 10-year, €500 million bond issue in October 2013 (see section 20.3.5 "Significant events").

<i>In thousands of euros</i>	Dec. 31, 2012	Increase	Decrease	Dec. 31, 2013
Deferred income	38,421.0	0.0	(4,585.7)	33,835.2
<b>DEFERRED INCOME</b>	<b>38,421.0</b>	<b>0.0</b>	<b>(4,585.7)</b>	<b>33,835.2</b>

Accrued expenses and accrued income associated with receivables and payables can be analyzed as follows:

<i>In thousands of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Interest on bonds issued	129,427.8	122,407.7
Interest on undated deeply subordinated note	9,904.1	9,904.1
Interest on bank borrowings and debt	0.0	339.3
<b>Accrued interest</b>	<b>139,332.0</b>	<b>132,651.1</b>
Trade debt invoices not received	3,316.9	3,344.5
Tax and employee-related debt	120.6	593.6
Cash instruments	14,270.5	14,568.9
Other debt	656.2	848.4
<b>Other accrued expenses</b>	<b>18,364.2</b>	<b>19,355.5</b>
<b>ACCRUED EXPENSES</b>	<b>157,696.1</b>	<b>152,006.6</b>

<i>In thousands of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Interest receivables related to equity investments	1,919.0	2,151.6
Invoices to be issued	0.0	0.0
Interest on current accounts with subsidiaries	0.0	0.0
Cash instruments	63,477.4	63,530.8
<b>ACCRUED INCOME</b>	<b>65,396.4</b>	<b>65,682.5</b>

**NOTE 5 Shareholders' equity**

Shareholders' equity is fully paid up. Each share confers one vote.

	At Dec. 31, 2012	Increase/ Reduction	Purchase/Sale	At Dec. 31, 2013
Outstanding shares	509,090,440		(185,039)	508,905,401
Treasury shares	1,143,389		185,039	1,328,428
<b>TOTAL SHARES ISSUED</b>	<b>510,233,829</b>	-	-	<b>510,233,829</b>

At December 31, 2013, SUEZ ENVIRONNEMENT COMPANY held 1,328,428 shares acquired as part of the bonus share plan for a value of €13.6 million and representing a market value at December 31, 2013 of €17.3 million.

Changes in shareholders' equity were as follows:

<i>In thousands of euros</i>	Share capital	Issuance, contribution & merger premiums	Legal reserve	Other reserves	Retained earnings	Net income for the period	Total
<b>Balance at December 31, 2012</b>	<b>2,040,935.3</b>	<b>4,147,187.4</b>	<b>204,093.5</b>	<b>3,488.8</b>	<b>154,213.0</b>	<b>165,090.7</b>	<b>6,715,008.7</b>
2012 net income allocation					165,090.7	(165,090.7)	-
Dividend distributed for fiscal year 2012		(8,859.6)		(3,488.8)	(317,947.2)		(330,295.5)
Net income in fiscal year 2013						382,605.9	382,605.9
<b>BALANCE AT DECEMBER 31, 2013 BEFORE INCOME ALLOCATION</b>	<b>2,040,935.3</b>	<b>4,138,327.9</b>	<b>204,093.5</b>	<b>-</b>	<b>1,356.5</b>	<b>382,605.9</b>	<b>6,767,319.0</b>

Share allocations under the various SUEZ ENVIRONNEMENT COMPANY (SEC) share plans changed as follows over the fiscal year:

**➔ 1 - Stock option plans**

No SEC stock options were allocated in 2013.

Number of options	Stock option plans		
	Plan of December 17, 2009	Plan of December 16, 2010	Total
Unexercised rights at January 1, 2013	3,373,784	2,900,300	6,274,084
Canceled / expired	(1,817,183)	(40,200)	(1,857,383)
<b>UNEXERCISED RIGHTS AT DECEMBER 31, 2013</b>	<b>1,556,601</b>	<b>2,860,100</b>	<b>4,416,701</b>

## ➔ 2 - Bonus share and performance share plans

The Board of Directors of SUEZ ENVIRONNEMENT COMPANY, at its meeting of January 17, 2013, decided to implement a new worldwide incentive scheme to benefit the Group's employees, who will eventually receive 38 SUEZ ENVIRONNEMENT COMPANY shares each.

The Board of Directors, at its meeting of March 27, 2013, and in accordance with the authorization of the Shareholders' Meeting of May 24, 2012, granted 1,315,100 performance shares to 1,773 beneficiaries.

Number of shares	Allocation of bonus shares						Employer contribution to Sharing <sup>(a)</sup>	Total
	Worldwide financial incentive scheme		Performance shares					
	June 2009	January 2013	December 2009	December 2010	March 2012	March 2013		
Allocated shares not delivered as of January 1, 2013	1,097,760		84,790	812,960	814,730		101,211	2,911,451
Allocated		3,018,720				1,315,100		4,333,820
Delivered	(1,097,760)		(194)	(39,790)	(150)		(180)	(1,138,074)
Canceled/expired			(30,208)	(94,370)	(15,370)	(21,930)		(161,878)
<b>ALLOCATED SHARES NOT DELIVERED AS OF DECEMBER 31, 2013</b>	<b>-</b>	<b>3,018,720</b>	<b>54,388</b>	<b>678,800</b>	<b>799,210</b>	<b>1,293,170</b>	<b>101,031</b>	<b>5,945,319</b>

(a) Employer's contribution paid to foreign employees (outside France and the United Kingdom).

As of December 31, 2013, the number of shares allocated to cover its bonus share obligations was 1,328,428.

Taking into account all the current stock option, bonus share and performance share plans, the number of beneficiaries and turnover assumptions, SUEZ ENVIRONNEMENT COMPANY estimates its share delivery obligation at the end of the various vesting periods to be 10,362,020 shares.

## NOTE 6 Provisions

<i>In thousands of euros</i>	Dec. 31, 2012	Allowances	Reversals (utilizations)	Dec. 31, 2013
<b>Provisions for contingencies</b>	<b>16,748.4</b>	<b>9,243.5</b>	<b>(16,748.4)</b>	<b>9,243.5</b>
Provision for foreign exchange losses	16,748.4	9,243.5	(16,748.4)	9,243.5
<b>Provisions for losses</b>	<b>22,891.5</b>	<b>26,610.7</b>	<b>(13,496.4)</b>	<b>36,005.8</b>
Pension provisions and similar	3,553.0	656.0	-	4,209.0
Provisions for bonus share plans and stock option plans	18,216.5	24,802.7	(12,374.4)	30,644.8
Other provisions	1,122.0	1,152.0	(1,122.0)	1,152.0
<b>TOTAL</b>	<b>39,639.9</b>	<b>35,854.2</b>	<b>(30,244.8)</b>	<b>45,249.3</b>
<b>Posted to income statement:</b>				
Operating income		26,610.7	(13,496.4)	
Net financial income		9,243.5	(16,748.4)	
<b>TOTAL</b>		<b>35,854.2</b>	<b>(30,244.8)</b>	

The change in provisions for pensions and similar is explained in Note 16.

**NOTE 7 Financial debt**

<i>In thousands of euros</i>	Position as of Dec 31, 2013	Position as of Dec 31, 2012
Bonds (nominal amount)	5,070,318.0	4,376,785.0
Bank borrowings and debt (nominal amount)	679,000.0	663,688.0
Deeply subordinated notes (nominal amount)	750,000.0	750,000.0
Current accounts and borrowings from subsidiaries	110,140.2	110,591.7
<b>Borrowings</b>	<b>6,609,458.2</b>	<b>5,901,064.7</b>
Accrued interest	139,332.0	132,651.1
Bank overdrafts	0.4	1,609.6
<b>Other financial debt</b>	<b>139,332.4</b>	<b>134,260.7</b>
<b>TOTAL FINANCIAL DEBT</b>	<b>6,748,790.6</b>	<b>6,035,325.4</b>

The change in financial debt is due to:

- three new bond issues: a 20-year, €100 million bond; a 7-year, €100 million bond; and a 10-year, €500 million bond;
- reimbursement of two bank loans taken out on December 31, 2012 for a total of €663.7 million (€550 million and US\$150 million);
- outstanding commercial paper amounting to €679 million.

**NOTE 8 Maturity of debt and payables**

<i>In thousands of euros</i>	Gross amount as of Dec. 31, 2013	Maturity		
		In 2014	2015 to end of 2018	In 2019 and beyond
Bonds (nominal amount)	5,070,318.0	770,450.0	500,000.0	3,799,868.0
Bank borrowings and debt (nominal amount)	679,000.0	679,000.0		
Deeply subordinated notes (nominal amount)	750,000.0			750,000.0
Current accounts and borrowings from subsidiaries	110,140.2	110,140.2		
Other financial debt <sup>(a)</sup>	139,332.4	139,332.4		
<b>Financial debt</b>	<b>6,748,790.6</b>	<b>1,698,922.6</b>	<b>500,000.0</b>	<b>4,549,868.0</b>
<b>Trade and related payables</b>	<b>3,587.4</b>	<b>3,587.4</b>		
<b>Tax and employee-related debt</b>	<b>2,234.7</b>	<b>2,234.7</b>		
Accrued expenses on cash instruments	14,270.5	14,270.5		
Other	656.2	656.2		
<b>Other debt</b>	<b>14,926.7</b>	<b>14,926.7</b>	-	-
<b>TOTAL</b>	<b>6,769,539.4</b>	<b>1,719,671.4</b>	<b>500,000.0</b>	<b>4,549,868.0</b>

(a) This concerns the accrued interest portion.

### ➔ Breakdown of bond borrowings (nominal)

	Amount as of Dec. 31, 2013	Issue date	Maturity date	Rate
<b>Public placements</b>				
In thousands of euros	770,450.0	April 8, 2009	April 8, 2014	4.875%
In thousands of euros	800,000.0	April 8, 2009	April 8, 2019	6.250%
In thousands of euros	500,000.0	July 22, 2009	July 22, 2024	5.500%
In thousands of euros	750,000.0	June 24, 2010	June 24, 2022	4.125%
In thousands of euros	750,000.0	May 17, 2011	May 17, 2021	4.078%
In thousands of euros <sup>(a)</sup>	299,868.0	Dec. 2, 2011	Dec. 2, 2030	5.375%
In thousands of euros	500,000.0	Oct. 8, 2013	Oct. 9, 2023	2.750%
<b>Private placements</b>				
In thousands of euros	250,000.0	June 8, 2009	June 8, 2017	5.200%
In thousands of euros	150,000.0	Oct. 12, 2009	Oct. 12, 2017	4.500%
In thousands of euros	100,000.0	Nov. 22, 2011	Nov 22, 2018	3.080%
In thousands of euros	100,000.0	March 25, 2013	March 25, 2033	3.300%
In thousands of euros	100,000.0	April 5, 2013	April 6, 2020	1.747%
<b>TOTAL</b>	<b>5,070,318.0</b>			

(a) Or GBP 250 million.

### ➔ Breakdown of undated deeply subordinated notes (nominal)

<i>In thousands of euros</i>	Amount as of Dec. 31, 2013	Issue date	Maturity date	Rate
Undated deeply subordinated notes	750,000.0	Sept. 17, 2010	undated	4.820%

## NOTE 9 Unrealized foreign exchange gains and losses

The following unrealized foreign exchange gains and losses were recognized as a result of the revaluation of receivables and debt denominated in foreign currencies at the exchange rate prevailing on December 31, 2013:

<i>In thousands of euros</i>	Unrealized loss	Unrealized gain
<b>Unrealized foreign exchange gains and losses on:</b>		
Receivables related to equity investments	5.6	8,738.3
Bonds	9,237.9	
<b>TOTAL</b>	<b>9,243.5</b>	<b>8,738.3</b>

The total currency impact as of December 31, 2013, measured in accordance with the accounting principles detailed in section 20.3.6: "Accounting principles and policies", consisted of:

- an unrealized loss of €9,237,900 related to fluctuations in the pound sterling on the GBP 250 million bond subscribed in 2011. This unrealized loss has been provisioned in full;
- an unrealized gain of €8,732,700, corresponding to the impact of changes in the pound sterling on the related receivable contracted with SUEZ ENVIRONNEMENT SAS amounting to GBP 245.7 million.



**NOTE 10 Revenues**

Revenues of €5,726,800 correspond mainly to the compensation paid to SUEZ ENVIRONNEMENT COMPANY as Chairman of SUEZ ENVIRONNEMENT SAS.

**NOTE 11 Reversals of depreciation, provisions and transferred expenses**

<i>In thousands of euros</i>	At Dec. 31, 2013	At Dec. 31, 2012
<b>Transferred expenses</b>	<b>134.5</b>	<b>1,496.3</b>
Issuance costs	58.1	1,496.3
Credit facility set-up fees	76.4	0.0
Worldwide employee shareholding plan expenses	0.0	0.0
<b>Reversal of provisions for stock options and bonus shares</b>	<b>12,374.4</b>	<b>631.1</b>
<b>Other</b>	<b>1,122.0</b>	<b>1,091.5</b>
<b>TOTAL</b>	<b>13,630.9</b>	<b>3,218.9</b>

Expenses relating to bond issues and credit line set-up fees are recognized as assets in the balance sheet and amortized over

the lifetime of these instruments. They correspond to fees paid to intermediaries for setting up these instruments.

**NOTE 12 Financial income**

<i>In thousands of euros</i>	At Dec. 31, 2013	At Dec. 31, 2012
Dividends received	352,601.7	100,743.3
Interest receivables related to equity investments	224,098.8	227,574.5
Interest on current accounts	6,449.6	5,206.1
Interest on cash instruments	45,355.3	31,178.8
Other interest and similar income	(252,323.0)	(251,127.8)
Foreign exchange gain/loss	(1,163.5)	1,194.1
Net financial provisions	5,625.0	(3,518.3)
Net capital gain/loss on disposal of marketable securities	0.0	0.0
<b>TOTAL</b>	<b>380,643.9</b>	<b>111,250.5</b>

The €352.6 million in dividends received in 2013 concerns the payment of dividends by SUEZ ENVIRONNEMENT SAS and consists of: €100.7 million for the remaining dividend for 2012 and €251.9 million for the interim dividend for 2013.

Interest on receivables related to equity investments and on current accounts corresponds to the interest paid by SUEZ ENVIRONNEMENT SAS.

The foreign exchange gain/loss relates to currency gains and losses when unwinding currency transactions.

Other interest and similar income relate mainly to interest expense on bonds.

Net financial provisions correspond to translation adjustments and amortization of premiums related to bond issues.

### NOTE 13 Non-recurring income

Non-recurring income can be analyzed as follows:

<i>In thousands of euros</i>	Dec. 31, 2013	Dec. 31, 2012
Sale of treasury shares	(13,406.1)	(6,061.8)
Other	0.0	(7.0)
<b>TOTAL</b>	<b>(13,406.1)</b>	<b>(6,068.9)</b>

Non-recurring income relates mainly to the proceeds from the sale of treasury shares held under the terms of the bonus share plan and the liquidity contract.

### NOTE 14 Income tax and tax consolidation

<i>In thousands of euros</i>	Position as of Dec. 31, 2013	Position as of Dec. 31, 2012
Gain / (loss) from tax consolidation in the period	65,702.8	92,047.1
Rectification of prior period tax expense	626.7	787.5
Additional tax on dividends	(9,908.9)	0.0
Income tax and additional taxes	(2,707.7)	0.0
<b>INCOME TAX FOR THE PERIOD</b>	<b>53,712.9</b>	<b>92,834.6</b>

#### ➔ Deferred tax position

The future tax liability position results from timing differences between the tax and accounting treatment of the income and expenses of SUEZ ENVIRONNEMENT COMPANY alone:

<i>In thousands of euros</i>	Position as of Dec. 31, 2013	Position as of Dec. 31, 2012
<b>Tax losses carried forward (base) (1)</b>	<b>192,207.0</b>	<b>200,526.0</b>
Issuance costs for undated deeply subordinated note	2,712.0	4,284.0
<b>Increase in future tax debt (base) (2)</b>	<b>2,712.0</b>	<b>4,284.0</b>
Provisions for non-deductible contingencies and losses	5,361.0	4,672.0
Other non-deductible provisions	9.0	480.0
<b>Provisions not deductible in the fiscal year they are recognized</b>	<b>5,370.0</b>	<b>5,152.0</b>
Difference between book value and tax value of marketable securities	96.0	55.0
<b>Other</b>	<b>96.0</b>	<b>55.0</b>
<b>Decrease in future tax debt (base) (3)</b>	<b>5,466.0</b>	<b>5,207.0</b>
<b>TOTAL (1)-(2)+(3)</b>	<b>194,961.0</b>	<b>201,449.0</b>

The total timing differences amount to €194,961,000 representing a theoretical net tax receivable of €67,125,100 based on the rates assumptions applicable at the probable reversal date of future tax debts and receivables.

**NOTE 15 Off-balance-sheet commitments****➔ Financial commitments given****Interest rate risk**

SUEZ ENVIRONNEMENT COMPANY pursues a debt management policy to reduce financing cost by using various types of financial instruments (interest rate swaps and options) depending upon market conditions.

<i>In thousands of euros</i>	Notional as of Dec. 31, 2013					Fair value	Notional as of Dec. 31, 2012
	< 1 yr	1-5 yrs	6-10 yrs	> 10 yrs	Total		
Interest rate swaps							
Fixed-rate payer/floating-rate receiver	91,300.0	0.0	50,000.0	0.0	141,300.0	(5,916.1)	141,300.0
Floating-rate payer/fixed-rate receiver	861,750.0	150,000.0	950,000.0	0.0	1,961,750.0	106,644.9	1,961,750.0
<b>TOTAL</b>	<b>953,050.0</b>	<b>150,000.0</b>	<b>1,000,000.0</b>	<b>0.0</b>	<b>2,103,050.0</b>	<b>100,728.7</b>	<b>2,103,050.0</b>

**Other financial commitments given**

<i>In thousands of euros</i>	At Dec. 31, 2013	Maturity		
		At end 2014	Between 2015 and 2018	2019 and beyond
Financing commitments				
Securities, endorsements and guarantees	381,579.0	200,000.0	0.0	181,579.0
<b>TOTAL</b>	<b>381,579.0</b>	<b>200,000.0</b>	<b>0.0</b>	<b>181,579.0</b>

**➔ Financial commitments received**

<i>In thousands of euros</i>	At Dec. 31, 2013	Maturity		
		At end 2014	Between 2015 and 2018	2019 and beyond
Credit facilities confirmed and unused	1,950,000.0	200,000.0	1,750,000.0	
<b>TOTAL</b>	<b>1,950,000.0</b>	<b>200,000.0</b>	<b>1,750,000.0</b>	<b>0.0</b>

**➔ Operating commitments**

SUEZ ENVIRONNEMENT COMPANY gave guarantees to the government of Hong Kong for the operation of a number of landfills.

## NOTE 16 Post-employment benefits

SUEZ ENVIRONNEMENT COMPANY pays its executive officer and sole employee post-employment benefits (pensions and retirement bonuses). The Company's jubilee award obligations are not material.

### ➔ Overview of benefit obligations

<i>In thousands of euros</i>	Dec. 31, 2012	Current service cost	Dec. 31, 2013
Pensions <sup>(a)</sup>	3,553.0	656.0	4,209.0
<b>TOTAL</b>	<b>3,553.0</b>	<b>656.0</b>	<b>4,209.0</b>

(a) Pensions and retirement bonuses.

### ➔ Calculation of pensions and other employee benefit obligations

Pensions and other employee benefit obligations are the difference between the present projected benefit obligation and any unrecognized past service cost.

The present value of the future benefits of SUEZ ENVIRONNEMENT COMPANY is determined on an actuarial basis (projected unit method).

The main assumptions used to calculate pensions and other employee benefit obligations are described below:

- long-term inflation rate: 2.0%;
- mortality tables: generational.

The resulting present value of future benefits at December 31, 2013 amounted to €4.2 million.

## NOTE 17 Related party disclosures

<i>In thousands of euros</i>	Related companies
Equity investments	6,157,390.3
Receivables related to equity investments	4,796,629.3
Trade and related receivables	119.4
Current accounts	110,140.2
Current account overdrafts	1,278,887.8
Trade and related payables	1,166.3
Interest receivables related to equity investments	224,098.8
Interest on current account overdrafts	6,449.6

The above data mainly concerns the Company's transactions with SUEZ ENVIRONNEMENT SAS.

**NOTE 18 Subsidiaries and equity investments**

<i>In thousands of euros</i> Corporate name	Share capital	Reserves and retained earnings	% capital held at Dec. 31, 2013	Carrying amount of securities held as of Dec. 31, 2013		Last FY revenues	Net profit/loss in last FY	Last FY reporting date	Currency
				Gross	Provision				
<b>A. DETAILED DISCLOSURE OF EQUITY INVESTMENTS WHOSE GROSS VALUE EXCEEDS 1% OF THE SHARE CAPITAL OF SUEZ ENVIRONNEMENT COMPANY</b>									
<b>1. Subsidiaries</b>									
SUEZ ENVIRONNEMENT SAS Tour CB21 16, place de l'Iris 92040 Paris La Défense, France SIREN No.: 410 118 608	3,323,457	152,584	100%	6,157,390	0	217,939	583,306	Dec.,2013	EUR
<b>2. Equity investments</b>									
None									
<b>B DISCLOSURES CONCERNING OTHER SUBSIDIARIES AND EQUITY INVESTMENTS</b>									
<b>1. Subsidiaries not included in paragraph A</b>									
None									
<b>2. Equity investments not included in paragraph A</b>									
None									

**NOTE 19 Compensation of Board members and Chief Executive Officer**

Compensation paid to management (salaried or re-invoiced employees) for fiscal year 2013 was €1,414,300.

Attendance fees paid to Board members in 2013 amounted to €450,000.

## NOTE 20 Subsequent events

No significant events occurred after the closing of accounts on December 31, 2013.

## Five-year financial summary

	2013	2012	2011	2010	2009
<b>SHARE CAPITAL AT FISCAL YEAR END</b>					
Share capital (in euros)	2,040,935,316	2,040,935,316	2,040,935,316	1,958,796,240	1,958,796,240
Number of issued shares	510,233,829	510,233,829	510,233,829	489,699,060	489,699,060
<b>FISCAL YEAR TRANSACTIONS AND RESULTS</b> (in thousands of euros)					
Revenues excluding VAT	5,726.8	5,416.0	4,356.9	6,560.1	3,988.4
Income before tax, employee profit-sharing, depreciation and provisions	345,518.5	90,967.0	217,231.8	388,625.5	533,513.9
Income tax	53,712.9	92,834.6	109,482.1	84,832.2	86,671.7
Net income	382,605.9	165,090.7	312,176.8	451,527.8	611,780.2
Dividends paid <sup>(a)</sup>	330,295.5	330,848.1	318,304.4	317,426.9	317,621.9
<b>EARNINGS PER SHARE</b> (in euros)					
Income after tax and employee profit-sharing and before depreciation and provisions	0.78	0.36	0.64	0.97	1.27
Net income	0.75	0.32	0.61	0.92	1.25
Dividend paid out per share	0.65	0.65	0.65	0.65	0.65
<b>PERSONNEL</b> (in thousands of euros)					
Average headcount during the period	2	2	2	1	1
Payroll cost	1,688.6	1,394.3	1,680.9	1,549.2	958.9
Employee-related payments (social security and pension plan contributions, etc.)	579.5	417.1	555.1	390.2	261.1

(a) Excluding treasury shares.

**Realizable assets and current liabilities**

<i>In thousands of euros</i>	Dec. 31, 2013	Dec. 31, 2012
<b>REALIZABLE ASSETS</b>		
<b>Non-current assets</b>	<b>31,081.7</b>	<b>23,181.7</b>
Other financial assets	31,081.7	23,181.7
<b>Current assets</b>	<b>1,427,667.3</b>	<b>684,069.3</b>
Trade and related receivables	119.4	151.2
Advances and downpayments on orders in progress	2.5	5.3
Other receivables, including cash instruments	1,427,545.4	683,912.8
<b>Cash and cash equivalents</b>	<b>1,118,604.5</b>	<b>674,073.5</b>
<b>TOTAL REALIZABLE ASSETS</b>	<b>2,577,353.5</b>	<b>1,381,324.5</b>
<b>CURRENT LIABILITIES</b>		
<b>Financial debt</b>	<b>1,698,922.6</b>	<b>908,540.4</b>
Bank borrowings and debt	1,449,450.0	663,688.0
Other borrowings and short-term debt <sup>(a)</sup>	249,472.6	244,852.4
<b>Operating debt</b>	<b>20,748.8</b>	<b>19,569.0</b>
Trade and related payables	3,587.4	3,558.1
Tax and employee-related debt	2,234.7	593.5
Other debt, including cash instruments	14,926.7	15,417.3
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,719,671.4</b>	<b>928,109.4</b>
<b>REALIZABLE ASSETS – CURRENT LIABILITIES</b>	<b>857,682.2</b>	<b>453,215.0</b>
<i>(a) Including bank overdrafts</i>	0.4	1,609.6

**Maturity of trade payables**

<i>In thousands of euros</i>	Total	Not due	Past due	
			< 3 months	> 3 months
<b>2013</b>	<b>270.6</b>	253.1	17.5	0.0
<b>2012</b>	<b>213.6</b>	205.9	7.7	0.0

## 20.4 Statutory auditors' report on the Parent Company financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying financial statements of SUEZ ENVIRONNEMENT COMPANY;

- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

### I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other method of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall

presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2013 and of the results of its operations for the year then ended in accordance with French accounting principles.

### II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

As stated in the note "Accounting principles and policies – Financial assets – Equity Investments" to the financial statements, the carrying amount of investments which your Company intends to hold on a long-term basis is reduced to the value in use of the investments, if this amount is lower.

Our work included evaluating the data and hypotheses supporting the estimates made, verifying the calculations and examining the approbation procedures of these estimates by management. We assessed, on this basis, the reasonableness of the estimates made.

These assessments were made as part of our audit of the financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.



### III. Specific verifications and information

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We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the Directors and any other commitments made in their favour,

we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Courbevoie and Paris-La Défense, February 20, 2014

The statutory auditors

*French original signed by*

**MAZARS**

Thierry Blanchetier

Isabelle Massa

**ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson

Pascal Macioce

## 20.5 Dividend distribution policy

A dividend of €0.65 per share, for a total of €330.8 million <sup>(1)</sup>, will be proposed to the SUEZ ENVIRONNEMENT COMPANY Shareholders' Meeting convened to approve the financial statements for the

fiscal year ending December 31, 2013. Subject to approval by the Shareholders' Meeting, this dividend will be paid during the first half of 2014.

## 20.6 Legal and arbitration proceedings

### 20.6.1 Competition and industry concentration

#### ➔ Inspections conducted by the European Commission

In April 2010, the European Commission conducted inspections at the premises of various French companies operating in the water and wastewater industry relating to their possible participation in practices contravening Articles 101 and 102 of the Treaty on the Functioning of the European Union. Inspections were thus conducted at SUEZ ENVIRONNEMENT and Lyonnaise des Eaux.

On January 13, 2012, the European Commission sent notice to SUEZ ENVIRONNEMENT of its decision to launch a formal inquiry to

determine whether the companies Saur, SUEZ ENVIRONNEMENT, Veolia Environnement and the *Fédération professionnelle des entreprises de l'eau* (French professional federation of water companies) engaged in anti-competitive practices affecting contracts for the delegated management of water and wastewater services in France.

In a decision dated April 23, 2013, the European Commission closed this inquiry.

Following its investigation, the Commission has indeed identified no facts that could justify a statement of objections.

### 20.6.2 Litigation and arbitration

In the normal course of its business, the Group is involved in a certain number of litigation and arbitration with third parties or with the tax administrations of certain countries. Provisions are recorded for such litigation and arbitration when (i) a legal, contractual or constructive obligation exists at the closing date with respect to a third party; (ii) it is probable that an outflow of resources without economic benefits will be necessary to settle the obligation; and (iii) the amount of the said outflow of resources can be estimated in a sufficiently reliable manner. Provisions recorded in respect of the above amounted to €144.4 million as of December 31, 2013 (excluding litigation in Argentina).

There is no other governmental, judicial, or arbitration proceedings of which the Group is aware of that is suspended or with which it is threatened, likely to have or that has already had, in the past twelve months, a material impact on the Group's financial position or profitability.

#### ➔ Société des Eaux du Nord

Negotiations had been underway since 2008 between the Urban Community of *Lille Metropole* (LMCU) and Société des Eaux du Nord (SEN), a subsidiary of Lyonnaise des Eaux, as part of the five-year review of the drinking-water distribution management contract.

These negotiations related mainly to amendments signed in 1996 and 1998 that were being challenged by the local authority.

LMCU and SEN disagreed over the challenging of these amendments. In order to resolve this longstanding technical issue, LMCU and SEN decided at the end of 2009 to submit the dispute to an independent arbitration commission, as was provided in the contract. This commission was chaired by Mr. Michel Camdessus, former Managing Director of the International Monetary Fund, who rendered his conclusions on March 30, 2010.

Despite the conclusions of the Commission report, at the Community Council meeting of June 25, 2010 LMCU voted in favor of proposed unilateral amendments to the contract, specifically to include a €115 million payment command against SEN that was issued on July 29, 2010.

Two appeals, calling for the annulment of the June 25 deliberations and the unilateral amendments made pursuant thereto, were filed with the Lille Administrative Court on September 6, 2010 by SEN and Lyonnaise des Eaux (in the latter's capacity as SEN shareholder).

By a judgment of February 20, 2013, the Administrative Court cancelled the unilateral amendments to the contract. In particular, this exempts SEN from paying the €115 million command.

(1) Based on the number of shares outstanding as of December 31, 2013, excluding treasury shares.

LMCU lodged an appeal of the judgment with the Administrative Court of Douai on April 24, 2013.

A settlement agreement was reached between the parties on July 3, 2013.

Under the terms of this agreement, the parties have settled all of their disputes and determined their mutual financial obligations. The parties paid and committed themselves to pay their obligations in accordance with the terms of the agreement.

### ➔ Litigation in Argentina

In Argentina, tariffs applicable to public-service contracts were frozen by the Public Emergency and Exchange Regime Reform Law (Emergency Act) in January 2002, preventing the application of contractual price indexation that would apply in the event of a depreciation of the Argentine peso against the US dollar.

In 2003, SUEZ – now GDF SUEZ – and its co-shareholders in the water concessions for Buenos Aires and Santa Fe filed arbitration proceedings against the Argentinean government, in its capacity as grantor, to enforce the concession agreements' contractual clauses with the International Center for the Settlement of Investment Disputes (ICSID), in accordance with the bilateral Franco-Argentinean investment protection treaties.

These ICSID arbitration proceedings aim at obtaining indemnities to compensate for the loss of value of the investments made since the start of the concession due to the measures adopted by the Argentinean government following the adoption of the abovementioned Emergency Act. The ICSID acknowledged its jurisdiction to rule on the two cases in 2006, and hearings for both disputes were held in 2007. At the same time as the ICSID proceedings, the concession-holders Aguas Argentinas and Aguas Provinciales de Santa Fe were forced to file proceedings to cancel their concession agreement with local governments.

However, since the financial situation of the concession-holding companies had deteriorated since the Emergency Act, Aguas Provinciales de Santa Fe announced that it was filing for judicial liquidation at its Shareholders' Meeting on January 13, 2006.

At the same time, Aguas Argentinas applied to file a *Concurso Preventivo* (similar to a French bankruptcy procedure). As part of these bankruptcy proceedings, a settlement proposal involving the novation of admissible Aguas Argentinas liabilities was approved by creditors and ratified by the bankruptcy court on April 11, 2008. The liabilities are in the process of being settled. The proposal provides for an initial payment of 20% (about US\$40 million) upon ratification and a second payment of 20% in the event of compensation by the Argentinean government. As controlling shareholders, SUEZ and Agbar decided to financially support Aguas Argentinas in making this first payment, upon ratification, and paid US\$6.1 million and US\$3.8 million respectively.

For the record, SUEZ and SUEZ ENVIRONNEMENT – prior to both the SUEZ-Gaz de France merger and the listing of SUEZ ENVIRONNEMENT COMPANY on the stock exchange – agreed to the economic transfer to SUEZ ENVIRONNEMENT of the rights and obligations associated with the interests held by SUEZ in Aguas Argentinas and Aguas Provinciales de Santa Fe.

The Group considers that the provisions recorded in the financial statements relating to this litigation are appropriate.

In two decisions dated July 30, 2010, the ICSID recognized the Argentine government's liability in canceling the Buenos Aires and Santa Fe water and wastewater treatment concession contracts. In addition, in June 2011 the ICSID appointed an expert to provide a definitive assessment of the compensation payable for the commercial harm.

A report on the Buenos Aires concession was presented by the expert to the ICSID in 2013. The expert report on the Santa Fe concession is meanwhile expected in 2014. The proceedings are ongoing.

### ➔ United Water (New York State, United States)

In March 2008, certain residents on the banks of the Hackensack River in Rockland County (New York State) filed a claim for a total amount of US\$66 million (subsequently raised to US\$130 million) with the New York Supreme Court against United Water (New York) following flooding in the aftermath of heavy rains.

These residents claimed faulty maintenance of the reservoir and of the DeForest Lake dam adjoining DeForest Lake, which allegedly did not operate properly in the aftermath of the heavy rains in question and did not enable the gradual overflow of water into the Hackensack River on which it is built, thus causing flooding in the homes of the said residents. As the rainwater drainage network operated by United Water flows into the river upstream from the dam, the residents, although living in a flood zone, claimed compensatory damages and interest from United Water in the amount of US\$65 million, as well as punitive damages and interest in the same amount for alleged negligence in the maintenance of the DeForest Lake reservoir and dam.

United Water maintained that it was not responsible for the floods or the maintenance of the dam and reservoir, and that the claims were unlikely to succeed, and filed a motion to dismiss in July 2009 on the basis that it had no obligation to operate the dam for flood prevention purposes. Its motion was dismissed on August 27, 2009 and the dismissal confirmed on June 1, 2010. United Water has appealed this latest ruling.

The claim for punitive damages was dismissed on December 21, 2009 and then confirmed on February 11, 2010 following an appeal filed by the residents. It was then definitively dismissed on May 31, 2011.

The claim for compensatory damages and interest was dismissed on October 12, 2012 by the Supreme Court of Rockland County. The residents referred to the judge, in order to have him reconsider the jury's decision. The judge rejected this request on January 25, 2013. On February 12, 2013, the residents appealed this last decision, and had six months in order to present their conclusions, which they did not do. United Water Inc. therefore filed a motion to dismiss, and the case was permanently closed.

### ➔ Degrémont (Melbourne)

In July 2009, SUEZ ENVIRONNEMENT, in conjunction with its subsidiary Degrémont under a special purpose entity called Aquasure, was awarded the project for a seawater desalination plant by the State of Victoria. This 30-year contract covers the financing, designing, building and operation of the plant. The purpose of this plant consists of three production lines with a total capacity of 450,000 m<sup>3</sup> of drinking water per day to meet approximately one-third of Greater Melbourne's water needs.

Aquasure, a vehicle specially created for the project and owned by multiple funds and investors (including SUEZ ENVIRONNEMENT, which holds a 21% interest), is signatory to the agreements with the State of Victoria. Aquasure then allocated the contract for the design and build stages of the plant to a joint venture consisting of Thiess (65% – Leighton Group, the leading Australian civil-engineering group) and Degrémont (35%). The operating stage was allocated to a joint venture between Degrémont (60%) and Thiess (40%).

The contractual timeline provided for the progressive commissioning of desalinated water as of December 19, 2011 and the final delivery of the plant on June 30, 2012.

Construction work began in September 2009. However, site progress was constantly and significantly impacted by (i) major weather events and (ii) particularly acute union action (persistent social unrest and low productivity).

The impact of the above events on the contractual timeline pushed back the projected dates for commissioning and final delivery by several months, with the final acceptance of the plant taking place on December 17, 2012.

On December 15, 2011, a moratorium ("standstill") was agreed upon to freeze all claims until March 31, 2012 (prorogable) between Aquasure and the Thiess-Degrémont construction joint venture.

An additional expense was booked in the financial statements, as detailed in Note 2 to the consolidated financial statements as of December 31, 2012.

On April 24, 2012, the aforementioned parties signed a new moratorium to ensure financing for Aquasure between July 1, 2012 and the earlier of the final delivery of the plant or February 28, 2013 on the one hand, and to allow the submission and pursuit of claims against the State of Victoria on the other hand.

As the final delivery of the plant was made on December 17, 2012, the parties decided to prorogate the effects of the standstill until February 28, 2013. A further amendment was made on March 1, 2013 to allow the parties to continue their discussions.

Aquasure and the construction joint venture Thiess-Degrémont had first signed a settlement agreement allowing them to settle their dispute, excluding the claims they intend to lodge against the State of Victoria. This agreement was subject to the approvals of the State of Victoria and the lenders.

SUEZ ENVIRONNEMENT and its partner, the Leighton group, believed, however, that the majority of additional costs incurred to date were linked to elements, many of which were attributed to force majeure and could not be fully attributed to them.

Accordingly, various claims have been filed against the State of Victoria:

- the first claim related to compensation for 71 days not worked due to bad weather was notified on January 30, 2013;
- a second claim related to the consequences of a change in social welfare regulations after the tender submitted by Aquasure, notified on April 4, 2013;
- a third claim related to the payment for water produced before delivery of the plant was notified on June 12, 2013.

An agreement to end all of these claims was reached with the State of Victoria in October 2013, which enabled SUEZ ENVIRONNEMENT to reverse all remaining provisions, which amounted to €58 million.

## 20.6.3 Tax litigations

### ➔ Sociedad General de Aguas de Barcelona

Agbar was subject to a number of tax audits, mainly relating to corporate tax.

With respect to corporate tax, Agbar received a reassessment notice from the Spanish tax authorities for the 1995-1998 fiscal years that outlined a reassessment of tax payable in the amount of €28 million in addition to penalties of €12 million. Agbar also received a reassessment notice relating to the 1999-2001 fiscal years that outlined a reassessment of tax payable in the amount of €41 million in addition to penalties of €25 million. In May 2009, Agbar was also notified of a reassessment in the amount of €60.5 million for the 2002-2004 fiscal years, without additional penalties.

In court, the company challenged these notices, which were, for each period in question, justified with similar arguments by the tax authorities. Agbar considers the tax authorities' arguments groundless.

In May 2007, the Administrative Court rendered its ruling on the 1995-1998 fiscal years, reducing the amount of the claim to €21 million

and canceling the penalties. However, Agbar appealed against the judgment on the remaining part of the reassessment. In this action, the Court of Appeals has now handed down its ruling with respect to 1998, followed by 1995, 1996 and 1997. These four decisions were appealed to the Supreme Court by Agbar with respect to 1998 and by the Spanish government with respect to 1995, 1996 and 1997. However, as the Supreme Court dismissed the appeal made by the Spanish government with respect to 1996 and 1997, Agbar received the repayment of €4.1 million in taxes wrongly levied as well as €1 million in late penalties. The amount in dispute between Agbar and the tax authorities is therefore reduced to €17 million.

Moreover, in May 2008 the Administrative Court cancelled the penalties relating to the 1999-2001 fiscal years, but upheld almost all of the reassessments. Agbar appealed this ruling in July 2008. In July 2011, Agbar was awarded a partially favorable decision by the court of appeal. Agbar subsequently filed an appeal with the Supreme Court concerning the disputes related to the reassessments upheld. The Spanish government also appealed the ruling in favor of Agbar.

On October 25, 2012, Agbar was given the ruling of the Supreme Court, validating what had been decided by the Court of Appeals.

Agbar received notification of the decision of the Supreme Court in March 2013 and paid the sum of €20 million corresponding to the principal. The interest of €9 million was challenged before the Central Administrative Tribunal.

Finally, in June 2009, Agbar filed suit with the Administrative Court to challenge the reassessments for 2002-2004. In June 2012 the Court reached a decision partially in Agbar's favor.

Agbar filed an appeal before the Court of Appeals regarding the other elements for which the Administrative Court has not held in favor of Agbar.

## 20.7 Significant change in the financial or business situation

Please see section 10.5.2, "Expected sources of financing," and chapter 20.1, Note 25, "Subsequent events," of this Reference Document.

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# 21

## ADDITIONAL INFORMATION

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## 21.1 General information on share capital

### 21.1.1 Amount of share capital as of December 31, 2013

On December 31, 2013 the Company's share capital totaled €2,040,935,316. It consisted of 510,233,829 shares with a nominal value of €4 each. There has been no movement on the share capital during the year 2013.

The Company shares are fully subscribed and paid up, and all belong to the same class.

### 21.1.2 Non-equity instruments

None.

### 21.1.3 Shares held by the Company or on its behalf

This chapter contains information to be included in the description of the share buyback program pursuant to Article 241-2 of the General Regulations of the AMF and the information required under the provisions of Article L. 225-211 of the French Commercial Code.

#### **AUTHORIZATION FOR THE COMPANY TO PURCHASE ITS OWN SHARES (SHAREHOLDERS' MEETING OF MAY 23, 2013)**

Resolution 5 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 23, 2013 (i) terminated the unused portion of the authorization granted to the Board of Directors by Resolution 15 of the Combined Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012, and (ii) authorized the Company to trade in its own shares and delegated full powers to the Board of Directors to implement this authorization, including the power to sub-delegate, under the following conditions:

- maximum authorized purchase price per share: €20;
- maximum holding: 10% of the share capital;
- securities: shares traded on the Euronext Paris Stock Exchange.

#### **Objectives:**

- ensure liquidity and boost the secondary market for the Company's shares through an investment firm acting independently, in the framework of a liquidity contract concluded in accordance with the Ethics Charter accepted by the AMF;
- subsequent cancellation, either in whole or in part, of shares purchased in accordance with Article L. 225-209 of the French Commercial Code, in the context of a capital reduction approved or authorized by the Shareholders' Meeting;

- allotment or granting, with or without a discount, of shares to employees or former employees and/or to corporate officers or former corporate officers of the Company and/or companies affiliated with it, or which will be affiliated with it under the conditions and in accordance with applicable regulations, particularly following the exercise of existing stock options or allotment of existing bonus shares as part of company or inter-company savings plans, under the terms provided by law (in particular Articles L. 3332-18 *et seq.* of the French Labor Code) or as part of shareholder plans governed by the laws of other countries;
- keep and subsequently deliver shares (to exchange or make payments, etc.) as part of external growth operations, provided that the maximum amount of shares purchased with a view to keeping them and subsequently delivering them for payment or exchange as part of a merger, spin-off or contribution plan does not exceed 5% of the share capital;
- coverage of marketable securities that give right to allotment of Company shares by remitting them after the exercise of rights attached to marketable securities (through redemption, conversion, exchange, presentation of warrant or any other means);
- in general, pursue any other goal which is or would become authorized by law or regulations, or engage in any market practice that is or would become accepted by financial markets regulators, provided Company shareholders are notified thereof.

On May 23, 2013, the Board of Directors resolved to implement this authorization granted by the Shareholders' Meeting of the same date, in accordance with the objectives authorized by Resolution 5 of that Meeting.

**TRANSACTIONS DURING FISCAL YEAR 2013 AND THE BALANCE OF TREASURY SHARES AS OF DECEMBER 31, 2013**

■ As part of the liquidity contract:

The Company entered into a liquidity contract with Rothschild & Cie Banque on August 9, 2010. Under this liquidity contract, in 2013, the Company purchased 3,818,607 shares for a total value of €41,317,327.77 (average par value of €10.82) and sold 4,825,607 shares for a total value of €50,765,385.64 (average par value of €10.52). As of December 31, 2013, the liquidity contract thus covers the following resources: 0 share and €31,125,533.

■ Excluding the liquidity contract:

- the Company acquired 1,989,731 treasury shares, which were used exclusively to cover bonus share and stock option plans;
- the Company also delivered 876,894 shares free of consideration to Group employees, including 795,610 shares under the performance share plan of December 16, 2010 and the bonus share plan of June 25, 2009;
- no treasury shares were reallocated in 2013 for purposes other than those originally planned.

■ Balance as of December 31, 2013:

Number of shares	
<i>purchased</i>	5,808,338 <sup>(a)</sup>
<i>sold</i>	4,825,607 <sup>(b)</sup>
<i>transferred</i>	876,894 <sup>(c)</sup>
Average price (in euros)	
<i>purchase</i>	10.82
<i>sale</i>	10.52
<i>transfer</i>	10.59
Trading costs (in euros)	
Number of shares held in treasury as of December 31, 2013	
	1,328,428
Percentage of capital held	
	0.26%
Value of treasury shares as of December 31, 2013 <sup>(d)</sup> (in euros)	
	13,617,563.74

(a) 3,818,607 shares were purchased under the liquidity contract and 1,989,731 shares were purchased outside of the liquidity contract in 2013.

(b) All shares purchased and sold in 2013 were related to the liquidity contract set up by the Company.

(c) All treasury shares used were transferred as part of performance share and bonus share plans.

(d) Value based on purchase price.

As of December 31, 2013, the Company held 1,328,428 shares (all of which were to cover stock option and bonus share plans), or 0.26% of the Company's share capital, with a market value on December 31 of €17.3 million <sup>(1)</sup> and a purchase price of €13.6 million.

(1) Average monthly share price for December 2013.

**TRANSACTIONS BETWEEN JANUARY 1 AND FEBRUARY 18, 2014**

Between January 1, 2014 and February 18, 2014, the Company acquired 1,083,719 of its own shares under the liquidity contract, for a total of €14,492,247.35 (i.e. an average price per share of €13.37). Over the same period, the Company sold 933,719 of its own shares under the liquidity contract for a total of €12,540,698.16 (i.e. an average price per share of €13.43) and delivered no treasury share relating to stock option and bonus share plans. On February 18, 2014, the Company held 0.29 % of its share capital, i.e., 1,478,322 shares (all of which were held to cover stock options and bonus share allocations).

**DESCRIPTION OF THE SHARE BUYBACK PROGRAM FOR SUBMISSION TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 22, 2014**

Pursuant to Articles 241-1 to 241-6 of the General Regulations of the AMF, the purpose of this section is to outline the objectives and conditions of the Company's share buyback program, to be submitted to the Combined Ordinary and Extraordinary Shareholders' Meeting of May 22, 2014.

➔ **21.1.3.1 Breakdown by objective of the shares held as of February 18, 2014**

As of February 18, 2014, the Company held 0.29% of its capital, i.e. 1,478,322 shares, including 0 share held to cover stock option and bonus share plans, and 150 000 shares under the liquidity contract.

➔ **21.1.3.2 Main characteristics of the program**

The potential main characteristics of this program are described below:

- securities: shares traded on the Euronext Paris Stock Exchange;
- maximum capital buyback percentage authorized by the Shareholders' Meeting: 10%;
- maximum number of shares that can be purchased based on the share capital at December 31, 2013: 51,023,382 shares;
- maximum authorized purchase price per share: €25 .

➔ **21.1.3.3 Objectives of the share buyback program**

The objectives pursued by SUEZ ENVIRONNEMENT COMPANY within the framework of this share buyback program are set forth below:

- ensure liquidity and boost the Company's shares on the secondary market through an investment firm acting independently, in the framework of a liquidity contract concluded in accordance with the Ethics Charter accepted by the AMF; or
- subsequently cancel all or some of the shares thus purchased in accordance with Article L. 225-209 of the French Commercial Code within the framework of a capital reduction to be adopted or authorized by the General Meeting; or



- allocate or grant, with or without a discount, shares to employees or former employees and/or to corporate officers or former corporate officers of the Company and/or companies affiliated with it, or which will be affiliated with it under the conditions and in accordance with the procedures set out in applicable regulations, particularly following the exercise of existing stock options or bonus share grants or as part of company or inter-company savings plans, under the terms provided by law (in particular Articles L. 3332-18 *et seq.* of the French Labor Code) or as part of shareholder plans governed by the laws of other countries; or
- keep and subsequently deliver shares (in exchange or payment, etc.) as part of external growth operations, provided that the maximum number of shares purchased in view of keeping them and subsequently delivering them for payment or exchange as part of a merger, spin-off or contribution plan does not exceed 5% of the share capital; or
- coverage of marketable securities that give right to allotment of Company shares by remitting them after the exercise of rights attached to these marketable securities (through redemption, conversion, exchange, presentation of warrant or any other means); or
- in general, pursue any other goal which is or would become authorized by law or regulations, or engage in any market practice that is or would become accepted by financial markets regulators, provided Company shareholders are notified thereof *via* press release.

#### ➔ 21.1.3.4 Conditions

##### (a) Maximum portion of capital that may be acquired and held and maximum amount payable by the Company

The maximum portion of capital acquired and held by the Company may not exceed 10% of the Company's share capital, for a maximum total of €1,275,584,550 based on the share capital as of December 31, 2013, consisting of 510,233,829 shares.

##### (b) Duration of the share buyback program

Pursuant to the resolution to be proposed to the Shareholders' Meeting of May 22, 2014, the share buyback program may be implemented for 18 months from the date of the Shareholders' Meeting, *i.e.* until November 22, 2015.

#### 21.1.4 Other equity instruments

On February 27, 2014 the Company issued 19,052,803 zero-coupon bonds convertible into and/or exchangeable for new and/or existing shares (known as "OCEANE" conversion bonds in France) maturing on February 27, 2020, with a nominal amount of approximately €350 million. The nominal unit value of an OCEANE bond was set at €18.37, expressing an issue premium of 30% compared to the benchmark price for SUEZ ENVIRONNEMENT COMPANY shares.

The OCEANE bonds will be redeemed on February 27, 2020 either at par value by a cash payment, or via the issue of new and/or existing shares and, if applicable, a cash payment, at the Company's discretion. The OCEANE bonds will entitle holders to the allotment of new and/or existing SUEZ ENVIRONNEMENT COMPANY shares at the rate of one share per OCEANE bond, subject to any subsequent adjustments.

### 21.1.5 Authorizations and delegations of authority granted by the Company's Shareholders' Meeting

The authorizations and delegations of authority in effect were approved by the Combined Ordinary and Extraordinary Shareholders' Meetings of May 24, 2012 and May 23, 2013.

#### ➔ Authorizations and delegations of authority granted by the Combined Ordinary and Extraordinary Shareholders' Meetings of May 24, 2012 and May 23, 2013

Authorization/Delegation of authority	Period of validity	Authorized ceiling	Amount used	Balance
1 Authorization granted to the Company to trade in its own shares (Shareholders' Meeting (SM) 2013 – Resolution 5)	18 months as from May 23, 2013	up to a maximum holding of 10% of the share capital	0.26% as of December 31, 2013	9.74% of the capital
2 Cancellation of treasury shares (SM 2013 – Resolution 6)	26 months as from May 23, 2013	10% of the share capital per 24-month period	Not used	
3 Capital increase with shareholders' preferential subscription rights by issuing equity securities and/or any securities conferring an immediate or future entitlement to the Company's share capital (SM 2012 – Resolution 17)	26 months as from May 24, 2012	€408 million <sup>(a)</sup>	Not used	
4 Capital increase without shareholders' preferential subscription rights by a public issue of equity securities and/or any securities conferring an immediate or future entitlement to the Company's share capital (SM 2012 – Resolution 18)	26 months as from May 24, 2012	€306 million <sup>(a) (b)</sup>	Not used	
5 Authorization to set the issue price subject to a maximum of 10% of the Company's share capital per annum in the event that shares and/or securities conferring an immediate or future entitlement to the Company's share capital are issued without shareholders' preferential subscription rights (SM 2012 – Resolution 19)	26 months as from May 24, 2012	10% of the share capital per year	Not used	
6 Capital increase, pursuant to an offer as set out in Article L. 411-2 II of the French Monetary and Financial Code, <i>via</i> the issue of shares and/or securities conferring entitlement to the Company's share capital, without shareholders' preferential subscription rights (SM 2012 – Resolution 20)	26 months as from May 24, 2012	€306 million <sup>(a) (b)</sup>	Issue on February 27, 2014 of 19,052,803 zero-coupon bonds convertible into and/or exchangeable for new and/or existing shares <sup>(c)</sup>	€229,788,788
7 Increase, by up to 15% of the initial issue, the number of shares to be issued in the event of a capital increase, with or without shareholders' preferential subscription rights (SM 2012 – Resolution 21)	26 months as from May 24, 2012	Up to 15% of the initial issue <sup>(a) (c)</sup>	Not used	
8 Capital increase in consideration of contributions in kind consisting of equity securities or securities conferring entitlement to the share capital (SM 2012 – Resolution 22)	26 months as from May 24, 2012	€204 million (up to 10% of the share capital) <sup>(a) (b)</sup>	Not used	
9 Capital increase by incorporating premiums, profits or any other amount that may be capitalized (SM 2013 – Resolution 7)	26 months as from May 23, 2013	€408 million	Not used	

Authorization/Delegation of authority	Period of validity	Authorized ceiling	Amount used	Balance
10 Capital increase in payment of security contributions as part of a public exchange offer initiated by the Company (SM 2012 – Resolution 24)	26 months as from May 24, 2012	€306 million <sup>(a)</sup> <sup>(b)</sup>	Not used	
11 Issue of hybrid debt securities (SM 2012 – Resolution 25)	26 months as from May 24, 2012	€3 billion <sup>(a)</sup>	Not used	
12 Capital increase by the issue of shares or securities conferring entitlement to the share capital reserved for members of a company savings plan without shareholders' preferential subscription rights for those employees (SM 2012 – Resolution 26)	26 months as from May 24, 2012	€40 million <sup>(a)</sup>	Not used	
13 Capital increase, without shareholders' preferential subscription rights, in favor of the class(es) of named beneficiaries, as part of the implementation of the SUEZ ENVIRONNEMENT Group international shareholding and savings plans (SM 2013 – Resolution 8)	18 months as from May 23, 2013	€12 million <sup>(a)</sup>	Not used	
14 Authorization to be granted to the Board of Directors to allocate free (bonus) shares (SM 2012 – Resolution 28)	38 months as from May 24, 2012	1.5% of the share capital <sup>(a)</sup>	Award on January 17, 2013 of 3,018,720 bonus shares, or 0.6% of the share capital, under the second global bonus share allocation plan  Award on March 27, 2013 of 1,315,100 performance shares, which could be increased to 1,578,120 performance shares, representing 0.3% of the share capital <sup>(e)</sup>	0.6% of the share capital as of December 31, 2013

<sup>(a)</sup> Resolution 29 sets a limit on the total nominal amount of capital increases that may be carried out immediately and/or in the future under Resolutions 17, 18, 20 to 22, and 24 to 28 at €408 million for share issues and at €3 billion for issues of debt securities or securities granting entitlement to the share capital and issues of hybrid debt securities.

<sup>(b)</sup> Overall ceiling with a nominal value of €306 million against which all capital increases carried out under Resolutions 18, 20, 22 and 24 will apply.

<sup>(c)</sup> Subject to the ceiling of the authorization under which the issue is decided.

<sup>(d)</sup> On February 27, 2014, the Company issued 19,052,803 zero-coupon bonds convertible into and/or exchangeable for new and/or existing shares, maturing on February 27, 2020, with a nominal amount of approximately €350 million.

<sup>(e)</sup> See section 15.1.4 of this Reference Document for more details on these allocations.

### 21.1.6 Options or agreements concerning the Company's share capital

The Company Shareholders' Agreement of June 5, 2008 between GDF SUEZ, Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva, CNP Assurances and SUEZ ENVIRONNEMENT COMPANY ended on July 22, 2013 and thus has had no impact on the Company since that date (see chapter 18.3 of this Reference Document).

On September 7, 2012, Groupe Bruxelles Lambert launched a €400 million bond issue exchangeable for SUEZ ENVIRONNEMENT shares, maturing on September 21, 2015, with a coupon of 0.125% and at a premium of 20% on the SUEZ ENVIRONNEMENT share price.

### 21.1.7 History of the share capital

Date	Type of transaction	Capital before transaction (in euros)	Premium (in euros)	Shares issued/ canceled	Nominal value (in euros)	Cumulative number of shares	Capital after transaction (in euros)
2007	Split by four of nominal value	40,000	N/A	7,500	4	10,000	40,000
	Capital increase <sup>(a)</sup>	40,000	N/A	46,250	4	56,250	225,000
2008	Capital increase <sup>(b)</sup>	225,000	4,198,819,093	489,642,810	4	489,699,060	1,958,796,240
June 27, 2011	Scrip dividend <sup>(c)</sup>	1,958,796,240	171,648,841	19,008,731	4	508,707,791	2,034,831,164
December 08, 2011	Capital decrease <sup>(d)</sup>	2,034,831,164	65,357,420	8,370,000	4	500,337,791	2,001,351,164
December 08, 2011	Employee share issues <sup>(e)</sup>	2,001,351,164	49,679,238	9,896,038	4	510,233,829	2,040,935,316

(a) Subscription form signed on December 28, 2007; capital increase on January 4, 2008.

(b) Remuneration of the SUEZ ENVIRONNEMENT shares that SUEZ contributed to SUEZ ENVIRONNEMENT COMPANY.

(c) Capital increase due to the subscription of 19,008,731 shares as part of the option for a scrip dividend.

(d) Capital decrease due to the cancellation of 8,370,000 treasury shares.

(e) Capital increase due to the subscription of 9,896,038 new shares as part of the SUEZ ENVIRONNEMENT Group employee share issue.

## 21.2 Memorandum of association and Bylaws

This section summarizes the main provisions of the Company's Bylaws and Internal Regulations.

### 21.2.1 Purpose of the Company

The purposes of the Company are as follows, in all countries and by all means:

1. The provision, in any form whatsoever, of all services connected to the environment, and in particular:
  - all services for the production, transportation and distribution of water, for all domestic, industrial, agricultural or other needs and uses, on behalf of local public authorities or private individuals;
  - all wastewater treatment services, including the disposal of sewage of domestic, industrial, or other origin;
  - all services that may directly or indirectly concern the collection, sorting, treatment, recycling, incineration, and recovery of all types of waste, by-products and residues, and generally any activity or venture related to waste management;
  - the creation, acquisition, operation or divestment of all transport and road haulage services;
  - the creation, purchase, sale, leasing, rental, management, installation and operation of any facility relating to waste management; and
- generally, all services on behalf of local public authorities, private entities and private individuals connected with the above.
2. On an ancillary basis, the production, distribution, transportation, utilization, management and development of energy in all its forms.
3. The study, setup and completion of all projects, services, and public or private works on behalf of any local public authorities, private entities or private individuals; the preparation and awarding of all contracts of any type whatsoever relating to those projects and works.
4. The acquisition of equity interests by obtaining shares, interests, bonds and other corporate securities, existing or to be created in the future, via subscription, purchase, contribution, exchange or any other means, and the capacity to divest such interests.
5. The acquisition, purchase, divestment and operation of any patent, trademark, model, patent license or process.
6. The granting of any guarantee, first-call guarantee and other surety to any Group company or entity, in the course of their business, as well as the financing or refinancing of their activities.

7. The subscription of any borrowing or, more generally, the use of any type of financing, specifically the issue or, as the case may be, the subscription of debt securities or financial instruments, in order to finance or refinance the Company's business activity; and
8. In general, all industrial, financial and commercial transactions and transactions involving movable assets or real estate that may be connected directly or indirectly to one of the purposes specified above or any other similar or connected purpose or a purpose that might benefit and develop the Company's business.

## 21.2.2 Provisions relating to administrative and management bodies

### ➔ 21.2.2.1 Board of Directors

#### (a) Internal Regulations of the Board of Directors

The Board of Directors of the Company has adopted a set of Internal Regulations to define the Board's operating procedures. After three and a half years of operation of the Board and its four committees, these Internal Regulations, originally adopted by the Board on July 23, 2008, were amended in 2012 in the interests of good governance, notably to extend the remit of the committees (particularly the Audit and Financial Statements Committee), to update and clarify certain provisions relating to the functioning of the Board and limitations on the Chief Executive Officer's powers, and to establish a Director's Charter, to serve as a reminder of the conditions under which Directors are to perform their duties, their contribution to the work of the Board and committees, the rights and resources granted to Directors, and the rules on confidentiality, independence, ethics, and integrity inherent in their roles. The Internal Regulations were again amended in 2013, primarily to reflect the end of the Shareholders' Agreement pertaining to the Company (notably adjusting the limits on the Chief Executive Officer's powers to this new context), and the adoption of the AFEP-MEDEF Code, amended in June 2013.

#### (b) Composition of the Board of Directors (Article 10 of the Bylaws)

The Company is administered by a Board of Directors consisting of no less than three and no more than 18 members, notwithstanding the statutory exemption in the event of a merger.

Directors are appointed, renewed, and dismissed in compliance with applicable legal and regulatory provisions.

They are appointed for a four-year term. Nevertheless, a Director who is appointed to replace another whose term has not expired shall only remain on the Board for the remainder of his predecessor's term.

Each Director must hold at least 2,000 shares.

The number of Directors who have reached the age of 70 may not, at any time, exceed a third of the total number of Directors in office. If the number of Directors is not exactly divisible by three, then the resulting figure is rounded up.

Except in the case of termination of the employment contract (of an Executive Director) or resignation, dismissal or death, a Director's term ceases at the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Director's appointment expires.

#### (c) Chairman of the Board of Directors (Article 11 of the Bylaws)

The Board of Directors appoints a Chairman from among its members. The Chairman may propose that the Board of Directors shall appoint one or more members to the position of Vice-Chairman.

Regardless of the term of office, the Chairman's term shall expire, at the latest, as of the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Chairman reaches the age of 65. However, at the next meeting it holds after that Shareholders' Meeting, the Board of Directors may extend this term on one or more occasions for a total duration of no longer than three years.

The Board is chaired by the Chairman, or in his absence, a Director chosen by the Board of Directors at the opening of the meeting.

The Chairman of the Board organizes and manages the Board's work and reports on it to the Shareholders' Meeting. The Chairman ensures that the Company's governing bodies function correctly and, in particular, that the Directors are fit to carry out their duties.

#### (d) Functioning of the Board of Directors (Articles 1 and 2 of the Board of Directors' internal regulations)

The functioning of the Board of Directors is described in Articles 1 and 2 of the Internal Regulations as amended successively in 2012 and 2013, which are reproduced below.

##### Article 1 of the Internal Regulations – Meetings

1. The Board of Directors meets as often as the interests of the Company and the legal and regulatory provisions require, and at least once a quarter. Notices of meetings may be circulated by the Board Secretary or the General Secretary, and are sent *via* letter, fax or e-mail, or conveyed verbally.
2. Meetings may be conducted in any manner, including by videoconference or teleconference, subject to the restrictions and conditions laid down in the applicable regulations. Directors who participate in a Board meeting in the manner cited above are deemed to be present for the purposes of calculating the quorum and voting majority, subject to the restrictions envisaged in the applicable regulations.
3. Any Director, under his/her own responsibility, may delegate by proxy to another Director the ability to vote on his/her behalf. The proxy must be in writing and carry the signature, which may be electronic, of the Director assigning the proxy. The proxy must state the date of the meeting to which it applies. A Director may

assign a proxy only to another Director. A Director may only represent one colleague in the course of the same meeting. The Director receiving the proxy may participate in the Board meeting physically or, where applicable, by videoconference or teleconference.

4. The content of the minutes of each meeting are sufficient proof, vis-à-vis third parties, of the number of Directors in office, their presence physically or by videoconference or teleconference, or their representation by proxy. If the Chairman of the Board of Directors finds that the videoconferencing or teleconferencing technology is not functioning properly, the Board may validly deliberate and/or continue solely with the members physically present, provided that quorum conditions are satisfied.
5. Meetings are held at head office at Tour CB21, 16 Place de l'Iris, 92040 Paris La Défense cedex – France, or at any other place indicated in the notice of meeting.

**Article 2 of the Internal Regulations – Registers and Minutes**

1. An attendance register is kept at the Company's head office and signed by the members of the Board of Directors attending the meeting, in their own name or on behalf of other members of the Board they represent. In accordance with the provisions of applicable laws and regulations, any proxies granted by letter or, if need be, by fax or e-mail, are attached to the attendance register. The attendance register for Board meetings must state which Directors, if any, participated by videoconference or teleconference, and which conferencing method they used.
2. The Chairman submits the minutes of the previous meeting(s) to the Board for approval. The minutes must report the occurrence of any technical incident that disrupted the normal operation of the meeting.

In an emergency or if necessary, the exact wording of the minutes on a particular issue may, at the Chairman's request, be decided at the meeting, so that the Company can use it in a communication to third parties.

Every Director is entitled to request and receive a copy of the minutes of any Board meeting.

Extracts from the minutes used for court proceedings must be certified as true copies by the Chairman of the Board, the Chief Executive Officer, the General Secretary, or the Board Secretary.

**(e) Meeting of the Board of Directors and proceedings (Article 12 of the Bylaws)**

The Chairman calls the Directors to meetings of the Board of Directors, which are held at the head office or at any other location indicated by the author of the notice of meeting. If the Board has not met for at least two months, then at least one third of the Board members may ask the Chairman to call a meeting on a specific agenda. The Chief Executive Officer may also request that the Chairman call a Board meeting on a specific agenda.

Notices of meetings may be issued by any means, including verbally.

A legal quorum and majority is required for the Board to make decisions. In the event of a tied vote, the meeting Chairman has the deciding vote.

The Board appoints a person to act as secretary, who need not be a member of the Board.

At the Chairman's request, senior executives may attend Board meetings in an advisory capacity.

**(f) Powers of the Board of Directors (Article 14 of the Bylaws)**

The Board of Directors determines the key Company strategies and supervises their implementation. Without prejudice to the powers expressly attributed to the Shareholders' Meetings and falling within the limits of the Company's purpose, the Board deals with all issues concerning the management of the Company and decides on relevant matters through its debates.

The Board of Directors monitors and supervises activities as it deems appropriate. The Company Chairman or Chief Executive Officer must forward to each Director the documents and information they require to carry out their duties.

**(g) Compensation of Directors (Article 16 of the Bylaws)**

The Shareholders' Meeting may award a fixed annual amount in attendance fees for the Board of Directors, which amount shall remain the same until further notice.

Members of the Board of Directors may also be awarded other compensation from time to time, in the circumstances and under the conditions set forth by law.

**➔ 21.2.2.2 General Management**

**(a) Chief Executive Officer (Article 17 of the Bylaws)**

The Chairman of the Board of Directors, or another person appointed by the Board of Directors from among its members with the title of Chief Executive Officer, takes responsibility for the General Management of the Company. In accordance with these bylaws, the decision of the Board of Directors as to which of the above two persons should take responsibility for the General Management of the Company is made by majority vote of the Directors present or represented, after consultation with the Chairman of the Board and the Chief Executive Officer.

Shareholders and third parties are informed of this decision in accordance with the regulations in force.

The Chief Executive Officer holds the most extensive powers to act, under all circumstances, on behalf of the Company. The Chief Executive Officer exercises these powers within the limit of the Company's purpose and without prejudice to the powers expressly granted by law to the Shareholders' Meetings and the Board of Directors.

Regardless of the period of the appointment, the term of office of the Chief Executive Officer expires no later than the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Chief Executive Officer reaches the age of 65. However, the Board of Directors may extend the period of this appointment, on one or more occasions, for a total term not exceeding three years.

In the event that the Chief Executive Officer ceases to be a Director during his term of office, he shall remain as Chief Executive Officer until the expiry of the term of his appointment by the Board of Directors.

When the Company's General Management is in the hands of the Chairman of the Board of Directors, the provisions of law and the bylaws relating to the Chief Executive Officer apply to the Chairman of the Board of Directors.

**(b) Exercise of authority by the Chief Executive Officer (Article 4 of the Board of Directors' internal regulations)**

As described in the report of the Chairman of the Board in chapter 16.4 of this Reference Document, the Board of Directors' Internal Regulations were amended following the end of the Shareholders' Agreement pertaining to the Company by decision of the Board of Directors at its meeting of July 30, 2013. The limits on the Chief Executive Officer's powers are detailed in Article 4 of the Internal Regulations and are set out in chapter 16.4 of this Reference Document. The limits on these powers applicable before the effective date of the new Internal Regulations, as amended in 2013, are described in section 21.2.2.2 (B) of the 2012 Reference Document.

**(c) Chief Operating Officers (Article 18 of the Bylaws)**

At the recommendation of the Chief Executive Officer, the Board of Directors may appoint one or more persons to assist the Chief Executive Officer, with the title of Chief Operating Officer. The maximum number of Chief Operating Officers is five.

If a Chief Operating Officer is also a Director, the term of his appointment may not exceed his term of office as Director.

Regardless of the period of the appointment, the Chief Operating Officer's term of office shall expire no later than the close of the Ordinary Shareholders' Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Chief Operating Officer reaches the age of 65. However the Board of Directors, at the proposal of the Chief Executive Officer, may extend the period of this appointment on one or more occasions for a total term not to exceed three years.

With the approval of the Chief Executive Officer, the Board of Directors shall determine the scope and duration of the powers granted to Chief Operating Officers, who nonetheless have the same authority as the Chief Executive Officer in their dealings with third parties.

The Chief Operating Officers have the authority to delegate their powers and to appoint as many authorized agents as they wish, with the authority to sub-delegate.

### 21.2.3 Rights, privileges and restrictions attached to shares

➔ **Rights attached to shares (Article 8 of the Bylaws)**

Each share, regardless of its class, confers the right to a share in the ownership of company assets and the liquidating dividend, pro rata to the share capital it represents, if need be taking into account whether capital is amortized or not, paid up or not.

All shares comprising current or future share capital, regardless of their class, shall always be taxed on an equal footing. Consequently, any taxes and duties that may be owed for any reason as a result of total or partial repayment of the par value of those shares, either during the life of the Company or at the time of liquidation, shall be spread among all shares making up the share capital at the time of these repayments, so that all current or future shares entitle their

owners to the same actual benefits and the right to receive the same net sum, after taking into account the non-amortized par value of the shares and rights to those shares, where applicable.

Without prejudice to the laws governing the right to vote at Shareholders' Meetings and shareholders' right to information, shares are indivisible for the Company. Hence, co-owners shall be represented at the Shareholders' Meeting by one of them, or by a single proxy, to be appointed by the courts in the event of a dispute.

When, in order to exercise a right, a shareholder must hold several securities of a particular type or class, the holder shall be personally responsible for gathering the required number or buying or selling the necessary number of shares.

### 21.2.4 Terms and conditions for amending shareholders' rights

None.

## 21.2.5 Shareholders' Meetings

### a) Participation in Shareholders' Meetings (Articles 20, 21 and 22 of the Bylaws)

All shareholders may attend Meetings in person or through a proxy, irrespective of the number of shares held. Attendance is subject to proof of identity and registration of the shares in their name or in the name of a proxy, by 00:00 Paris time on the third business day prior to the meeting, either in the register of shares held by the Company or in the register of bearer shares held by an authorized intermediary.

If the Board of Directors or its Chairman should so decide when convening a Shareholders' Meeting, shareholders may participate in that meeting by videoconference or by other means of electronic teleconferencing or remote transmission. Shareholders' Meetings are called and conducted in accordance with the law.

Meetings are held at the Company's headquarters, at any other location within the same *département* (French administrative jurisdiction) or in a neighboring *département*.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in the Chairman's absence, by a Director specially appointed for this purpose by the Board of Directors. Failing that, the meeting shall elect its own Chairman.

The function of teller shall be carried out by the two shareholders, present and willing, who hold, either themselves or by proxy, the highest number of voting rights. The committee thus formed shall appoint a secretary, who need not be a shareholder.

### (b) Voting rights (Article 23 of the Bylaws)

The voting rights attached to shares are equal to the proportion of the share capital they represent and each share confers the right to at least one vote.

In Ordinary and Extraordinary Shareholders' Meetings, the usufructuary holds the voting rights attached to usufruct shares.

All shareholders may have a postal vote in accordance with the conditions and in the manner set by current legal and regulatory provisions. These provisions also provide that shareholders may submit their proxy and postal ballot form either in paper format or, if stipulated by the Board of Directors in the notice of meeting, electronically.

## 21.2.6 Provisions to delay, postpone or prevent a change of control of the Company

The Bylaws contain no provisions likely to delay, postpone or prevent a change of control of the Company.

## 21.2.7 Exceeding the thresholds envisaged in the Bylaws

### FORM OF SECURITIES

Fully paid-up shares can be held as registered or bearer shares, at the discretion of the shareholder.

### REGISTRATION OF SHARES

Shares and all other securities issued by the Company are posted to their owners' accounts, in accordance with the applicable legal and regulatory provisions.

Where shares are in certificate form, the Board of Directors may grant authority to any person, even a person outside the Company, to sign such certificates.

### IDENTIFICATION OF SHARES

In accordance with current legal and regulatory provisions, the Company may require, at any time, that the clearing agent provide the name, and if a corporation, the corporate name, nationality, and address of shareholders conferring entitlement, immediately or in the future, to a right to vote at Company Shareholders' Meetings, as well as the number of shares held by each and, where applicable, any restrictions to which they may be subject.

### NOTIFICATIONS TO BE MADE TO THE COMPANY

Any individual or legal entity, either alone or in concert, who comes to hold or ceases to hold a fraction of the share capital or voting rights equal to or exceeding 1%, and then, after this threshold, any multiple of 1% up to a threshold of 33% of the share capital or voting rights, is required to notify the Company, by registered letter with acknowledgement of receipt, within five business days of crossing one of these thresholds, stating the total number of shares they hold directly, indirectly or jointly. To determine these thresholds, account will also be taken of shares held indirectly and of quasi-shares as defined in the provisions of Articles L. 233-7 *et seq.* of the French Commercial Code.

If one of these thresholds is crossed within five business days before the date of a Company Shareholders' Meeting, the abovementioned notification shall be made at the latest before the meeting's committee certifies the accuracy of the attendance register, in a manner that ensures that the Company receives it before certifying attendance.



Any individual or legal entity, acting alone or in concert, who comes to hold or ceases to hold a fraction of the share capital or voting rights equal to or exceeding 10% and 20%, is required to notify the Company by registered letter with acknowledgement of receipt, within ten business days of crossing one of these thresholds, of the objectives that the individual or legal entity intends to pursue over the next twelve months, pursuant to Article 233-7 of the French Commercial Code.

To the fullest extent permitted by law, failure to comply with the above provisions is sanctioned by the withdrawal of voting rights in respect of the shares exceeding the undeclared fraction at any Shareholders' Meeting held between the time the threshold is exceeded and not reported, and a period of two years from the date on which the proper notification is given as provided for above. Nevertheless, this sanction will only apply if one or more shareholders holding at least 5% of the Company's share capital so request.

### 21.2.8 Specific provisions governing changes to the share capital

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There are no specific provisions governing changes to the share capital stricter than the law.

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# 22

## SIGNIFICANT CONTRACTS

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The most significant contracts, other than contracts concluded in the normal course of business, are described in chapters 6, 18 and 19 of this Reference Document. These include the following contracts:

- the Shareholders' Agreement signed between SUEZ ENVIRONNEMENT COMPANY, SUEZ ENVIRONNEMENT España, Criteria CaixaCorp and Hisusa Holding de Infraestructuras y Servicios on June 7, 2010 following the restructuring of Agbar (see section 6.5.2.2). This agreement replaces the agreement signed on July 18, 2006;
- the Shareholders' Agreement entered into by the Group and Beauty Ocean Limited/New World Infrastructure Limited, in respect of Sino-French Holdings (see section 6.5.4.2 (b));
- the Shareholders' Agreement entered into by SUEZ ENVIRONNEMENT, Cofely (the successor of Elyo), Fipar Holding and Al Wataniya in December 2004, in respect of Lydec (see section 6.5.4.2 (d));
- the Shareholders' Agreement relating to the Company entered into by SUEZ (all the rights and duties of which under the Shareholders' Agreement were assumed by GDF SUEZ following the merger), Groupe Bruxelles Lambert, Sofina, Caisse des Dépôts et Consignations, Areva, CNP Assurances and SUEZ ENVIRONNEMENT COMPANY that expired on July 22, 2013(see chapter 18.3); and
- agreements entered into by the Group and GDF SUEZ, particularly the agreement on industrial and commercial cooperation , the brand-name licensing agreement (as changed on October 1, 2013), the agreement on industrial and commercial cooperation the transition agreement for external purchases, the transition agreement for IT services and the sharing agreement on pension obligation (see chapter 19).



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# 23

## INFORMATION FROM THIRD PARTIES, STATEMENTS OF EXPERTS AND DECLARATIONS OF INTEREST

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None.



# 24

## DOCUMENTS AVAILABLE TO THE PUBLIC

### 24.1 Consultation of documents

Corporate documents relating to the Company are made available to shareholders in accordance with current legislation and may be consulted on the Company's website at the following address: [www.suez-environnement.com](http://www.suez-environnement.com), as well as at the Company's corporate headquarters, Tour CB21 – 16, place de l'Iris – 92040 Paris – La Défense Cedex, France, under applicable legal and regulatory conditions.

Reference Documents filed with the AMF for 2011, 2012 and 2013, the interim financial reports, and quarterly financial information may be consulted on the Company's website at [www.suez-environnement.com](http://www.suez-environnement.com) under "finance, regulatory information".

In addition, the regulatory information set out in Article 222-7 of the AMF Regulations can be consulted on the Company's website at the following address: [www.suez-environnement.com/finance/regulatory-information/](http://www.suez-environnement.com/finance/regulatory-information/)

#### ➔ Person in charge of information

Jean-Marc Boursier

Executive Vice-President in charge of Finance and Purchasing

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### 24.2 Financial reporting calendar

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Sophie Lombard, Head of Financial Communications

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92040 Paris – La Défense Cedex – France

Website: [www.suez-environnement.com](http://www.suez-environnement.com)

#### ➔ Schedule of financial communication

Presentation of annual results: February 20, 2014

Annual Shareholders' Meeting: May 22, 2014

2014 interim results: July 30, 2014



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# 25

## INFORMATION ON EQUITY INTERESTS

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Information concerning companies in which the Company holds a part of the share capital which could have a significant impact on the assessment of its assets, its financial position, or its income is

provided in chapters 6 and 7, as well as in Note 26, chapter 20.1 of this Reference Document.





# 26

## COMBINED SHAREHOLDERS' MEETING OF MAY 22, 2014

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	Presentation of the resolutions to be submitted to the Extraordinary General Meeting	351
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<b>26.4.1</b>	Statutory auditors' report on the reduction in capital (nineteenth resolution)	361
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## 26.1 Agenda

### RESOLUTIONS TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING

1. Approval of the Company's financial statements for the fiscal year ended December 31, 2013;
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2013;
3. Allocation of the net income for the 2013 fiscal year and determination of the dividend;
4. Appointment of Ms. Ines Kolmsee a director;
5. Renewal of the term of office of Mr. Gilles Benoist as a director;
6. Renewal of the term of office of Mr. Alain Chaigneau as a director;
7. Renewal of the term of office of Ms. Penelope Chalmers Small as a director;
8. Renewal of the term of office of Mr. Guillaume Pepy as a director;
9. Renewal of the term of office of Mr. Jérôme Tolot as a director;
10. Setting of the annual directors' fees allocated to members of the Board of Directors;
11. Renewal of Mazars' position as Lead statutory auditors;
12. Renewal of CBA's position as alternate Deputy statutory auditors;
13. Approval of the related-party agreements and commitments governed by Articles L. 225-38 *et seq.* of the French Commercial Code;
14. Consultation on the components of compensation due or awarded for fiscal year 2013 to Gérard Mestrallet, Chairman of the Board of Directors;
15. Consultation on the components of compensation due or awarded for fiscal year 2013 to Jean-Louis Chaussade, Chief Executive Officer;
16. Authorization to be granted to the Board of Directors to trade in Company's shares;
19. Authorization to be granted to the Board of Directors to reduce the Company's share capital by cancelling treasury shares;
20. Delegation of authority to be granted to the Board of Directors to increase the share capital of the Company with retention of the shareholders' preferential subscription rights by issuing equity securities and/or any securities conferring an immediate or future right to the Company's share capital;
21. Delegation of authority to be granted to the Board of Directors to increase the share capital with waiver of the shareholders' preferential subscription rights by a public issue of equity securities and/or any securities conferring an immediate or future right to the Company's share capital;
22. Delegation of authority to be granted to the Board of Directors, pursuant to an offer as set out in Article L. 411-2-II of the French Monetary and Financial Code, to issue shares and securities conferring access to the Company's share capital with waiver of the shareholders' preferential subscription rights;
23. Delegation of authority to be granted to the Board of Directors to increase the number of securities to be issued in the event of a capital increase, with retention or with waiver of the shareholders' preferential subscription rights, by up to 15% of the initial issue;
24. Delegation of authority to be granted to the Board of Directors to increase the Company's share capital as compensation for contributions in kind comprised of equity securities or securities conferring access to the share capital, with waiver of the shareholders' preferential subscription rights;
25. Delegation of authority to be granted to the Board of Directors to increase the share capital to compensate for securities contributed as part of a public exchange offer initiated by the Company, with waiver of the preferential subscription rights;
26. Delegation of authority to be granted to the Board of Directors to issue mixed securities representing debt;
27. Delegation of authority to be granted to the Board of Directors to increase the share capital by issuing shares or securities conferring access to the share capital to the benefit of members of savings plans, with waiver of the shareholders' preferential subscription rights in favour of these employees;
28. Delegation of authority to be granted to the Board of Directors to increase the share capital, with waiver of the shareholders' preferential subscription rights, in favour of a class or classes of beneficiaries, as part of the SUEZ ENVIRONNEMENT group international employee shareholding and savings plans;
29. Overall cap applicable to the delegations;
30. Delegation of powers for formalities.

### RESOLUTIONS TO BE SUBMITTED TO THE EXTRAORDINARY GENERAL MEETING

17. Amendment to Articles 11 (Chairman of the Board of Directors) and 17 of the Company's bylaws (General Management) to amend the age limit to exercise the functions of Chairman of the Board of Directors and Chief Executive Officer;
18. Amendment of Article 10 of the company's bylaws to determine the conditions of appointment of directors representing employees in accordance with Article L. 225-27-1 of the French Commercial Code;

## 26.2 Board of Directors' report on the resolutions presented at the Combined Shareholders' Meeting of May 22, 2014

Thirty resolutions have been submitted for your approval. The first 16 resolutions will be submitted to the Ordinary General Meeting, while Resolutions 17 to 30 will be submitted to the Extraordinary General Meeting.

### Presentation of the resolutions to be submitted to the Ordinary General Meeting

#### (1<sup>ST</sup> AND 2<sup>ND</sup> RESOLUTIONS)

##### Approval of the annual and consolidated financial statements for the fiscal year ended December 31, 2013

The General Meeting is requested to approve the Company's annual financial statements for the fiscal year ended December 31, 2013, as well as the transactions reflected in those statements.

These Company's annual financial statements show a net profit of €382,605,876.89.

The General Meeting is also requested to approve the consolidated financial statements for the fiscal year ended December 31, 2013, which show a net profit, Group share of €352 million, as well as the transactions reflected in those statements.

#### (3<sup>RD</sup> RESOLUTION)

##### Allocation of profit for the fiscal year ended December 31, 2013

The distributable income as at December 31, 2013 amounts to €383,962,335.89 and consists of the net profit for the 2013 fiscal year amounting to €382,605,876.89, in addition to the previous retained earnings of €1,356,459.

It is noted that, in accordance with Article L. 232-10 of the French Commercial Code, no allocation to the legal reserve has been proposed, as it currently represents 10% of the share capital.

**The Board of Directors proposes that the General Meeting set the dividend for the 2013 fiscal year at €0.65 per share**, representing a total payout (based on 510,233,829 shares comprising the Company's share capital as at December 31, 2013) of **€331,651,988.85**.

The Board of Directors decides to allocate the distributable income of €383,962,335.89 as follows:

#### Proposed allocation:

Dividend of €0.65 per share for fiscal year 2013	€331,651,988.85
Retained earnings	€52,310,347.04

The Board of Directors wishes to draw your attention to the fact that the final amount to be paid out will take into account the number of treasury shares held by the Company at the time the dividend is paid out which, in accordance with Article L. 225-210 of the French Commercial Code, have no entitlement to the dividend.

When the dividend is paid out to individuals residing in France for tax purposes, it is done so following deductions at the source, from its gross amount, of social security contributions at the global rate of 15.5% and, in most cases, a 21% mandatory flat rate deduction at source as a deposit on income tax. In the event of the latter contribution not settling the tax requirements, the gross dividend is subject to progressive income tax, after application of the 40% tax allowance provided in Article 158-3-2° of the French General Tax Code.

The ex-dividend date is May 26, 2014, with a payment date on May 29, 2014.

#### (4<sup>TH</sup> RESOLUTION THROUGH 9<sup>TH</sup> RESOLUTION)

##### Appointment of a director and renewal of the terms of office of five directors

First of all, it is proposed that the General Meeting consent, under Resolution 4, to appoint Ines Kolmsee as director, for a term of four years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ended December 31, 2017. Ms. Ines Kolmsee, German, is Chairman of the Management Board of the company SKW Stahl Metallurgie Holding AG since 2004. She is, also, director of Fuchs Petrolub AG (Germany) and of Umicore SA (Belgium).

It is then proposed that the General Meeting, under Resolutions 5 to 9, renew for a term of four years the director's mandates of Mr. Gilles Benoist, Mr. Alain Chaigneau, Ms. Penelope Chalmers Small, Mr. Guillaume Pepy and Mr. Jérôme Tolot, due to expire at the close of this Meeting. The biographies of the Directors for which the renewal is proposed appear in section 14.1.2 of the Company's 2013 Reference Document.

Mr. Gerald Arbola's term as director, which is also due to expire at the close of this Meeting, shall not be renewed.

Consequently, subject to the approval by the General Meeting of Resolutions 4 to 9, the Board of Directors shall be composed, at the close of the General Meeting of May 22, 2014, of 17 members, including nine independent directors (*i.e.* 53% of its members) and five women (*i.e.* 29% of its members).

**(10<sup>TH</sup> RESOLUTION)****Setting of the annual amount of directors' fees allocated to members of the Board of Directors**

It is proposed that the General Meeting set the overall amount of directors' fees to be allocated to the members of the Board of Directors at €700,000 as of fiscal year 2014 (inclusive) and for all subsequent fiscal years, until otherwise decided by the General Meeting.

In accordance with the recommendation of the Nominations and Compensation Committee, the Board of Directors thus proposes that the annual amount of directors' fee be increased from €450,000 (amount unchanged since 2010) to €700,000 for the 2014 fiscal year. This increase is proposed because of the greater number of Board of Directors' members eligible for the directors' fees, as the directors that were appointed on GDF SUEZ' proposal have been eligible to receive directors' fees since the termination of the Shareholders' Agreement relating to the Company. Therefore, the number of directors that may benefit from directors' fees has increased from nine at the termination of the Shareholders' Agreement relating to the Company to 16 in 2014 (Jean-Louis Chaussade, who receives compensation in his capacity as Chief Executive Officer, is not eligible for directors' fees). The proposed increase is intended to enable the average annual directors' fees to be maintained for each director at the level realized during previous fiscal years (level slightly below the average amount paid by comparable companies).

**(11<sup>TH</sup> AND 12<sup>TH</sup> RESOLUTIONS)****Renewal of the mandates of Lead and Deputy Statutory Auditors**

As the mandates of Mazars and CBA expire at the close of the General Meeting of May 22, 2014, it is proposed that the General Meeting renew their mandates as Lead and Deputy Statutory Auditors, respectively, for terms of six years.

**(13<sup>TH</sup> RESOLUTION)****Approval of Related-party agreements**

The General Meeting is requested to approve the related-party agreements previously authorized by your Board of Directors in 2013 (which were not already approved by the General Meeting of May 23, 2013) and in early 2014, as described in the Statutory Auditors' Special Report on related-party agreements and commitments governed by Articles L. 225-38 *et seq.* of the French Commercial Code.

The agreements submitted for your approval have all been concluded with GDF SUEZ following the termination of the Shareholders' Agreement relating to the Company, in order to anticipate the new framework of the relationships between the two groups during a transitional period. An amendment to the brand name licensing agreement, a transitional agreement for external purchases and a pension obligations sharing agreement have thus been concluded.

It is also proposed that it be formally noted that the aforementioned related-party agreements and commitments entered into and previously approved by General Meetings continued during last fiscal year.

**Amendment to the brand name licensing agreement**

A brand name licensing agreement was concluded between SUEZ (now GDF SUEZ) and SUEZ ENVIRONNEMENT on June 5, 2008,

whereby SUEZ ENVIRONNEMENT is authorized to use, on a non-exclusive basis and free of charge, the "SUEZ" brand name. This agreement shall be in force until July 22, 2018.

An amendment to that agreement was entered into on October 1, 2013 after prior approval by the Boards of directors of each of the two companies, in accordance with the procedure applicable to the related-party agreements.

The main changes set out in this amendment relate to (i) the better securing the brand-name, (ii) improved reputation protection measures, (iii) the possibility to acquire the SUEZ brand-name if it was no more used by GDF SUEZ and (iv) the conditions for termination of the agreement in case of certain change in the shareholding structure of the Company.

**A transitional agreement for external purchases**

On October 1, 2013, GDF SUEZ and SUEZ ENVIRONNEMENT COMPANY signed a transitional agreement for external purchases. This agreement followed the procedure for related-party agreements and was thus subject to prior authorization by the Board of Directors of each of the two companies.

By means of this agreement, which shall expire on July 31, 2015, GDF SUEZ and the Company are ensuring the maintenance of the master agreements concluded by GDF SUEZ in aid of the Company as well as the cooperation between the two companies in the management of these master agreements. This will enable a portion of their purchases to continue to be pooled during this transitional period, in order to benefit from the leverage in terms of synergies and volume vis-à-vis the external supplier market.

The agreement provides for the payment of financial compensation by the Company to GDF SUEZ for the management of existing master agreements.

**Pension obligations sharing agreement**

In March 2014, SUEZ ENVIRONNEMENT COMPANY and GDF SUEZ signed a joint agreement to fund retirement obligations. This agreement concerns employees who have pursued their careers at both groups and may benefit from defined-benefit retirement plans relating to the C and D compensation tranches, established within the GDF SUEZ and SUEZ ENVIRONNEMENT groups. Given that entitlement to these retirement plans is dependent on the beneficiary completing their professional career at the Company, the termination of the Shareholders' Agreement relating to the Company may have consequences with regard to calculating retirement rights.

In order to avoid that part of the working periods of the employees who careered in the GDF SUEZ group and in SUEZ ENVIRONNEMENT group would not be taken into account in the calculation of the plans described above, this agreement provides that the periods worked within the GDF SUEZ group until July 22, 2013 will be taken into account for the calculation of the rights by SUEZ ENVIRONNEMENT group and that the periods worked within SUEZ ENVIRONNEMENT group until July 22, 2013 will be taken into account for the calculation of the rights by the GDF SUEZ group, assuming that these working periods created rights in application of the pensions plans rules.

An evaluation of the corporate liabilities of each of the two groups resulted in a payment to the SUEZ ENVIRONNEMENT of a balance of €59,266.

**(14<sup>TH</sup> AND 15<sup>TH</sup> RESOLUTIONS)****Consultation on the components of compensation due or awarded for fiscal year 2013 to Mr. Gérard Mestrallet, Chairman of the Board of Directors, and Mr. Jean-Louis Chaussade, Chief Executive Officer**

In accordance with the recommendations of the AFEP-MEDEF Code revised in June 2013 (Article 24.3), to which the Company refers pursuant to Article L. 225-37 of the French Commercial Code, the components of compensation due or awarded for the fiscal year closed to each corporate officer, namely Mr. Gérard Mestrallet, Chairman of the Board of Directors, and Mr. Jean-Louis Chaussade, Chief Executive Officer, are subject to the opinion of the shareholders.

With regard to Mr. Gérard Mestrallet (Resolution 14), no compensation is due or was awarded to him by the Company during the 2013 fiscal year.

With regard to Mr. Jean-Louis Chaussade, Chief Executive Officer, the General Meeting is requested to give an opinion on the following components of compensation due or awarded to him during the 2013 fiscal year:

**Components of compensation due or awarded during the 2013 fiscal year**

	Amounts or value	Detail
Fixed compensation	€750,000	This is the gross fixed compensation for the 2013 fiscal year. The fixed compensation of Mr. Jean-Louis Chaussade has not changed since 2009.
Multi-year variable compensation	€736,790	<ul style="list-style-type: none"> <li>■ During the meeting of February 19, 2014, on the recommendation of the Nominations and Compensation Committee, the Board of Directors finalized the annual variable compensation for the 2013 fiscal year of Mr. Jean-Louis Chaussade, which amounts to €736,790, or 98.2% of the fixed portion of his compensation (compared to €648,854 for fiscal year 2012).</li> <li>■ The variable compensation of Mr. Jean-Louis Chaussade may represent between 0% and 145% of the fixed portion of his compensation, and has been defined based on quantitative criteria relating to EBITDA growth, free cash flow, the recurrent net income, the ROCE and on qualitative criteria that represent 20% in the overall weighting of the variable portion, and which are related to the "Compass +" optimization program, the success of the implementation of the new Executive Board structure, and SUEZ ENVIRONNEMENT's roll-out following the conclusion of the Shareholders' Agreement and the implementation of environmental and ethical action plans.</li> </ul>
Deferred variable compensation	N/A	Mr. Jean-Louis Chaussade does not benefit from deferred variable compensation.
Multi-year variable compensation	N/A	Mr. Jean-Louis Chaussade does not benefit from multi-year variable compensation.
Exceptional compensation	N/A	Mr. Jean-Louis Chaussade does not benefit from exceptional compensation.
Stock options, performance shares or any other item relating to long-term compensation	€327,600	<ul style="list-style-type: none"> <li>■ Mr. Jean-Louis Chaussade was allocated 60,000 performance shares by the Board of Directors on March 27, 2013 (in application of the authorization granted by the General Meeting of May 24, 2012 under Resolution 28), with a maximum of up to 72,000 potential performance shares in the event that the non-market performance condition set out below were to exceed certain thresholds.</li> <li>■ All of these performance shares are subject to the following two cumulative performance conditions: <ul style="list-style-type: none"> <li>■ an internal performance condition based on the consolidated Group's cumulative recurring net income in 2013 and 2014;</li> <li>■ An external performance condition, specifically SUEZ ENVIRONNEMENT COMPANY's stock market performance compared to the performance average of the CAC 40 and DJ Eurostoxx Utilities indices over the period from January 1, 2013 to February 27, 2015.</li> </ul> </li> <li>■ The maximum number of performance shares assigned to the Chief Executive Officer represents 0.014% of the share capital of the Company.</li> </ul>
Directors' fees paid	N/A	Mr. Jean-Louis Chaussade does not receive Directors' fees.
Value of benefits in kind	€15,459	Mr. Jean-Louis Chaussade benefits from a Company car and the special unemployment insurance for Company Directors (GSC – garantie sociale des chefs et dirigeants d'entreprise).

**Components  
of compensation due  
or awarded during  
the 2013 fiscal year**

	<b>Amounts or value</b>	<b>Detail</b>
Severance pay	No payment	<p>Mr. Jean-Louis Chaussade benefits from an indemnity that could be paid to him if his position as Chief Executive Officer were revoked, of a maximum amount of 15 months of his total gross compensation (fixed portion + average of last two variable compensation payments).</p> <p>Moreover, this payment would be subject to the following performance conditions: the average growth in revenues as provided for in the medium-term plan and measured over the period from 2008 to the year in which the position is relinquished (under similar economic conditions to those prevailing when the medium-term plan was drawn up); an growth in the SUEZ ENVIRONNEMENT COMPANY share price, which must be equal to or greater than the average growth of the CAC 40 stock market index and the DJ Eurostoxx Utilities index over the period from July 22, 2008 to the date on which the position is relinquished; and ROCE (<i>Return On Capital Employed</i>), which must be greater than the average WACC (<i>Weighted Average Cost of Capital</i>) over the same period.</p> <p>If two of these criteria have been fulfilled by the date on which the dismissal decision is taken, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due.</p> <p>The renewal of this commitment was authorized by the Board of Directors on March 15, 2012 and approved by the General Meeting of May 24, 2012 under Resolution 14.</p>
Compensation due under a non-competition clause	N/A	Mr. Jean-Louis Chaussade does not benefit from any compensation under a non-competition clause.
Insurance and healthcare plans.		Mr. Jean-Louis Chaussade benefits from the Company's current mandatory group insurance and healthcare plans.
Supplementary retirement plan	No payment	<ul style="list-style-type: none"> <li>■ Mr. Jean-Louis Chaussade benefits from the Group supplementary retirement plans applicable to SUEZ ENVIRONNEMENT employees: a mandatory Group insurance subject to defined contributions as stipulated in Article L. 441-1 of the French Insurance Code (for which the amount of contributions paid out in 2013 amount to €4,781.20) and a supplementary Group defined benefits retirement plan (subject to one's career being completed at the Company).</li> <li>■ As at December 31, 2013, Mr. Chaussade's annuity is estimated to be 22% of his annual compensation for 2013 (fixed and variable).</li> <li>■ The amount of the annuity payable is capped at 30% of bracket C and 40% of bracket D, based on the average annual gross compensation for the last five years (fixed and variable).</li> <li>■ The renewal of this commitment was authorized by the Board of Directors on March 15, 2012 and approved by the General Meeting of May 24, 2012 under Resolution 14.</li> </ul>

You are reminded that all of the information relating to the compensation of the Company's corporate officers appears in chapter 15 of the Company's 2013 Reference Document.

**(16<sup>TH</sup> RESOLUTION)**

**Authorization to be granted to the Board of Directors to trade in Company's shares**

The General Meeting of May 23, 2013 authorized the Company, under Resolution 5, to trade its own shares for a period of 18 months.

As at December 31, 2013, the Company held 1,328,428 treasury shares, *i.e.* 0.26% of the share capital. A detailed report on the use of this delegation of authority granted to the Board of Directors in 2013 appears in paragraph 21.1.3 of the 2013 Reference Document.

As the currently valid authorization expires in November 2014, you are requested to cancel the unused portion of this authorization and re-

authorize the Board of Directors to trade the Company's own shares for a period of 18 months.

- The terms and conditions of this new authorization are as follows:
- Maximum purchase price per share: €25
- Maximum number of purchased shares: 10% of the share capital
- Maximum holding: 10% of the share capital
- Maximum acquisition value: €1,275,584,550

This new delegation has the same purpose as the one you approved last year, and allows the Company to trade its own shares (including through the use of derivative financial instruments), except in the event of a public offering. The objectives of this share buyback program are in compliance with regulations and are detailed in section 21.1.3 of the 2013 Reference Document.

## Presentation of the resolutions to be submitted to the Extraordinary General Meeting

### (17<sup>TH</sup> RESOLUTION)

#### Amendment to Articles 11 (Chairman of the Board of Directors) and 17 of the Company's bylaws (General Management) to amend the age limit to exercise the functions of Chairman of the Board of Directors and Chief Executive Officer

It is proposed to the General Meeting to amend Articles 11 (Chairman of the Board of Directors) and 17 of the Company's bylaws (General Management) in order to set the age limit from 65 years old to 68 years old.

In their current wording, bylaws set, for the Chairman of the Board of Directors and the Chief Executive Officer, an age limit at 65 years old to exercise their functions, though grants the Board of Directors the possibility to extend this limit for a three years maximum term, *i.e.* until the age of 68 years old.

The proposed amendment seeks to simplify such system by proposing to the General Meeting to gain back the sole competency to set the absolute age limit at 68 years old for the Chairman of the Board of Directors and the Chief Executive Officer, and subsequently set, within the bylaws, such absolute age limit, the Board of Directors not having any longer to rule on this matter.

### (18<sup>TH</sup> RESOLUTION)

#### Amendment to Article 10 of the Company's bylaws to determine the methods of appointment of the directors representing the employees

The General Meeting is asked to amend the statutory provisions relating to the composition of the Board of Directors (Article 10) to determine the methods of appointment of the Directors representing the employees, in accordance with the Law of June 14, 2013 concerning securing employment.

The bylaws would thus stipulate, since the Company meets the conditions set out by law, that two Directors representing the employees (the Board being composed of more than 12 members) shall be appointed, the first by the Group Committee (*Comité de Groupe France*) and the second by the European Works Council (*Comité d'Entreprise Européen*).

### (19<sup>TH</sup> RESOLUTION)

#### Reduction of the Company's share capital by cancellation of treasury shares

The General Meeting of May 23, 2013 authorized the Board of Directors, under Resolution 6, to reduce the Company's share capital by cancelling treasury shares. This authorization was not used by the Board of Directors.

The General Meeting is requested to terminate the authorization granted by the General Meeting of May 23, 2013, and to grant the Board of Directors a new authorization for a 26-month period to reduce the Company's share capital by cancelling all or part of the shares acquired by the Company itself, under the terms of a share buyback program (including that proposed to this General Meeting under Resolution 16), subject to a maximum of 10% of the share capital per 24-month period.

### (20<sup>TH</sup> THROUGH 26<sup>TH</sup> RESOLUTIONS)

#### Financial delegations to be granted to the Board of Directors (Resolutions 20 to 26)

Resolutions 20 to 26 relate to financial delegations with the purpose of enabling your Board of Directors to have at its disposal, within certain limits, the necessary flexibility to carry out, in the next two years, financial transactions which are best tailored to the needs of the Company and its development, within a time frame that enables to take advantage of market opportunities.

In past years, specifically at the General Meeting of May 24, 2012, the Company's shareholders have periodically granted to the Board of Directors the necessary delegations to, in particular, increase the Company's share capital, subject to various procedures, within the limits of the delegations granted, with or without shareholders' preferential subscription rights. A table specifying the content of these delegations and their use is presented in chapter 21.1.5 of the Company's 2013 Reference Document.

The majority of the delegations granted to the Board of Directors in 2012 and 2013 are due to expire in July 2014; the General Meeting is therefore requested to renew them for another 26-month period.

Notwithstanding the Board of Directors' policy of preferring recourse to capital increases, with shareholders' preferential subscription rights, special circumstances often present themselves in which it is necessary and in the shareholders' own interests to waive their preferential subscription rights, primarily to provide the resources to make the necessary payments to compensate for contributions in kind constituted of equity securities, subject to a maximum 10% of share capital and for contributions in shares in a public exchange offer (Resolutions 24 and 25). Such a waiver would also facilitate making private placements among qualified investors or a restricted circle of investors (Resolution 22).

These delegations are in line with normal practices in terms of amount, cap and term, and will terminate the delegations granted by previous General Meetings. As required by law, the Statutory Auditors' Reports have been made available to you within the legally prescribed time frame.

The financial delegations that are submitted for a vote by this General Meeting are subject to various caps:

- regarding the issuance of shares or other securities with retention of the preferential subscription right (Resolution 20), the nominal amount of the cap set, which is identical to the one provided for in the delegation granted by the General Meeting of May 24, 2012, is **€408 million** (or approximately 20% of the share capital), with respect to capital increases, and **€3 billion**, with respect to the issuance of securities representing debt or similar securities conferring access to the Company's capital;



- regarding the issuance of shares or other securities with waiver of the preferential subscription rights, the General Meeting of May 24, 2012 granted delegations setting the nominal amount of the limit at €306 million, or approximately 15% of the share capital. The General Meeting is asked to reduce the nominal amount of the cap in each of Resolutions 21, 22, 24 and 25 to **€204 million** (or approximately 10% of the share capital), with respect to capital increases, and **€3 billion**, with respect to the issuance of securities representing debt or similar securities conferring access to the Company's capital, with it being understood that an overall cap of a nominal amount of **€204 million** (or approximately 10% of the share capital), with respect to capital increases, and **€3 billion**, with respect to the issuance of securities representing debt or similar securities conferring access to the Company's capital, applies to all issuances made with waiver of the preferential subscription rights in the context of Resolutions 21, 22, 24 and 25.

It should also be stated that the nominal amount of the securities that would be issued pursuant to Resolution 23, which enables the number of securities to be issued to be increased in the event of excess demand, up to a limit of 15% of the number of securities initially issued, within the context of capital increases with or without preferential subscription rights, shall count towards (i) the limit of the authorization under which the initial issuance was made and (ii) the total limit set forth in Resolution 29 and described below;

- An overall cap, set out by Resolution 29, for all issuances to be made in the context of delegations subject to the vote of this General Meeting (including Resolutions 27 and 28 concerning employee shareholding) set at a nominal amount of **€408 million** (or approximately 20% of the share capital), with respect to capital increases, and **€3 billion**, with respect to the issuance of securities representing debt or similar securities conferring access to the Company's capital.

If your Board of Directors uses one or more delegations under Resolutions 20 to 26, it will report to you at the Ordinary General Meeting following such use on the definitive terms of the transaction and its impact on the situation of holders of equity securities or securities conferring access to the Company's share capital.

Finally, the delegations of authority detailed below include the option to subdelegate, pursuant to the terms of the legal provisions.

#### Increase in the share capital with retention of the shareholders' preferential subscription rights (Resolution 20)

The General Meeting of May 24, 2012, under Resolution 17, delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by issuing common stock and/or any other securities conferring immediate and/or future access to the Company's share capital, **with shareholders' preferential subscription rights**.

It is proposed that you renew this delegation of authority, the maximum nominal amounts remaining unchanged:

- **€408 million** or the counter value of this amount (which, at December 31, 2013, represented approximately 20% of the share capital) with respect to capital increases that may be carried out under this delegation, and

- **€3 billion** or the counter value of this amount, with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation,

it being understood that these amounts would count toward the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*).

#### Increase in the share capital without shareholders' preferential subscription rights (Resolution 21)

The General Meeting of May 24, 2012, under Resolution 18, delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by issuing common stock and/or any other securities conferring immediate and/or future access to the Company's share capital, **without shareholders' preferential subscription rights**.

It is proposed that you renew this delegation of authority, the maximum nominal amounts being lowered as follows:

- **€204 million** or the counter value of this amount (which, at December 31, 2013, represented approximately 10% of the share capital) with respect to capital increases that may be carried out under this delegation, and
- **€3 billion** or the counter value of this amount, with respect to issuances of securities representing debt or similar securities granting access to the Company's capital that may be issued under this delegation,

it being understood that (i) the nominal amounts of the capital increases that may be carried out under Resolutions 22, 24 and 25 and (ii) the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*) would count towards these amounts.

The minimum issue price specified in this delegation is, for the shares, the weighted average share prices of the three stock exchange trading days preceding the date on which the issue price is set, potentially reduced by a maximum discount of 5%. For securities conferring access to the capital, the sum immediately collected by the Company, plus any amount that may be collected subsequently by the Company, must for each share issued as a consequence of the issuance of these securities be equal to at least the minimum issue price determined for the shares.

The Board of Directors may, as the case may be, establish a priority subscription period to the benefit of the Company's shareholders, for a period and in accordance with procedures that it will decide upon in compliance with applicable laws and regulations (the minimum period set out by Law is currently three days).

#### Capital increase without shareholders' preferential subscription rights as part of an offer pursuant to Article L. 411-2-II of the French Monetary and Financial Code (Resolution 22)

The General Meeting of May 24, 2012, under Resolution 20, delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital as part of an offer known as a **private placement** (which is an offer reserved for qualified investors) of common stock and/or any other securities conferring immediate and/or future access to the Company's share capital, **without shareholders' preferential subscription rights**.

This delegation enables the Board of Directors to have a method of financing at its disposal that is quicker than the one for a capital increase by public offering, which is essential in order to be able to seize windows of opportunity on the market – which may be short – enabling interesting financial conditions to be accessed.

Consequently, the Company used the Resolution 20 of the General Meeting of May 24, 2012 in February 2014, by proceeding with an issuance of bonds with an option for conversion and/or exchange into new and/or existing shares ("OCEANE") of a nominal amount of approximately €350 million, maturing on February 27, 2020 and at zero coupon.

You are requested to renew this delegation of authority, the maximum nominal amounts being lowered as follows:

- **€204 million** or the counter value of this amount (which, at December 31, 2013, represented approximately 10% of the share capital) with respect to capital increases that may be carried out under this delegation; and
- **€3 billion** or the counter value of this amount, with respect to issuances of securities representing debt or similar securities conferring access to the Company's capital that may be issued under this delegation,

it being understood that these amounts shall count towards (i) the nominal caps set forth in Resolution 21 (*Capital increase without shareholders' preferential subscription rights*) and (ii) the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*).

The minimum issue price specified by this delegation is the same as that set out in Resolution 21.

**Increase in the number of securities to be issued in the event of excess demand, subject to a cap amounting to 15% of the initial issuance (Resolution 23)**

The General Meeting of May 24, 2012, under Resolution 21, delegated its authority to the Board of Directors for a 26-month period to increase the amount of the issuances **with or without shareholders' preferential subscription rights**, at the same price as the price for the initial issuance but subject to a limit of **15%** of the initial issuance.

The General Meeting is requested to renew this delegation of authority which, in case there are additional subscription demands for share capital increases with or without shareholders' preferential subscription rights under Resolutions 20, 21 and 22, would allow the number of shares to be issued to be increased, **subject to limits and conditions provided by law, namely a maximum of 15% of the initial issuance and subject to the cap applicable to the initial issuance**, within 30 days of the end of the subscription period and at the same price as the price of the initial issuance.

The nominal amount of shares or other securities issued in the context of this delegation shall thus count towards (i) the cap for the delegation of authority by virtue of which the initial issuance shall be decided and (ii) the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*).

**Capital increase to compensate for contributions in kind consisting of equity securities or securities conferring access to share capital, without shareholders' preferential subscription rights (Resolution 24)**

The General Meeting of May 24, 2012, under Resolution 22, delegated its authority to the Board of Directors for a 26-month period to

increase the Company's share capital by issuing common stock and/or any other securities conferring immediate and/or future access to the Company's share capital, **without preferential subscription rights**, to compensate for contributions in kind in the form of equity securities or securities conferring access to the share capital.

The purpose of this delegation is to enable the financing of external growth transactions or the redemption of minority holdings by compensating the provider of equity securities or securities conferring access to the share capital with Company securities.

Share capital increases that may be carried out under this delegation must not exceed **10%** of the Company's share capital, in accordance with the limit set out by the regulations in force.

It is proposed that you renew this delegation of authority, the maximum nominal amounts remaining unchanged:

- **€204 million** or the counter value of this amount (which, at December 31, 2013, represented approximately 10% of the share capital) with respect to capital increases that may be carried out under this delegation; and
- **€3 billion** or the counter value of this amount, with respect to issuances of securities representing debt or similar securities conferring access to the Company's capital that may be issued under this delegation;

it being understood that these amounts shall count towards (i) the nominal caps set forth in Resolution 21 (*Capital increase without shareholders' preferential subscription rights*) and (ii) the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*).

**Capital increase in payment of security contributions as part of a public exchange offer initiated by the Company, without shareholders' preferential subscription rights (Resolution 25)**

The General Meeting of May 24, 2012, under Resolution 24, delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital by issuing common stock and/or any other securities conferring immediate and/or future access to the Company's share capital, **without preferential subscription rights**, with a view to remunerating securities contributed as part of a public exchange offer initiated by the Company.

You are requested to renew this delegation of authority, the maximum nominal amounts being lowered as follows:

- **€204 million** or the counter value of this amount, with respect to capital increases that may be carried out under this delegation; and
- **€3 billion** or the counter value of this amount, with respect to issuances of securities representing debt or similar securities conferring access to the Company's capital that may be issued under this delegation,

it being understood that these amounts shall count towards (i) the nominal caps set forth in Resolution 21 (*Capital increase without shareholders' preferential subscription rights*) and (ii) the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*).

**Issuance of mixed securities representing debt (Resolution 26)**

The General Meeting of May 24, 2012, under Resolution 25, delegated its authority to the Board of Directors for a 26-month period to issue mixed securities representing debts of the Company.

You are requested to renew this delegation of authority, the maximum nominal amount remaining unchanged at **€3 billion**, it being understood that this amount shall count towards the €3 billion overall cap set forth in Resolution 29 (Overall cap applicable to the delegations and authorizations).

This delegation would enable your Board of Directors to have access to a supplementary and non-dilutive method of financing, being in a position to issue so-called complex bonds which could, for example, take the form of bond warrants (*obligation à bons de souscription d'obligations*).

**(27<sup>TH</sup> AND 28<sup>TH</sup> RESOLUTIONS)****Employee shareholding**

The delegations of authority indicated in Resolutions 27 and 28 aim to renew authorizations that were previously granted to the Board of Directors by the General Meeting as part of developing employee shareholding at the Group level, by giving the Board the option to conduct further employee shareholding operations when it considers it appropriate to do so.

The Board of Directors thus wishes:

- to make employees full partners in the Group;
- to pay special attention to value creation as one of the meeting points between the interests of shareholders and the interests of employees;
- to allow employees to be associated with the choices made by the shareholders in the annual decision-making process.

As at December 31, 2013, employee shareholders held 2.02% of the Company's share capital.

**Share capital increase reserved for members of savings plans, with waiver of shareholders' preferential subscription rights in favour of those members (Resolution 27)**

The General Meeting of May 24, 2012, under Resolution 26, delegated its authority to the Board of Directors for a 26-month period to increase the Company's share capital, **without preferential subscription rights**, such increase to be reserved for members of the corporate savings plan put in place at the level of the SUEZ ENVIRONNEMENT group.

The Law requires to present this delegation to the General Meeting pursuant to Article L. 225-129-6 of the French Commercial Code. You are thus requested to renew this delegation of authority for another 26-month period, with the maximum nominal amount of any capital increases under this delegation remaining unchanged at **€40 million**, or approximately 2% of the Company's share capital as at December 31, 2013.

It is specified that the nominal amount of the shares or securities representing debt or similar securities conferring access to capital issued pursuant to this resolution would count towards the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*).

The issue price of new shares or securities conferring access to share capital will be at least equal to **80%** of the average share price quoted on Euronext Paris for the 20 trading sessions preceding the day on which the decision is made to set the opening date of the subscription period for the capital increase reserved for members of a corporate savings plan (the "Reference Price").

Pursuant to this delegation, the Board of Directors will be authorized to freely allocate to beneficiaries, in addition to shares or securities conferring access to share capital to be subscribed in cash, shares or securities conferring access to share capital to be issued or already issued, as a substitute for all or part of the Reference Price-based discount and/or as a Company contribution, with the understanding that the benefit created by this allocation shall not exceed the legal or regulatory limitations pursuant to Articles L. 3332-18 *et seq.* and L. 3332-11 *et seq.* of the French Labour Code.

**Share capital increase, with waiver of the shareholders' preferential subscription rights in favour of the classes of named beneficiaries, as part of the implementation of the SUEZ ENVIRONNEMENT group international shareholding and savings plans (Resolution 28)**

The General Meeting of May 23, 2013, under Resolution 8, delegated its authority to your Board of Directors to increase the share capital, with a waiver of the shareholders' preferential subscription rights, on one or more occasions, in favour of all entities whose sole purpose is to subscribe, hold and sell shares of the Company or any other financial instruments, in order to facilitate access to the Company's capital by the international employee shareholding of the Group, up to a limit of a maximum nominal amount of **€12 million**, for a duration of 18 months, *i.e.* until November 2014.

You are thus requested to renew this delegation of authority for another 18-month period, with the maximum nominal amount of any capital increases under this delegation remaining unchanged at **€12 million**, or approximately 0.6% of the Company's share capital as of December 31, 2013.

It is specified that the nominal amount of the shares or securities representing debt or similar securities conferring access to capital issued pursuant to this resolution shall count towards the overall nominal caps set forth in Resolution 29 (*Overall cap applicable to the delegations and authorizations*).

You are also requested to approve the waiver of shareholders' preferential subscription rights applicable to the corresponding shares issued and to reserve subscription rights for the following beneficiary classes:

- a) Employees and corporate officers of foreign SUEZ ENVIRONNEMENT group companies linked to the Company under the conditions set out in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code;
- b) Mutual funds (UCITS) or other incorporated or unincorporated entities of employee's shareholding invested in Company shares whose unit holders or shareholders consist of the persons mentioned in paragraph (a) above;
- c) Any banking establishment or subsidiary of such establishment acting at the Company's request for the purpose of setting up a shareholding or savings plan for the benefit of the persons mentioned in paragraph (a) above.

To this end, it is requested that the Board of Directors be authorized to select said entities.

The issue price of new shares would be equal to the price of shares issued as part of a capital increase for employees who are members of a corporate savings plan, pursuant to Resolution 27 of this General Meeting, and thus may not in any case be less than 80% of the average opening share price over the 20 trading days preceding the date of the decision setting the opening date of the subscription period.

#### (29<sup>TH</sup> RESOLUTION)

##### Overall cap applicable to the delegations and authorizations

In the interests of enhanced transparency, the General Meeting is requested to adopt a special resolution setting the overall nominal amount of share capital increases that may be carried out immediately or in the future under Resolutions 20 to 28, or under any similar resolution(s) that may supersede said resolutions during their term. The General Meeting is therefore requested to resolve that this overall amount may not exceed:

- a) with respect to share issuances, an overall nominal amount of **€408 million** (which, at December 31, 2013, represented 20% of the share capital) or the counter value of this amount if the issuance was in another currency or monetary unit established by reference to several currencies, on the issue date; and

- b) with respect to issuances of securities representing debt securities conferring access to the Company's capital and issuances of mixed securities representing debt, an overall nominal amount of **€3 billion** or the counter value of this amount if the issuance was in another currency or monetary unit established by reference to several currencies, on the issue date.

To these caps will be added the nominal amount of any potential additional shares to be issued, pursuant to the applicable legal and regulatory provisions and, if appropriate, to the contractual provisions, to preserve the rights conferring access to the Company's capital.

#### (30<sup>TH</sup> RESOLUTION)

##### Delegation of powers for formalities

The General Meeting is requested to authorize any holder of an original, a copy or an extract of the minutes of the General Meeting to exercise all formalities relating to the General Meeting of May 22, 2014.

Feel free to contact the Board of Directors for any further information or explanations you might need.

**The Board of Directors**

## 26.3 Statutory Auditors' Special Report on related party agreements and commitments

To the Shareholders,

As Statutory Auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R. 225-31 of the French commercial code (*Code de commerce*), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with article R. 225-31 of the French commercial code (*Code de commerce*), concerning the implementation, during the year, of the agreements and commitments previously approved by the General Meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

### Agreements and commitments submitted for approval by the General Meeting of shareholders

#### ➔ Agreements and commitments authorized during the year

In accordance with article L. 225-40 of the French commercial code (*Code de commerce*), we have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors.

#### WITH GDF SUEZ (COMPANY WHICH HOLDS MORE THAN 10% OF THE VOTING RIGHTS)

##### PERSONS CONCERNED

Messrs Gérard Mestrallet, chairman and chief executive officer of GDF SUEZ and chairman of the Board of Directors of your company and Jean-François Cirelli, vice-chairman and president of GDF SUEZ and director of your company.

##### a. Nature and purpose

Amendment n° 1 to the trademark license agreement between GDF SUEZ and your company.

##### Conditions

A trademark license agreement had been signed between SUEZ ENVIRONNEMENT and SUEZ (the rights of which have been transferred to GDF SUEZ) on June 5, 2008. This agreement provided to your company for five years (renewable by tacit consent) the non-exclusive and free use of the "SUEZ" trademark in its name and in the name of some other trademarks. Your company has also the right to grant the use of the "SUEZ" trademark to other companies of the Group, including your company. This agreement has been renewed tacitly for a new five-year term from July 22, 2013.

An amendment to this trademark license agreement has been signed between GDF SUEZ and your company on October 1, 2013 subsequent to the authorization given by the Board of Directors of your company on September 24, 2013.

This amendment brings the following main modifications:

- a better security of the trademark,
- the improvement of the measures protecting its reputation,
- the possibility to acquire the "SUEZ" trademark if it would not be used by GDF SUEZ anymore,
- and the conditions for terminating the agreement in some cases where the shareholding structure of your company would be modified.

##### b. Nature and purpose

Transitional agreement on external purchases.

##### Conditions

Subsequent to the termination of the shareholders' agreement of your company, the evolution of the relationship between GDF SUEZ and your company raised the need to review the external purchases policy for both Groups that have now become independent.

A transitional agreement on external purchases has been signed on October 1, 2013 between GDF SUEZ and your company, which had previously been authorized by the Board of Directors of your company on September 24, 2013. This agreement has a two-year transitional length and will expire on July 31, 2015.

This agreement provides for the continuation of the contracts signed by GDF SUEZ in favour of your company and of the cooperation of both companies to rule those contracts, which allows during a transitional period to keep on pooling a part of their purchases to benefit from the synergies and volume levers towards the external suppliers market.

This agreement requires that your company pays a financial compensation for the management of the current contracts, amounting to 1.2 million euros for the period between July 23, 2013 and July 31, 2014 and to 1 million euros for the period between August 1, 2014 and July 31, 2015.

## Agreements and commitments authorized after closing

We have been advised of certain related party agreements and commitments which received prior authorization from your Board of Directors after closing.

### WITH GDF SUEZ (COMPANY WHICH HOLDS MORE THAN 10% OF THE VOTING RIGHTS)

#### PERSONS CONCERNED

Messrs Gérard Mestrallet, chairman and chief executive officer of GDF SUEZ and chairman of the Board of Directors of your company, and Jean-François Cirelli, vice-chairman and president of GDF SUEZ and director of your company.

#### Nature and purpose

Pensions obligations sharing agreement.

#### Conditions

During its meeting of February 19, 2014, the Board of Directors of your company authorized the signing of a pensions obligations sharing agreement between GDF SUEZ (and some of its subsidiaries) and your company (and some of its subsidiaries), which has been signed on March 5, 2014.

This agreement relates to defined-benefit plans linked to the C and D remuneration tranches put in place in the companies of the GDF SUEZ group and of your group. The acquisition of the rights linked to these plans is conditioned to the employee ending its professional career in the company and the termination of the shareholders' agreement of your company could possibly have consequences on the calculation of the pensions rights.

In order to avoid that part of the working periods of the employees who careered in the GDF SUEZ group and in your group would not be taken into account in the calculation of the plans described above, this agreement provides that the periods worked within the GDF SUEZ group until July 22, 2013 will be taken into account for the calculation of the rights by your group and that the periods worked within your group until July 22, 2013 will be taken into account for the calculation of the rights by the GDF SUEZ group, assuming that these working periods created rights in application of the pensions plans rules.

This agreement provides for the valuation of the social liability of both groups and for the terms for transferring the credit amount of € 59,266 in favour of your group.

## Agreements and commitments already approved by the General Meeting of shareholders

### ➔ Agreements and commitments approved in prior years

#### A) Whose implementation continued during the year

In accordance with article R. 225-30 of the French commercial code (*Code de commerce*), we have been advised that the implementation of the following agreements and commitments which were approved by the General Meeting of shareholders in prior years continued during the year.

### WITH GDF SUEZ (COMPANY WHICH HOLDS MORE THAN 10% OF THE VOTING RIGHTS)

#### PERSONS CONCERNED

Messrs Gérard Mestrallet, chairman and chief executive officer of GDF SUEZ and chairman of the Board of Directors of your company, and Jean-François Cirelli, vice-chairman and president of GDF SUEZ and director of your company.

#### a. Nature and purpose

Shareholders' agreement of your company.

#### Conditions

The following agreement was authorized by your Board of Directors at their June 4, 2008 meeting.

As part of the spin-off/distribution of all the Water and Waste activities of SUEZ (the "**Spin-off/Distribution**"), followed by the listing of your company's shares for trading on the Euronext Paris and Euronext Brussels exchanges, SUEZ (the rights of which have been transferred to GDF SUEZ following the merger), Groupe

Bruxelles Lambert, Sofina, the Caisse des Dépôts et Consignations, Areva and CNP Assurances as well as your company concluded a shareholders' agreement on June 5, 2008 for a term of five years from the date of approval of the Spin-off/Distribution, renewable at the end of that period.

The shareholders' agreement constitutes a joint control as defined by article L. 233-10 of the French commercial code (*Code de commerce*), in which GDF SUEZ plays a leading role. The agreement has the effect of giving GDF SUEZ the control of your company.

The agreement shall be terminated before the end of its term in the event that (i) all shares held by the parties to the agreement should come to represent less than 20% of your company's share capital, or (ii) GDF SUEZ is no longer the leading shareholder in the joint control group. Furthermore, in the event that a party should come to hold less than a third of its initial stake, then the agreement would be terminated as far as it is concerned but would remain in force and effect for the other parties.

On December 5, 2012, the Board of Directors of GDF SUEZ has authorized the principle of non-renewal of the agreement.

On January 23, 2013, GDF SUEZ indicated that, given the number of termination notifications received from the parties, the agreement would not be renewed.

On July 22, 2013, the agreement ended with respect to all parties.

#### b. Nature and purpose

Amendment to the shareholders' agreement of your company.

#### Conditions

The signing of an amendment to the shareholders' agreement was authorized by your Board of Directors at their October 28, 2008 meeting.

Pursuant to article 7 of the shareholders' agreement signed on June 5, 2008, the composition of the boards of directors of your company and SUEZ ENVIRONNEMENT, a wholly-owned subsidiary of your company, had to remain identical at all times pending a possible merger of both companies.

The Board of Directors thus authorized the removal of the obligation that the boards of directors of both companies mentioned above be identical, the corollary being that it would be necessary to amend article 7 of the shareholders' agreement.

This amendment was signed on December 18, 2008 and approved by your General Meeting of shareholders of May 26, 2009.

It ended on July 22, 2013 jointly with the ending of the shareholders' agreement between GDF SUEZ and your company.

### c. Nature and purpose

Cooperation and shared services agreement between SUEZ (the rights and liabilities of which have been transferred to GDF SUEZ following the merger) and your company.

#### Conditions

At their June 4, 2008 meeting, your Board of Directors authorized the signing of a cooperation and shared services framework agreement between SUEZ and your company, which came into force subsequent to the distribution of 65% of your company's share capital by SUEZ to its shareholders and the merger of GDF and SUEZ.

This agreement defines the detailed arrangements for the cooperation between SUEZ (the rights and liabilities of which will be transferred to GDF SUEZ following the merger) and your company, mainly in the areas of strategy, accounting, internal control, audit, risk, finance, tax policy, IT services, and communications.

Furthermore, your company and SUEZ have reaffirmed their attachment to the SUEZ group "Social Pact" and to the continued application of the charters and agreements signed within the group. Subject to applicable laws, rules and regulations, the employees of your company and its subsidiaries will be eligible for future GDF SUEZ stock option and bonus share allocations, as well as future employee shareholders' plans of GDF SUEZ.

At last, your company and SUEZ mutually agree that your company will continue to benefit from the centralized services provided by GDF SUEZ, and especially from the GDF SUEZ centers of expertise.

Services provided under the cooperation and shared services agreement are invoiced between your company and GDF SUEZ at market conditions.

The cooperation and shared services agreement ended on July 22, 2013 following the termination of the shareholders' agreement by the parties, which resulted in the loss of the control of your company by GDF SUEZ.

### d. Nature and purpose

Financing agreement with the GDF SUEZ group.

#### Conditions

With the financing framework agreement signed on June 5, 2008 between SUEZ, SUEZ ENVIRONNEMENT and your company expiring on December 31, 2010, your company requested, in advance, that it be extended beyond this date, particularly to maintain a backup line and to strengthen its liquidity sources and credit rating.

This extension of the support granted to SUEZ ENVIRONNEMENT was part of a framework for extending agreements signed in 2008 and for the absence of liquidity concerns for SUEZ ENVIRONNEMENT.

The new agreement between GDF SUEZ, GDF SUEZ Finance and your company and SUEZ ENVIRONNEMENT has set the main terms of financing your group for the 2011-2013 period. Financing is provided by GDF SUEZ Finance or any other entity of the GDF SUEZ group and may be granted to any entity of your group, your company or SUEZ ENVIRONNEMENT agreeing to act as guarantor in the event where financing is granted to one of their subsidiaries. The total overall financing granted shall be limited to the aggregate amount of your group financing requirements, as agreed annually between GDF SUEZ and your company. Loans shall be granted at market terms and conditions, depending on the term of the loan.

At its October 27, 2010 meeting, your Board of Directors authorized the implementation with GDF SUEZ of a credit line limited to 350 million euros.

The new credit line took effect on January 1, 2011 and expired on July 15, 2013. On the drawdown time, if need be, the margin will be set on usual market conditions which are based on credit spreads of similar industrial companies with the same rating as your company. A commitment fee of fifteen base points of the unused amount has been agreed between January 1, 2011 and July 15, 2013 corresponding to the credit line using period.

This agreement was approved by your General Meeting of shareholders of May 18, 2011.

Following the termination of the shareholders' agreement of your company and an agreement between GDF SUEZ and your company, the credit line has been closed in advance on March 31, 2013. At December 31, 2013, all the loans and current account advances granted by the GDF SUEZ group to your group have been reimbursed.

Net financial expenses booked by your group amounted to 3 million euros in 2013.

## WITH MR JEAN-LOUIS CHAUSSADE, CHIEF EXECUTIVE OFFICER AND DIRECTOR OF YOUR COMPANY

### Nature and purpose

Insurance for entrepreneurs and company owners, insurance benefits and healthcare cover.

#### Conditions

At its March 15, 2012 meeting, your Board of Directors, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as chief executive officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, entitled Mr Jean-Louis Chaussade to benefit from the special insurance for entrepreneurs and company owners on the one hand and insurance benefits and healthcare cover on the other hand. This agreement replaces the agreement previously authorized by your Board of Directors at its October 28, 2008 meeting.

The special unemployment insurance for company directors (*GSC – Garantie Sociale des Chefs et dirigeants d'entreprise*) subscribed on behalf of Mr Jean-Louis Chaussade amounts to €5,086 in 2013.

This agreement was approved at the General Meeting of shareholders of May 24, 2012, following which the Board of Directors has unanimously decided to renew Mr Jean-Louis Chaussade as chief executive officer for the duration of his directorship, which is until the end of the ordinary General Meeting of shareholders called to approve the financial statements for the fiscal year ended December 31, 2015.

**B) Which were not implemented during the year**

In addition, we have been advised that the following agreements and commitments which were approved by the General Meeting of shareholders in prior years were not implemented during the year.

**WITH MR JEAN-LOUIS CHAUSSADE, CHIEF EXECUTIVE OFFICER AND DIRECTOR OF YOUR COMPANY****a. Nature and purpose**

Defined-benefit plan and defined-contribution plan.

**Conditions**

At its March 15, 2012 meeting, your Board of Directors, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as chief executive officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, entitled Mr Jean-Louis Chaussade to benefit from the supplementary retirement plans applicable to the employees of your company. This agreement replaces the agreement previously authorized by your Board of Directors at their October 28 and December 18, 2008 meetings.

In the first instance, this refers to a mandatory group plan based on defined contributions in accordance with article L. 441-1 of the French insurance code (*Code des assurances*). In the second instance, it refers to a supplementary group retirement plan based on arbitrarily defined benefits. In the event of leaving the company prior to retirement, and apart from exceptions laid down by law, potential beneficiaries of these plans will only retain the rights acquired from the defined contribution plan and will lose all rights acquired from the defined benefit plan.

This agreement was approved at the General Meeting of shareholders of May 24, 2012, following which the Board of Directors has unanimously decided to renew Mr Jean-Louis Chaussade as chief executive officer for the duration of his directorship, which is until the end of the ordinary General Meeting of shareholders called to approve the financial statements for the fiscal year ended December 31, 2015.

**b. Nature and purpose**

Severance payments in the event of dismissal of the social mandate.

**Conditions**

At its March 15, 2012 meeting, your Board of Directors, subject to the renewal of the mandate of Mr Jean-Louis Chaussade as chief executive officer by the Board of Directors following the General Meeting of shareholders approving the 2011 financial statements, authorized severance payments in the event of dismissal as chief executive officer, for the benefit of Mr Jean-Louis Chaussade, for a maximal amount equivalent to fifteen months of his total gross compensation. This agreement replaces the agreement previously authorized by your Board of Directors at their October 28 and December 18, 2008 meetings.

Three performance criteria were decided upon:

- the average growth in revenue as provided for in the medium-term plan and measured over the period from 2008 to the year of cessation of functions (under similar economic conditions to those prevailing when the medium-term plan was prepared);

- the growth of the share price of your company, which must be equal to or greater than the average of the average growth of the CAC 40 stock market index and the DJ Eurostoxx Utilities index over the period starting from July 22, 2008 to the date of cessation of functions;
- the average ROCE (Return On Capital Employed), which must be greater than the average WACC (Weighted Average Cost of Capital) over this same period of time.

If two of these three criteria are fulfilled, 100% of the severance payment will be due. If only one of these criteria is fulfilled, only 50% of the payment will be due.

With regard to the variable part of the total gross compensation which serves as basis for calculating the dismissal payment, the Board of Directors decided that this part would be equal to the average of the variable parts for the two years preceding the year during which the dismissal decision is taken.

This agreement was approved at the General Meeting of shareholders of May 24, 2012, following which the Board of Directors has unanimously decided to renew Mr Jean-Louis Chaussade as chief executive officer for the duration of his directorship, which is until the end of the ordinary General Meeting of shareholders called to approve the financial statements for the fiscal year ended December 31, 2015.

**➔ Agreements and commitments approved during the year**

In addition, we have been advised of the implementation during the year of the following agreements and commitments which were approved by the General Meeting of shareholders of May 23, 2013 based on the Statutory Auditors' Report dated April 2, 2013.

**WITH GDF SUEZ (COMPANY WHICH HOLDS MORE THAN 10% OF THE VOTING RIGHTS)****PERSONS CONCERNED**

Messrs Gérard Mestrallet, chairman and chief executive officer of GDF SUEZ and chairman of the Board of Directors of your company, and Jean-François Cirelli, vice-chairman and president of GDF SUEZ and director of your company.

**Nature and purpose**

Framework agreement on the Guidelines and strategy for industrial and commercial cooperation between GDF SUEZ and your company.

**Conditions**

As part of the spin-off/distribution of all the Water and Waste activities of SUEZ, GDF SUEZ, Groupe Bruxelles Lambert, Areva, CNP Assurances, Sofina, your company and the Caisse des Dépôts et Consignations concluded a shareholders' agreement on June 5, 2008 (the "Pact"), which will constitute a joint control as defined by article L. 233-3 of the French commercial code (*Code de commerce*) and giving to GDF SUEZ the control of SUEZ ENVIRONNEMENT. The initial term of the pact was five years, automatically renewed for five years unless terminated by either party six months before expiry.

On December 5, 2012, after considering the other shareholders party to the pact had expressed unanimously their decision not to renew it, GDF SUEZ approved the principle of not renewing the pact.



On December 12, 2012, taking into account the non-renewal of the agreement, the Board of Directors of your company has authorized the signing of a framework agreement with GDF SUEZ to extend the cooperation between them. This framework agreement sets out the guiding principles for the industrial and commercial agreements between GDF SUEZ and your company after the end of the shareholders' agreement, which took place on July 22, 2013. These principles focus on five priority areas:

- reciprocal preference for purchases/sales;
- development of synergies in industrial activities;
- development of joint commercial offerings;
- partnership on the sustainable development policy;
- coordination in sales, marketing, innovation and Research and Development.

This agreement, which became effective on July 22, 2013 for a period of three years, was signed by GDF SUEZ and SUEZ ENVIRONNEMENT on January 17, 2013.

Courbevoie and Paris-La Défense, March 20, 2014

The Statutory Auditors

*French original signed by*

**MAZARS**

Thierry Blanchetier

Isabelle Massa

**ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson

Pascal Macioce

## 26.4 Reports of the statutory auditors to the Combined Shareholders' Meeting of May 22, 2014

### 26.4.1 Statutory auditors' report on the reduction in capital (nineteenth resolution)

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To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 225-209 of the French commercial code (*Code de commerce*) in respect of the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions of the proposed reduction in capital.

Your Board of Directors requests that it be authorized, with the power to subdelegate, for a period of twenty-six months starting on the date of the present shareholders' meeting, to proceed with the cancellation of shares the company was authorized to repurchase, representing an amount not exceeding 10% of its total share capital, by periods of twenty-four months, in compliance with the article mentioned above.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which should not compromise equality among the shareholders, are fair.

We have no matters to report on the terms and conditions of the proposed reduction in capital.

Courbevoie and Paris-La Défense, March 31, 2014

The statutory auditors

*French original signed by*

**MAZARS**

Thierry Blanchetier

Isabelle Massa

**ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson

Pascal Macioce

### 26.4.2 Statutory auditors' report on the issue of shares or marketable securities with or without cancellation of preferential subscription rights (twentieth, twenty-first, twenty-second, twenty-third, twenty-fourth and twenty-fifth resolutions)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 and L. 225-135 et seq. of the French commercial code (*Code de commerce*), we hereby report on the proposals to authorize your Board of Directors to decide on whether to proceed with the issues of shares and/or marketable securities, operations upon which you are called to vote.

Your Board of Directors proposes, on the basis of its report, that:

- it be authorized, with the power to subdelegate, for a period of twenty-six months, to decide whether to proceed with the following operations and to determine the final conditions of these issues and proposes, if applicable, to cancel your preferential subscription rights:
  - the issue of ordinary shares and/or marketable securities giving access to the capital of the company, without cancellation of the preferential subscription right (twentieth resolution),
  - the issue of ordinary shares and/or marketable securities giving access to the capital of the company, with cancellation of the preferential subscription right by public offering (twenty-first resolution),
  - the issue of ordinary shares and/or marketable securities giving access to the capital of the company, with cancellation of the preferential subscription right by offers provided by paragraph II of article L. 411 2 of the French monetary and financial code (*Code monétaire et financier*), representing an amount not exceeding annually 20% of its total capital (twenty-second resolution),
  - the issue of ordinary shares and/or marketable securities giving access to ordinary shares in case of exchange public offering initiated by your company (twenty-fifth resolution);
- that it be delegated, with the power to subdelegate, for a period of twenty-six months, the power to determine the conditions of the issue of ordinary shares and/or marketable securities giving access to ordinary shares, in order to pay capital investment in the company and made up of capital shares or marketable securities giving access to the capital within the limit of 10% of the total capital (twenty-fourth resolution).

The maximum nominal amount of the issues of shares that can be implemented immediately or at a later date may not exceed € 408 million under the twentieth resolution and € 204 million common to the twenty-first, twenty-second, twenty-fourth and twenty-fifth resolutions.

The maximum nominal amount of the issues of marketable securities that may be achieved may not exceed € 3 billion under the twentieth, twenty-first, twenty-second, twenty-fourth and twenty-fifth resolutions.

The overall amount of the issues of shares that may be achieved immediately or at a later date may not exceed € 408 million under the twentieth to twenty-eighth resolutions, and covers an overall amount of € 204 million for the issues of shares that may be achieved under the twenty-first, twenty-second, twenty-fourth and twenty-fifth resolutions.

The overall amount of the issues of marketable securities that may be achieved may not exceed € 3 billion under the twentieth to twenty-eighth resolutions.

These ceilings take into account the additional number of shares and marketable securities made available through the implementation of the delegations presented in the twentieth, twenty-first and twenty-second resolutions, in accordance with article L. 225-135-1 of the French commercial code (*Code de commerce*), if you adopt the twenty-third resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles

R. 225-113 et seq. of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of preferential subscription rights and on other information relating to these operations provided in this report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to these operations and the methods used to determine the issue price of the capital securities to be issued.

Subject to a subsequent examination of the conditions for the issues that would be decided, we have no matters to report as to the methods used to determine the issue price of the capital securities to be issued provided in the Board of Directors' report with respect to the twenty-first and twenty-second resolutions.

Moreover, as the methods used to determine the issue price of the capital securities to be issued in accordance with the twentieth, twenty-fourth and twenty-fifth resolutions are not specified in that report, we cannot report on the choice of constituent elements used to determine this issue price.

As the final conditions for the issues have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights proposed in the twenty-first, twenty-second, twenty-fourth and twenty-fifth resolutions.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Board of Directors has exercised these authorizations for the issue of marketable securities giving access to the capital and in case of cancellation of preferential subscription rights.

Courbevoie and Paris-La Défense, March 31, 2014

The statutory auditors

*French original signed by*

**MAZARS**

Thierry Blanchetier

Isabelle Massa

**ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson

Pascal Macioce

### 26.4.3 Statutory auditors' report on the issue of mixed equity securities representing debt securities (twenty-sixth resolution)

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To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with article L. 228-92 of the French commercial code (*Code de commerce*), we hereby report on the proposal to authorize your Board of Directors to decide whether to proceed with an issue of mixed equity securities representing debt securities, an operation upon which you are called to vote. The maximum nominal amount of these issues may not exceed € 3 billion, taking into account that this amount will be put on the global nominal amount defined in the twenty-ninth resolution.

Your Board of Directors proposes that, on the basis of its report, it be authorized, with the power to subdelegate, for a period of twenty-six months, to decide whether to proceed with this operation. If applicable, it shall determine the final conditions of this operation.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225 113 et seq. of the French commercial code (*Code de commerce*). Our role is to report to you on the fairness of the financial information taken from the accounts and on other information relating to the issue provided in this report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to this operation.

As the final conditions for the issue have not yet been determined, we cannot report on these conditions.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Courbevoie and Paris-La Défense, March 31, 2014

The statutory auditors

*French original signed by*

**MAZARS**

Thierry Blanchetier

Isabelle Massa

**ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson

Pascal Macioce

#### 26.4.4 Statutory auditors' report on the issue of shares or other equity securities reserved for members of the company savings plans (twenty-seventh resolution)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228.92 and L. 225-135 et seq. of the French commercial code (*Code de commerce*), we hereby report on the proposal to authorize your Board of Directors to decide whether to proceed with the issue of shares or other equity securities, with cancellation of preferential subscription rights, reserved to members of one or several company savings plans (or to any other plan whose members would be entitled to a reserved share capital increase under equivalent conditions in accordance with articles L. 3332-18 et seq. of the French labor code (*Code du travail*)) which could be implemented within the group comprised of your company and the French or foreign entities included in the scope of consolidation of its financial statements, in application of article L. 3344 1 of the French labor code (*Code du travail*), an operation upon which you are called to vote.

The maximum nominal amount of the increases in capital that may be achieved may not exceed € 40 million and will be put on the global maximum amount of € 408 million set in the twenty-ninth resolution.

The nominal amount of the debt securities that may be issued will be deducted from the global nominal amount of € 3 billion referred to in the twenty-ninth resolution.

This increase in capital is submitted for your approval in accordance with articles L. 225-129-6 of the French commercial code (*Code de commerce*) and L. 3332-18 et seq. of the French labor code (*Code du travail*).

Your Board of Directors proposes that, on the basis of its report, it be authorized, with the power to subdelegate, for a period of twenty-six months, to decide whether to proceed with one issue and proposes to cancel your preferential subscription rights to the shares and marketable securities to be issued. If applicable, it shall determine the final conditions of these operations.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225 113 et seq. of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of the preferential subscription rights and on other information relating to these issues provided in this report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information relating to these operations provided in the Board of Directors' report and the methods used to determine the issue price of the equity securities to be issued.

Subject to a subsequent examination of the conditions for the issue that would be decided, we have no matters to report as to the methods used to determine the issue price for the equity securities to be issued provided in the Board of Directors' report.

As the final conditions of the issues have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Courbevoie and Paris-La Défense, March 31, 2014

The statutory auditors

*French original signed by*

**MAZARS**

Thierry Blanchetier

Isabelle Massa

**ERNST & YOUNG et Autres**

Charles-Emmanuel Chosson

Pascal Macioce

### 26.4.5 Statutory auditors' report on the issue of shares or marketable securities reserved for a category of defined beneficiaries for the requirements of implementing international shareholding and savings plans of the SUEZ ENVIRONNEMENT Group (twenty-eighth resolution)

To the Shareholders,

In our capacity as statutory auditors of your company and in compliance with articles L. 228-92 and L. 225-135 et seq. of the French commercial code (*Code de commerce*), we hereby report on the proposal to authorize your Board of Directors to decide whether to proceed with an issue of shares or other marketable securities giving access to capital, with cancellation of preferential subscription rights, reserved for (a) employees and corporate officers of foreign companies in the SUEZ ENVIRONNEMENT Group that are related to the company within the meaning of articles L. 25-180 of the French commercial code (*Code de commerce*) and L. 3344-1 of the French labor code (*Code du travail*); (b) and/or mutual funds or other incorporated or unincorporated entities of employee shareholders invested in company shares whose unitholders or shareholders consist of the persons mentioned in point (a) of this paragraph; (c) and/or any banking establishment or subsidiaries of such establishment acting at your company's request for the purpose of setting up a shareholding or savings plan for the benefit of persons mentioned in part (a) of this paragraph, an operation upon which you are called to vote.

The maximum nominal amount of the capital increases that may be performed may not exceed € 12 million and will be put on the global maximum amount of € 408 million set in the twenty-ninth resolution.

The nominal amount of the debt securities that may be issued will be deducted from the global nominal amount of € 3 billion referred to in the twenty-ninth resolution.

Your Board of Directors proposes that, on the basis of its report, it be authorized, with the power to subdelegate, for a period of eighteen months, to decide whether to proceed with one issue and proposes to cancel your preferential subscription rights to the shares and marketable securities to be issued. If applicable, it shall determine the final conditions of these operations.

It is the responsibility of the Board of Directors to prepare a report in accordance with articles R. 225 113 et seq. of the French commercial code (*Code de commerce*). Our role is to report on the fairness of the financial information taken from the accounts, on the proposed cancellation of the preferential subscription rights and on the other information relating to these share issues provided in this report.

We have performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to these operations and the methods used to determine the issue price of the capital securities to be issued.

Subject to a subsequent examination of the conditions for the issues that would be decided, we have no matters to report as to the methods used to determine the issue price of the capital securities to be issued provided in the Board of Directors' report.

As the final conditions for the issues have not yet been determined, we cannot report on these conditions and, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with article R. 225-116 of the French commercial code (*Code de commerce*), we will issue a supplementary report, if necessary, when your Board of Directors has exercised this authorization.

Courbevoie and Paris-La Défense, March 31, 2014

The statutory auditors

*French original signed by*

#### MAZARS

Thierry Blanchetier

Isabelle Massa

#### ERNST & YOUNG et Autres

Charles-Emmanuel Chosson

Pascal Macioce

## 26.5 Draft resolutions submitted to the Combined Shareholders' Meeting of May 22, 2014

### Resolutions to be submitted to the Ordinary General Meeting

#### FIRST RESOLUTION

**(The purpose of this resolution is to approve the Company annual financial statements for the fiscal year ended December 31, 2013)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Management Report and the Statutory Auditors' Report on the annual financial statements for the fiscal year ended December 31, 2013, approves these financial statements as presented, as well as the transactions reflected in these financial statements and summarized in these reports, which show a net profit of €382,605,876.89.

Pursuant to Article 223 *quater* of the French General Tax Code, the General Meeting acknowledges that the Company's financial statements for the fiscal year ended December 31, 2013 do not report any of the expenditures and charges set out in paragraph 4 of Article 39 of the French General Tax Code that are not deductible from taxable income for the fiscal year ended December 31, 2013.

#### SECOND RESOLUTION

**(The purpose of this resolution is to approve the consolidated financial statements for the year ended December 31, 2013)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Management Report and the Statutory Auditors' Report on the consolidated financial statements for the fiscal year ended December 31, 2013, approves the consolidated financial statements as presented, as well as the transactions reflected in these financial statements and summarized in these reports.

#### THIRD RESOLUTION

**(The purpose of this resolution is to approve the allocation of net income for the year ended December 31, 2013)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Management Report and the Statutory Auditors' Report on annual financial statements for the fiscal year ended December 31, 2013:

- notes that the distributable income, consisting of net profit for the fiscal year of €382,605,876.89, in addition to the previous year's retained earnings of €1,356,459.00, amounts to a total of €383,962,335.89; and
- decides to allocate the distributable income of €383,962,335.89 as follows:

#### Distributable income

Net profit for fiscal year 2013	€382,605,876.89
Previous year's retained earnings	€1,356,459.00

**DISTRIBUTABLE INCOME** **€383,962,335.89**

#### Proposed dividend:

<b>Dividend of €0.65 per share for fiscal year 2013</b>	<b>€331,651,988.85</b>
Retained earnings	€52,310,347.04
<i>For information, shareholders' equity after dividend payment</i>	
Share capital	€2,040,935,316.00
Legal reserve	€204,093,531.60
Additional paid-in capital	€4,138,327,853.30
2013 Retained earnings	€52,310,347.04

The General Meeting therefore sets the dividend at €0.65 per share.

The amount of €331,651,988.85 is based on the number of SUEZ ENVIRONNEMENT COMPANY shares outstanding existing as of December 31, 2013, *i.e.*, 510,233,829 shares, and the final amount paid will take into account the number of treasury shares held by the Company at the time the dividend is paid, which, according to Article L. 225-210 of the French Commercial Code, do not have dividend rights. As a result, when the dividend is paid, the dividend corresponding to treasury shares held by the Company will be allocated to retained earnings.

When paid to individuals residing in France for tax purposes, the dividend is payable after deduction at source from the gross amount of social security contributions at the overall rate of 15.5% and, in most cases, a 21% mandatory flat rate deduction at source as a deposit on income tax. As the latter deduction does not fully discharge the tax liability, the gross dividend is, after application of the 40% allowance provided in Article 158-3-2 of the French General Tax Code, subject to progressive income tax rates.

The ex-dividend date is May 26, 2014, with a payment date of May 29, 2014.

In accordance with Article 243 *bis* of the French General Tax Code, the General Meeting acknowledges the dividend amounts paid in the last three fiscal years:

<i>(in Euros)</i>	<b>Dividend distributed per share</b>	<b>Total dividend distributed</b>
Fiscal year 2010	0.65	318,304,389.00
Fiscal year 2011	0.65	331,651,988.85
Fiscal year 2012	0.65	331,651,988.85

For individuals domiciled in France for tax purposes, these dividends were eligible for the 40% tax allowance under Article 158-3-2 of the French General Tax Code.



**FOURTH RESOLUTION**

**(The purpose of this resolution is to appoint Ms. Ines Kolmsee as a Director)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, decides to appoint Ms. Ines Kolmsee as director for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

Ms. Ines Kolmsee has previously informed the Company that she will accept the appointment and that there exists no reason that she would be incompatible for this position.

**FIFTH RESOLUTION**

**(The purpose of this resolution is to renew the term of office of Mr. Gilles Benoist as a Director)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of directors' Report, and noting that Mr. Gilles Benoist's term as a Director expires today, decides to renew his mandate for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

**SIXTH RESOLUTION**

**(The purpose of this resolution is to renew the term of office of Mr. Alain Chaigneau as a Director)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of directors' Report, and noting that Mr. Alain Chaigneau's term as a Director expires today, decides to renew his mandate for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

**SEVENTH RESOLUTION**

**(The purpose of this resolution is to renew the term of office of Ms. Penelope Chalmers Small as a Director)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Ms. Penelope Chalmers Small's term as a director expires today, decides to renew her mandate for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

**EIGHTH RESOLUTION**

**(The purpose of this resolution is to renew the term of office of Mr. Guillaume Pepy as a Director)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of directors' Report, and noting that Mr. Guillaume Pepy's term as a Director expires today, decides to renew his mandate for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

**NINTH RESOLUTION**

**(The purpose of this resolution is to renew the term of office of Mr. Jérôme Tolot as a Director)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and noting that Mr. Jérôme Tolot's term as a director expires today, decides to renew his mandate for a term of four (4) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

**TENTH RESOLUTION**

**(The purpose of this resolution is to set the annual amount of Directors' fees allocated to members of the Board of Directors)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, decides to set at €700,000 the overall amount of fees to be allocated to the Company's directors as of fiscal year 2014 (inclusive) and for subsequent years, and until otherwise decided by the General Meeting.

**ELEVENTH RESOLUTION**

**(The purpose of this resolution is to renew the mandate of Mazars as Lead Statutory Auditors)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, and having deliberated and reviewed the Board of Directors' Report and noting that Mazars' mandate as Lead Statutory Auditors expires today, decides to renew its mandate for a term of six (6) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2019.

The Lead Statutory Auditors informed the Company in advance that they would accept the mandate renewal.

**TWELFTH RESOLUTION**

**(The purpose of this resolution is to renew the mandate of CBA as Deputy Statutory Auditors)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, and having deliberated and reviewed the Board of Directors' Report and noting that CBA's mandate as Deputy Statutory Auditors expires today, decides to renew its mandate for a term of six (6) years, to expire at the close of the General Meeting called to approve the financial statements for the fiscal year ending December 31, 2019.

The Deputy Statutory Auditors informed the Company in advance that they would accept the mandate renewal.

**THIRTEENTH RESOLUTION**

**(The purpose of this resolution is to approve the related-party agreements and commitments governed by Articles L. 225-38 et seq. of the French Commercial Code)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Statutory Auditors' Special Report on the agreements and commitments governed by Articles L. 225-38 et seq. of the French Commercial Code:

- approves the agreements concluded with GDF SUEZ referred to in the above-mentioned Report;

- approves the terms of the said Report and acknowledges that the related-party agreements and commitments entered into and approved by previous General Meetings, which are referred to, continued during the fiscal year.

#### FOURTEENTH RESOLUTION

**(This resolution is to express an opinion on the elements of compensation due or awarded for fiscal year 2013 to Mr. Gérard Mestrallet, Chairman of the Board of Directors)**

The General Meeting, consulted in application of the AFEP/MEDEF corporate governance code to which the Company refers, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, issues a favourable opinion on the components of compensation due or awarded to Mr. Gérard Mestrallet, Chairman of the Board of Directors, as presented in section 15.1.5 of the 2013 Reference Document.

#### FIFTEENTH RESOLUTION

**(This resolution is to express an opinion on the elements of compensation due or awarded for fiscal year 2013 to Jean-Louis Chaussade, Chief Executive Officer)**

The General Meeting, consulted in application of the AFEP/MEDEF corporate governance code to which the Company refers, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, issues a favourable opinion on the components of compensation due or awarded to Mr. Jean-Louis Chaussade, Chief Executive Officer, as presented in section 15.1.5 of the 2013 Reference Document.

#### SIXTEENTH RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors to trade in Company's shares)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, and in compliance with the provisions of the French Commercial Code, specifically Articles L. 225-209 *et seq.*, the directly applicable provisions of Regulation No.2273/2003 of the European Commission of December 22, 2003 and with market practices permitted by the French Financial Market Authority (AMF), authorizes the Board of Directors, with the option to subdelegate as permitted by law and the Company bylaws, to acquire the Company's shares or cause them to be acquired in order to:

- ensure the liquidity of Company's shares and promote the secondary for the Company's shares using the services of an investment services provider acting independently pursuant to a liquidity contract that complies with the ethics charter recognized by the French Financial Market Authority (AMF); or
- subsequently cancel all or some of the shares thus purchased in accordance with Article L. 225-209 of the French Commercial Code within the framework of a capital reduction to be adopted or authorized by the General Meeting; or
- allocate or grant shares to employees or former employees and/or to corporate officers or former corporate officers of the Company and/or companies affiliated with it, or which will be affiliated with it under the conditions and in accordance with the procedures set out in applicable regulations, specifically as part of the existing stock option and bonus share allocation programs or Company or inter-company savings plans, including provisions

for the sale of discounted or undiscounted shares under the terms of Article L. 3332-18 *et seq.* of the French Labour Code or under the terms of shareholder plans governed by the laws of other countries; or

- keep and subsequently deliver shares (in exchange or payments, etc.) as part of external growth operations, provided that the maximum number of shares purchased in view of keeping them and subsequently delivering them for payment or exchange as part of a merger, spin-off or contribution plan does not exceed 5% of the share capital; or
- the covering of securities conferring access to the allotment of the Company's shares by delivering them, following the exercise of rights attached to securities conferring access to the Company's shares by redemption, conversion, exchange, presentation of a warrant or any other means; or
- pursue, more generally, any other goal that is or becomes authorized by law or regulations, or engage in any market practice that is or becomes approved by financial market regulators, provided that the Company's shareholders are formally notified thereof *via* a press release.

Share purchase volumes are subject to the following limits:

- the number of shares acquired during the term of the share buyback program shall not at any time exceed 10% of the shares that make up the Company's share capital, with this percentage applying to total share capital adjusted in accordance with transactions impacting it following this General Meeting and, with regard to the particular case of shares that are bought under the liquidity contract, the number of shares used to calculate the 10% limit corresponds to the number of shares purchased, less the number of shares resold during the term of the authorization;
- the number of shares that the Company holds at any time must not exceed 10% of the shares that make up the Company's share capital on the relevant date, on the understanding that this share capital includes any adjustments resulting from transactions impacting it following this General Meeting.

The General Meeting decides that the maximum purchase price per share is fixed at €25 (or the equivalent value of this amount on the date of acquisition in any other currency), excluding acquisition costs.

Consequently, for guidance and pursuant to Article R. 225-151 of the French Commercial Code, the General Meeting sets the maximum number of shares that may be purchased at 51,023,382 and the maximum overall amount allocated to the above-mentioned authorized share buyback program at €1,275,584,550, calculated on the basis of the Company's share capital as of December 31, 2013, consisting of 510,233,829 shares.

Shares may be purchased, sold, exchanged or transferred on one or more occasions by any means, direct or indirect, on a regulated market, *via* a multilateral trading system, over-the-counter or through a systematic internalizer, including through the use of a third party acting on behalf of the Company under the conditions set forth in Article L. 225-206-II of the French Commercial Code, by a public offering or transactions for blocks of shares (which may cover the entire buyback program). These means include the use of any financial derivatives, traded on a regulated market, using a multilateral trading system, over-the-counter or through a systematic internalizer, including the purchase and sale of put and call options, under the conditions laid down by market authorities. These transactions may be carried out at any time in accordance with current legal provisions, except at the time of a public offer on the Company's shares.

In the event of a change in the nominal value of the Company's shares, the General Meeting grants the Board of Directors the power, including the power to subdelegate as permitted by law and the Company's bylaws, to increase the share capital through the incorporation of reserves, bonus shares allocation, stock splits or reverse splits, distribution of reserves or any other assets, share capital amortization or any other operations involving its shareholders' equity (*capitaux propres*), to adjust the aforementioned maximum purchase price to take into account the impact of these operations on the share price.

The General Meeting grants all powers to the Board of Directors, including the power to subdelegate as permitted by law and the Company's bylaws, to implement this authorization, in particular to determine the timeliness of launching a share buyback program and to specify, if necessary, the terms and procedures for carrying out the share buyback program, and specifically to submit any market order, enter into any agreements for appointing a registrar for purchases and sales of shares, undertake any formalities and make statements to any bodies, including the AMF, and, in general, to do whatever is necessary in this matter.

The General Meeting also grants all powers to the Board of Directors, including the power to subdelegate as permitted by law and the Company's bylaws and within the legal and regulatory limits, to make any permitted reallocations of the purchased shares in accordance with one or more objectives of the share buyback program, or to sell them, on the stock market or over-the-counter, it being understood that such allocations and sales may involve shares repurchased under previous authorizations.

This authorization is granted for a term of eighteen (18) months from the date of this General Meeting. It supersedes, as of today, all previous authorizations having the same purpose, and therefore any unused portion of the previous authorization granted to the Board of Directors by the Combined General Meeting of May 23, 2013 in its fifth resolution.

The General Meeting acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

## Resolutions to be submitted to the Extraordinary General Meeting

### SEVENTEENTH RESOLUTION

**(The purpose of this resolution is to amend Articles 11 (Chairman of the Board of Directors) and 17 of the Company's bylaws (General Management) to amend the age limit to exercise the functions of Chairman of the Board of Directors and Chief Executive Officer)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, decides in accordance with Articles L. 225-48 and L. 225-54 of the French Commercial Code, to raise the age limit from 65 years old to 68 years old, without possibility to extend this limit.

The second paragraph of Article 11 (Chairman of the Board of Directors) of bylaws is therefore amended as follows:

#### Current drafting

"Regardless of the period of time for which they were granted, the Chairman's duties end no later than the conclusion of the Ordinary General Meeting of shareholders which resolves on the accounts for the past year and which is held in the year during which the chairman reaches the age of 65. However, the Board of Directors may, in the meeting following that General Meeting, decide, on one or more occasions, to extend this limit for a total period of time not exceeding three years."

#### New drafting

"Regardless of the period of time for which they were granted, the Chairman's duties end no later than the conclusion of the Ordinary General Meeting of shareholders which resolves on the accounts for the past year and which is held in the year during which the Chairman reaches the age of 68."

The rest of the Article 11 remains unchanged.

The fourth paragraph of Article 17 (General Management) of bylaws is therefore amended as follows:

#### Current drafting

"Regardless of the period of time for which they were granted, the General Manager's duties end no later than the conclusion of the Ordinary General Meeting of shareholders which resolves on the accounts for the past year and which is held in the year during which the General Manager reaches the age of 65. However, the Board of Directors may decide to extend those duties, on one or more occasions, for a total period of time not exceeding three years."

#### New drafting

"Regardless of the period of time for which they were granted, the General Manager's duties end no later than the conclusion of the Ordinary General Meeting of shareholders which resolves on the accounts for the past year and which is held in the year during which the General Manager reaches the age of 68."

The rest of the Article 17 remains unchanged.

### EIGHTEENTH RESOLUTION

**(The purpose of this resolution is to amend Article 10 of the Company's bylaws to set the conditions for appointing Directors representing employees in accordance with Article L. 225-27-1 of the French Commercial Code)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report,

decides to amend Article 10 of the bylaws, which now reads as follows (parts added are in bold):

**"ARTICLE 10 – COMPOSITION OF BOARD OF DIRECTORS**

The Company is managed by a Board of Directors consisting of no less than three and no more than 18 members, notwithstanding the statutory exemption in the event of a merger.

Directors are appointed, reappointed, and dismissed in compliance with applicable legal and regulatory provisions.

They are appointed for a four-year term. Nevertheless, a Director who is appointed to replace another whose term has not expired shall only remain on the Board for the remainder of his predecessor's term.

Each Director must hold at least 2,000 shares.

The number of Directors who have reached the age of 70 may not, at any time, exceed a third of the total number of Directors in office. If the number of Directors is not exactly divisible by three, then the resulting figure is rounded up.

Except in the case of termination of the employment contract (of an Executive Director) or resignation, dismissal or death, a Director's term ceases at the close of the Ordinary General Meeting that approved the financial statements for the preceding fiscal year, held during the year in which the Director's appointment expires.

**Since the Company meets provisions of Article L. 225-27-1 of the French Commercial Code, one or two Director(s) shall be appointed to represent employees under the terms described below.**

**When the number of members of the Board of Directors, calculated in accordance with Article L. 225-27-1-II of the French Commercial Code, is less than or equal to 12, a Director representing employees shall be appointed by the France Group Committee.**

**When the number of members of the Board of Directors, calculated in accordance with Article L. 225-27-1-II of the French Commercial Code, is greater than 12, and provided that this criterion is still met on the date of the appointment, a second Director representing employees shall be appointed by the European Works Council.**

**When the number of members of the Board of Directors, calculated in accordance with Article L. 225-27-1-II of the French Commercial Code, originally more than 12 members, becomes less than or equal to 12 members, the term of the Director appointed by the European Works Council shall be maintained until it expires.**

**The term of the Director representing employees shall terminate early under the conditions provided by law and this Article, and particularly in case of termination of his or her employment contract. If the conditions of application of Article L. 225-27-1 of the French Commercial Code are no longer met, the term of the Director(s) representing employees shall expire at the end of the meeting during which the Board of Directors notes the Company's release from the scope of application of the obligation.**

**In case of a vacancy for any reason whatsoever of a directorship representing employees, the vacancy shall be filled under the conditions set forth in Article L. 225-34 of the French Commercial Code.**

**In addition to the provisions of the second paragraph of Article L. 225-29 of the French Commercial Code, it is hereby stated, as required, that the failure by the body designated in these bylaws to appoint a Director representing employees, in application of the law and this Article, shall not affect the validity of the Board of Directors' deliberations."**

**NINETEENTH RESOLUTION**

**(The purpose of this resolution is to authorize the Board of Directors to reduce the Company's share capital by cancelling treasury shares)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code:

1. authorizes the Board of Directors to reduce the Company's share capital, on one or more occasions, in the proportions and at the times it considers appropriate, by cancelling all or some of the shares acquired by the Company itself, in accordance with the sixteenth resolution submitted to this General Meeting, or as part of a previous share buyback program authorization granted previously or subsequently by a General Meeting, up to a maximum of 10% of the Company's share capital (as may be adjusted to take into account any transactions on the Company's share capital after the date of this General Meeting) per 24-month periods, on the understanding that this percentage will be calculated on the date of the Board of Directors' decision to reduce the share capital;
2. grants full powers to the Board of Directors, including the option to subdelegate under conditions provided by law and the Company's bylaws, to:
  - decide on the share capital reduction(s),
  - decide the final amount, determine the terms and conditions thereof and record the implementation,
  - allocate the difference between the book value of the cancelled shares and their nominal amount to all items corresponding to reserves and premiums,
  - amend the bylaws accordingly, and
  - in general, do whatever is necessary in this matter;
3. resolves that this authorization supersedes, as of today, all previous authorizations having the same purpose, and therefore any unused portion of the previous authorization granted to the Board of Directors by the Combined General Meeting of May 23, 2013 in its sixth resolution.

This authorization is granted for a term of twenty-six (26) months as of the date of this General Meeting.

**TWENTIETH RESOLUTION**

**(The purpose of this resolution is to authorize the Board of Directors to increase the share capital with shareholders' preferential subscription rights by issuing equity securities and/or any securities conferring an immediate or future right to the Company's share capital)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and pursuant to Articles

L. 225-129 *et seq.* and L. 228-91 *et seq.*, and specifically Articles L. 225-129-2 and L. 228-92 of the French Commercial Code:

1. delegates its authority to the Board of Directors, including the power to subdelegate as permitted by law and the Company's bylaws, to increase the share capital on one or more occasions, in the proportions and at the times it considers appropriate, in France and/or abroad, in Euros, in foreign currency or in any other accounting unit referenced to a basket of currencies, by issuing, with shareholders' preferential subscription rights common shares and/or any securities sold or given free of charge that confer rights, by any means, immediately and/or in the future, to the Company's share capital, and these shares and other securities may be subscribed for either in cash or in exchange for other liquid and current receivables;
2. resolves that this delegation specifically excludes the issuance of preferred shares and securities that confer access to preferred shares;
3. resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed €408 million (which, at December 31, 2013, represented about 20% of the share capital) or the counter-value of this amount, it being understood that this nominal maximum amount counts toward the €408 million overall nominal cap set forth in the twenty-ninth resolution of this General Meeting and that it does not take into account any adjustments that may be carried out pursuant to applicable laws and regulations or any contractual provisions setting out other adjustments to preserve the rights of holders of securities or of other rights conferring access to the Company's share capital;
4. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion, or the counter value of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in the twenty-ninth resolution of this General Meeting;
5. resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights immediately or in the future;
6. resolves that the shareholders can exercise, pursuant to applicable laws, their irrevocable preferential right to subscribe irrevocably for the number of shares proportionate to their shareholding. Additionally, the Board of Directors may:
  - grant shareholders revocable subscription rights to a larger number of securities than they are able to subscribe irrevocably, in proportion to the subscription rights they hold and, in any case, up to the maximum amount of their request,
  - in accordance with Article L. 225-134 of the French Commercial Code, if the irrevocable and, as applicable, revocable subscriptions have not absorbed all of the share or security issuance as defined above, the Board of Directors may use one and/or more of the following mechanisms as provided by law, and in the order it determines, to:
    - limit the share capital increase at the time of the subscriptions, under the condition that such an increase amounts to at least three-quarters of the increase decided upon,
    - freely distribute all or some of the unsubscribed shares or securities issued,
    - offer all or some of the unsubscribed shares issued to the public, on the French and/or international market,
7. grants all powers to the Board of Directors, including the power to subdelegate as permitted by law and the Company's bylaws, to undertake the aforementioned issuances pursuant to the terms and conditions it decides upon as provided by law, and specifically to:
  - determine the issue dates and procedures as well as the form and characteristics of the shares and/or securities to be issued, set the number of shares and/or other securities to be issued, as well as their terms and conditions, and specifically their issue price, if applicable, the amount of the premium, the conditions of their payment and their effective date (retroactively, if necessary),
  - suspend, if appropriate, the exercise of the rights attached to these securities in the circumstances and subject to the limits set by the applicable laws and regulations,
  - decide and carry out, as a result of the issuance of shares and/or share equivalents, all necessary measures to protect the rights of holders of securities giving access to the Company's capital, of options to subscribe for or purchase shares, or of rights to bonus shares, all in accordance with statutory and regulatory provisions and, if appropriate, applicable contractual provisions,
  - on its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase, and
  - generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation;
8. acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution;
9. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its seventeenth resolution.

This authorization is granted for a term of twenty-six (26) months as of the date of this General Meeting.

#### TWENTY-FIRST RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors to increase the share capital with waiver of the shareholders' preferential subscription rights by a public ISSUANCE of equity securities and/or any securities conferring an immediate or future right to the Company's share capital)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and pursuant to Articles L. 225-129 *et seq.* and specifically Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-91 *et seq.* of the French Commercial Code:

1. delegates its authority to the Board of Directors, including the power to subdelegate as permitted by law and the Company's bylaws, to increase the share capital on one or more occasions, in the proportions and at the times it considers appropriate, in France and or abroad, in Euros, in foreign currency or in any other accounting unit referenced to a basket of currencies, by a public issue of common shares and/or any securities sold or given free of charge, that confer rights by any means, immediately and/or in the future, to the Company's share capital; these shares and other securities may be subscribed for either in cash or in exchange for other liquid and current receivables;
2. resolves that such delegation specifically excludes the issuance of preferred shares and securities that confer access to preferred shares;
3. resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation, may not exceed €204 million (which, at December 31, 2013, represented about 10% of the share capital) or the counter value of this amount, it being understood that this nominal maximum amount counts toward the €408 million overall nominal cap set forth in the twenty-ninth resolution of this General Meeting and that it does not take into account any adjustments that may be carried out pursuant to applicable laws and regulations or any contractual provisions setting out other adjustments to preserve the rights of holders of securities or of other rights conferring access to the Company's share capital;
4. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion, or the counter value of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in the twenty-ninth resolution of this General Meeting;
5. resolves to eliminate the preferential subscription rights applicable to the shares and/or securities that may be issued under this delegation;
6. grants to the Board of Directors the power to establish, pursuant to Article L. 225-135 paragraph 5 of the French Commercial Code, and in favour of the Company's shareholders, for a period and according to terms and conditions it will determine in compliance with applicable laws and regulations, for all or a portion of the issuance thus implemented, a priority subscription period of no fewer than three trading days (according to current legislation); such priority subscription period will not generate tradable rights and may be exercised in proportion to the number of common shares held by each shareholder and supplemented, as the case may be, by revocable subscription if the Board of Directors so decides;
7. resolves that if the subscriptions, including any subscriptions by shareholders, have not absorbed the entire issuance of shares or securities decided upon under this delegation, the Board of Directors may limit the issuance to the amount subscribed for, provided that at least three-quarters of the decided issuance is subscribed for;
8. resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights immediately or in the future;
9. notes that, in accordance with Article L. 225-136-1 paragraph 1 of the French Commercial Code, (i) the issue price of the shares issued under this delegation must be at least equal to the minimum value set forth in applicable laws and regulations in force on the issue date (as of this date, the weighted average share price of the three stock exchange trading days immediately preceding the date on which the issue price is set, minus a maximum discount of 5%) after any potential correction to this average in the event of a difference in dividend entitlement dates, and (ii) the issue price of securities conferring access to capital must be the amount immediately collected by the Company, plus any amount that it may collect subsequently, which is, for every share issued as a result of these securities, at least equal to the minimum issue price as defined in (i) of this paragraph;
10. grants all powers to the Board of Directors, with the power to subdelegate as under conditions provided by law and the Company's bylaws, to undertake the aforementioned issuances pursuant to the terms and conditions it decides upon as provided by law, specifically to:
  - determine the issue dates and procedures as well as the form and characteristics of the shares and/or securities to be issued,
  - set the number of shares and/or other securities to be issued, as well as their terms and conditions, and specifically their issue price, if appropriate, the amount of the premium, the conditions of their payment and their effective date (retroactively, if necessary),
  - suspend, if applicable, the exercise of the rights attached to this securities in circumstances and subject to the limits set forth by applicable laws and regulations,
  - decide and carry out, as a result of the issuance of shares and/or share equivalents, all necessary measures to protect the rights of holders of securities giving access to the Company's capital, of options to subscribe for or purchase shares, or of rights to bonus shares, all in accordance with statutory and regulatory provisions and, if appropriate, applicable contractual provisions,

- on its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase,
  - generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation;
11. acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution;
  12. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its eighteenth resolution.

This authorization is granted for a term of twenty-six (26) months as of the date of this General Meeting.

#### TWENTY-SECOND RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors, pursuant to an offer set out in Article L. 411-2-II of the French Monetary and Financial Code, to issue shares and securities conferring access to the Company's share capital with waiver of the shareholders' preferential subscription rights)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Report, and pursuant to the provisions of Articles L. 225-129 *et seq.* and L. 228-91 *et seq.* of the French Commercial Code, specifically Articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-92 of the French Commercial Code and pursuant to the provisions of Article L. 411-2-II of the French Financial and Monetary Code:

1. delegates its authority to the Board of Directors, including the option to subdelegate as permitted by law and the Company's bylaws, to increase the share capital on one or more occasions, in the proportions and at the times it considers appropriate, decides, in France and/or abroad, in Euros, in foreign currency or in any other accounting unit referenced to a basket of currencies, by an issuance, within the framework of an offer known as a "private placement" as referred to in Article L. 411-2-II of the French Financial and Monetary Code, of common shares and/or any securities sold or given free of charge, that confer rights by any means, immediately and/or in the future, to the Company's share capital, and these shares and other securities may be subscribed for either in cash or in exchange for other liquid and current receivables;
2. resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred shares;
3. resolves to eliminate preferential shareholders' subscription rights to securities issued by virtue of this delegation;
4. resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed €204 million (which, at December 31, 2013, represented about 10% of the share capital) or the counter value of this amount, it being understood that this nominal maximum amount counts toward the €204 million overall nominal cap set forth in the twenty-first resolution of this General Meeting, and that it does not take into account any adjustments that may be carried out pursuant to applicable laws and regulations or any contractual provisions setting out other adjustments to preserve the rights of holders of securities or of other rights conferring access to the Company's share capital;
5. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion, or the counter value of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in the twenty-first resolution of this General Meeting;
6. resolves that, in any case, the equity securities issued under this resolution must not exceed regulatory limits in force on the issue date;
7. resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights immediately or in the future;
8. resolves that if the subscriptions, including any subscriptions by shareholders, have not absorbed the entire issuance of shares or securities decided upon under this delegation, the Board of Directors can limit the issuance to the amount subscribed for provided that at least three-quarters of the decided issuance is subscribed for;
9. notes that, in accordance with Article L. 225-136-1° paragraph 1 of the French Commercial Code, (i) the issue price of the shares issued under this delegation must be at least equal to the minimum value set forth in applicable laws and regulations in force on the issue date (as of this date, the weighted average share price of the three stock exchange trading days immediately preceding the date on which the issue price is set minus a maximum discount of 5%), after any potential correction to this average in the event of a difference in dividend entitlement dates, and (ii) the issue price of securities conferring access to capital must be the amount immediately received by the Company plus any amount that it may receive subsequently, which is, for every share issued as a result of these securities, at least equal to the issue price as defined in (i) of this paragraph;
10. grants all powers to the Board of Directors, including the option to subdelegate, as permitted by law and the Company's bylaws, to implement this authorization, in particular to:

- determine the issue dates and procedures as well as the form and characteristics of the shares and/or securities to be issued, set the number of shares and/or other securities to be issued, as well as their terms and conditions, and specifically their issue price, if appropriate, the amount of the premium, the conditions of their payment and their effective date (retroactively, if necessary),
  - suspend, if applicable, the exercise of the rights attached to these securities in the circumstances and subject to the limits set forth by applicable laws and regulations,
  - decide and carry out, as a result of the issuance of shares and/or share equivalents, all necessary measures to protect the rights of holders of securities giving access to the Company's capital, of options to subscribe for or purchase shares, or of rights to bonus shares, all in accordance with statutory and regulatory provisions and, if appropriate, applicable contractual provisions,
  - on its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase, and
  - generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation;
11. acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution;
  12. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its twentieth resolution.

This delegation is granted for a term of twenty-six (26) months as of the date of this General Meeting.

#### TWENTY-THIRD RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors to increase, by up to 15% of the initial issuance, the number of securities to be issued in the event of a share capital increase, with or without shareholders' preferential subscription rights)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings, and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically Articles L. 225-135-1 and R. 225-118:

1. delegates its authority to the Board of Directors, including the power to subdelegate as under conditions provided by law and the Company's bylaws, to decide to increase the number of securities to be issued for every issuance of securities with or without shareholders' preferential subscription rights, decided pursuant

to the twentieth to twenty-second resolutions of this General Meeting, at the same price as that of the initial issuance and within the timeframes and limitations set forth in the applicable legal and regulatory provisions in force on the issue date (as of this date, within thirty days of the end of the subscription period and by up to 15% of the initial issuance), subject to the cap under which the issuance is decided;

2. resolves that the nominal amount of the capital increases that may be carried out under this delegation, whether directly or by presenting securities, will count toward the €408 million overall nominal cap set forth in the twenty-ninth resolution of this General Meeting;
3. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation will count toward the €3 billion overall nominal cap set forth in the twenty-ninth resolution of this General Meeting;
4. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its twenty-first resolution;
5. resolves that the Board of Directors will have all powers, including the power to subdelegate as permitted by law and the Company's bylaws, to implement this delegation of authority.

This delegation is granted for a term of twenty-six (26) months as of the date of this General Meeting.

#### TWENTY-FOURTH RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors to increase the Company's share capital as compensation for contributions in kind comprised of equity securities or securities conferring access to share capital, with waiver of shareholders' preferential subscription rights)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically Articles L. 225-129 *et seq.*, L. 228-91 *et seq.* and L. 225-147 thereof:

1. delegates the necessary powers to the Board of Directors, including the option to subdelegate under conditions provided by law and the Company's bylaws, to increase the share capital, based on the Statutory Auditors' Report, one or more times, up to a maximum of 10% of the share capital on the issue date (this percentage to be applied to the share capital adjusted for any transactions that affect it following this General Meeting) by issuing common shares and/or any other securities conferring access immediately or in the future, to the Company's share capital as compensation for contributions in kind granted to the Company and comprised of equity securities or securities conferring access to share capital, when the provisions of Article L. 225-148 of the French Commercial Code do not apply, and to decide as necessary to waive the shareholders' preferential subscription rights applicable to shares and securities issued, to the benefit of holders of the equity capital or securities that are the object of the contributions in kind;



2. resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred shares;
3. resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed the cap of €204 million (or, as of December 31, 2013, about 10% of the share capital), or the counter value of this amount, it being understood that this nominal maximum amount will count toward the €204 million overall nominal cap set forth in the twenty-first resolution of this General Meeting;
4. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion, or the counter value of this amount, it being understood that this maximum nominal amount will count toward the €3 billion overall nominal cap set forth in the twenty-first resolution of this General Meeting;
5. notes that if this authorization is used, the Board of Directors will make a decision with regard to the report of one or more of the Statutory Auditors mentioned in Article L. 225-147 of the French Commercial Code;
6. grants the Board of Directors all powers, including the power to subdelegate, to undertake the aforementioned issuances according to the terms and conditions it will decide upon as provided for by law, specifically to:
  - decide to increase the share capital as compensation for the contributions and to determine the form and characteristics of the securities to be issued,
  - draw up a definitive list of the contributed securities and record the number of securities contributed in exchange,
  - approve the assessment of the contributions and the allocation of any specific advantage, determine the number of shares and/or other securities to be issued as well as their terms and conditions, and, if applicable, the amount of the premium,
  - suspend, if applicable, the exercise of the rights attached to this securities in the circumstances and subject to the limits set by the applicable statutory and regulatory provisions,
  - decide and carry out, as a result of the issuance of shares and/or share equivalents, all necessary measures to protect the rights of holders of securities giving access to the Company's capital, of options to subscribe for or purchase shares, or of rights to bonus shares, all in accordance with statutory and regulatory provisions and, if appropriate, applicable contractual provisions,
  - on its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase, and
  - generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically to record the share capital increase(s) resulting from any issuance carried out under this delegation, amend the bylaws accordingly and request the listing of any securities issued under this delegation;
7. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its twenty-second resolution.

This authorization is granted for a term of twenty-six (26) months as of the date of this General Meeting.

#### TWENTY-FIFTH RESOLUTION

**(The purpose of this resolution is to delegate authority to the Board of Directors to increase the share capital to compensate for securities contributed as part of a public exchange offer initiated by the Company, with waiver of shareholders' preferential subscription rights)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings, and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically Articles L. 225-129-2, L. 225-148, and L. 228-91 *et seq.* thereof:

1. delegates its authority to the Board of Directors, including the option to subdelegate under conditions provided by law and the Company's bylaws, to decide to increase the Company's share capital on one or more occasions, in the proportions and at the times it considers appropriate, by issuing common shares and/or securities giving immediate and/or future access to the Company's share capital, as compensation for the securities contributed to a public exchange offer initiated by the Company, both in France and abroad according to local regulations (including any other operation having a similar effect to a public exchange offer initiated by the Company on the securities of another company whose securities are accepted to trading on a foreign regulated or similar market), on the securities of another company admitted to trading on the regulated markets referred to in Article L. 225-148 of the French Commercial Code;
2. resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred shares;
3. resolves that the total nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this authorization may not exceed the nominal cap of €204 million, or the counter value of this amount, it being understood that this maximum nominal amount will count toward the €204 million nominal cap mentioned in the twenty-first resolution of this General Meeting;
4. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation may not exceed €3 billion, or the counter value of this amount, it being understood that this nominal maximum amount counts toward the €3 billion nominal cap set forth in the twenty-first resolution of this General Meeting;
5. resolves to eliminate preferential shareholders' subscription rights to securities issued by virtue of this delegation;
6. acknowledges that this delegation automatically includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities confer rights immediately or in the future;

7. grants the Board of Directors all powers, including the option to subdelegate, to undertake the aforementioned issuances according to the terms and conditions it will decide upon as provided for by law, specifically to:

- determine the dates, conditions and other characteristics of the issuances,
  - decide, in the case of bonds or debt securities (including securities conferring entitlement to allocation of debt securities pursuant to Article L. 228-91 of the French Commercial Code), whether they will be subordinated or not, to set the interest rate and provide, as the case may be, for instances of mandatory or optional suspension or non-payment of interest,
  - set the exchange parity as well as the amount of the balance to be paid in cash, and to record the number of shares contributed to the exchange,
  - decide and carry out, as a result of the issuance of shares and/or share equivalents, all necessary measures to protect the rights of holders of securities giving access to the Company's share capital, of options to subscribe for or purchase shares, or of rights to bonus shares, all in accordance with statutory and regulatory provisions and, if appropriate, applicable contractual provisions,
  - on its sole initiative, apply the fees of any issuance to the amount of the related premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital after each increase, and
  - generally, take any necessary measures, enter into any agreements, require any authorizations, undertake any formalities and do everything necessary to bring the issuances to a successful conclusion or to postpone them, and specifically record the share capital increase(s) resulting from any issuance carried out under this delegation, modify the bylaws accordingly and request the listing of any securities issued under this delegation;
8. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its twenty-fourth resolution;
9. acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

This delegation is granted for a term of twenty-six (26) months as of the date of this General Meeting.

#### TWENTY-SIXTH RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors to issue mixed securities representing debt)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and pursuant to the provisions of the French Commercial Code, specifically its Article L. 228-92:

1. delegates its authority to the Board of Directors, including the power to subdelegate under conditions provided by law and the Company's bylaws, to undertake an issuance on one or more occasions, in the proportions and at the times it considers appropriate, on the French market and/ or on the international market, of any mixed securities representing creditors' rights against the Company, at fixed or variable rates, whether subordinated or not, for a definite or indefinite term, in Euros, foreign currency or any other accounting unit established by reference to a basket of currencies, and inclusive or exclusive of warrants that provide rights to the allocation, acquisition or subscription of bonds, similar securities or other securities or securities granting such a creditor's right against the Company;
2. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation must not exceed €3 billion, or the counter value of this amount, it being understood that this nominal maximum amount counts toward the €3 billion overall nominal cap set forth in the twenty-ninth resolution of this General Meeting;
3. grants the Board of Directors all powers, including the power to subdelegate as permitted by law, to undertake the aforementioned issuances according to the conditions it will decide upon as provided by law;
4. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its twenty-fifth resolution.

This delegation is granted for a term of twenty-six (26) months as of the date of this General Meeting.

#### TWENTY-SEVENTH RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors to increase the share capital by issuing shares or securities conferring access to share capital to the benefit of members of a savings plan, with waiver of shareholders' preferential subscription rights in favour of these employees)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and pursuant to the provisions of Articles L. 225-129, L. 225-129-2 to L. 225-129-6, L. 225-138 and L. 225-138-1, L. 228-91 and L. 228-92 of the French Commercial Code, and Articles L. 3332-18 *et seq.* of the French Labour Code:

1. delegates its authority to the Board of Directors, including the power to subdelegate under conditions provided by law and the Company's bylaws, to increase the share capital on one or more occasions, in the proportions and at the times it considers appropriate, by issuing shares or securities giving access to the Company's share capital reserved for members of one or more corporate savings plans (or another plan which would provide for the possibility to reserve for its members a capital increase under equivalent conditions under Articles L. 3332-18 *et seq.* of the French Labour Code) which would be put in place within a group consisting of the Company and other French or foreign companies within the scope of consolidation of the financial statements under Article L. 3344-1 of the French Labour Code;

2. resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred shares;
3. resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed the €40 million nominal cap (*i.e.*, as of December 31, 2013, about 2% of the share capital), or the counter value of this amount, it being understood that this maximum nominal amount will count toward the €408 million overall nominal cap set forth in the twenty-ninth resolution of this General Meeting;
4. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation will count toward the €3 billion cap set forth in the twenty-ninth resolution of this General Meeting;
5. resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights, immediately or in the future;
6. resolves that the issue price of new shares or securities conferring access to the Company's share capital will be determined under the conditions set forth in Articles L. 3332-18 *et seq.* of the French Labour Code, and will be at least equal to 80% of the average share price quoted on Euronext Paris for the twenty (20) trading sessions preceding the day on which the decision is made to set the opening date of the subscription period of the share capital increase reserved for members of a corporate savings plan of the SUEZ ENVIRONNEMENT group (the "Reference Price"); however, the General Meeting expressly authorizes the Board of Directors, if it considers it appropriate, to reduce or eliminate the aforementioned discount, within the legal and regulatory limitations, in order to comply with locally applicable legal, accounting, tax and corporate systems;
7. authorizes the Board of Directors to freely allocate to the above-mentioned beneficiaries, in addition to shares or securities conferring access to the Company's share capital to be subscribed in cash, shares or securities conferring access to share capital to be issued or already issued, as a substitution for all or part of the discount based on the Reference Price and/or as a Company contribution, with the understanding that the overall benefit created by this allocation shall not exceed the legal or regulatory limitations pursuant to Articles L. 3332-18 *et seq.* and L. 3332-11 *et seq.* of the French Labour Code;
8. authorizes the Board of Directors, under the conditions of this delegation, to sell shares to members of a corporate savings plan as provided in Article L. 3332-24 of the French Labour Code, and the shares sold at a discount in favour of the members of one or more corporate savings plans referred to in this resolution will be counted towards the cap set forth in paragraph 3 above up to the nominal value of the shares thus sold;
9. Resolves that the Board of Directors will have all powers to implement this delegation with the power to subdelegate as permitted by law, and within the limitations and under the conditions set forth above, specifically to:
  - decide, pursuant to law, the list of companies for which members of one or more corporate savings plans may subscribe for shares or securities conferring access to share capital thus issued and may benefit from freely allocated shares or securities conferring access to share capital,
  - decide that the subscriptions may be made directly by the beneficiaries who are members of an employee savings plan, or through a Company mutual fund or other structures or companies acceptable under applicable legal or regulatory provisions,
  - determine the conditions, specifically with regard to seniority, that beneficiaries of the share capital increases must satisfy,
  - decide upon the opening and closing dates of the subscriptions period,
  - determine the maximum number of shares or securities giving access to capital that may be subscribed by each beneficiary,
  - set the number of shares that will be issued under this delegation of authority including specifically the issue price, dates, deadlines, terms and conditions for subscribing, paying, discharging, issuing and holding the securities (even retroactively), the reduction rules applicable in the event of oversubscription as well as the other terms and conditions of issuance, within the legal and regulatory limitations in force,
  - in the event of a free allocation of shares or securities conferring access to the share capital, to set the nature, characteristics and number of shares and securities conferring access to the share capital to be issued and the number to be allocated to each beneficiary, and to decide the dates, deadlines, terms and conditions for allocating these shares or securities conferring access to the share capital within the legal and regulatory limitations in force, specifically, to choose either to substitute all or a portion of the allocation of these shares or securities conferring access to the share capital with the aforementioned Reference Price-based discounts, or count towards the total amount of the Company contribution the countervalue of those shares, or combine these two options,
  - in the event that new bonus shares are issued, to allocate to the reserves, if applicable, profits or issue premiums the amounts necessary to pay out the said shares,
  - acknowledge the implementation of the share capital up to the amount of the subscribed shares (following any reduction in the event of oversubscription),
  - Deduct, if applicable, the capital increase expenses from the corresponding premiums collected and withhold the necessary sums from this amount to bring the legal reserve to 10% of the new share capital resulting from these capital increases,
  - enter into any agreements, carry out transactions directly or indirectly through a broker, including formalities resulting from share capital increases and amending the bylaws accordingly and, in general, order any agreement specifically to bring the issuances considered, take any measures and decisions and undertake any necessary formalities for the issuance, to list it on the market as well as with the financial services for shares issued by virtue of this delegation as well as for exercising the attached rights or rights resulting from the share capital increases performed;

10. Resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 24, 2012 in its twenty-sixth resolution;
11. acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

This delegation is valid for a term of twenty six (26) months beginning as of the date of this General Meeting.

#### TWENTY-EIGHTH RESOLUTION

**(The purpose of this resolution is to authorize the Board of Directors to increase the share capital, with waiver of the shareholder's preferential subscription rights, in favour of a class of classes of specific beneficiaries of the SUEZ ENVIRONNEMENT group international employee shareholding and savings plans)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report and the Statutory Auditors' Special Report, and in accordance with Articles L. 225-129, L. 225-129-2 to L. 225-129-6 and L. 225-138 of the French Commercial Code:

1. delegates its authority to the Board of Directors to increase the Company's share capital on one or more occasions, in the proportions and at the times it considers appropriate, by issuing shares or securities giving access to the Company's share capital reserved for the class of beneficiaries defined in paragraph 7 below;
2. resolves that such delegation specifically excludes the issuance of preferred shares and securities that give access to preferred shares;
3. resolves that the maximum nominal amount of the capital increases that may be carried out immediately or in the future pursuant to this delegation may not exceed the nominal cap of €12 million (*i.e.*, as of December 31, 2013, about 0.6% of the share capital), or the counter value of this amount, it being understood that this maximum nominal amount of capital increases through new share issuances carried out immediately or in the future pursuant to this delegation will count toward the overall nominal cap of €408 million mentioned in the twenty-ninth resolution of this General Meeting;
4. resolves that the maximum nominal amount of securities representing debt or similar securities conferring access to the Company's share capital that may be issued under this delegation will count toward the €3 billion overall nominal cap set forth in the twenty-ninth resolution of this General Meeting;
5. resolves that this delegation includes, for the benefit of the holders of the securities issued under this delegation and conferring access to the Company's share capital, the waiver by shareholders of their preferential subscription rights applicable to the shares to which these securities will confer rights, immediately or in the future;
6. resolves that the amount of each employee's subscriptions may not exceed the limitations that will be provided by the Board of Directors pursuant to this delegation, and, in the event of excessive employee subscriptions, it will be reduced pursuant to the rules defined by the Board of Directors;
7. resolves to waive shareholders' preferential subscription rights applicable to any shares issued pursuant to this resolution and to reserve the right to subscribe for them to the class of beneficiaries that meet the following criteria:
  - (a) employees and corporate officers of foreign SUEZ ENVIRONNEMENT group companies linked to the Company under the conditions set out in Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, in order to allow them to subscribe for the Company's share capital on economically equivalent terms to those offered to members of one or more corporate savings plans as part of a capital increase undertaken pursuant to the twenty-seventh resolution of this General Meeting, and/or
  - (b) mutual funds (UCITS) or other incorporated or unincorporated entities of employees' shareholding invested in the Company's shares whose unit holders or shareholders consist of the persons cited in sub-paragraph (a) of this paragraph, and/or
  - (c) any banking establishment or subsidiary of such establishment acting at the Company's request for the purpose of setting up a shareholding or savings plans for the benefit of persons cited in sub-paragraph (a) of this paragraph, provided that the authorized person's subscription in accordance with this resolution would be necessary or beneficial in order to allow the above-cited employees or corporate officers to benefit from employee shareholding or savings plans with economic benefits equivalent or similar to the plans from which other SUEZ ENVIRONNEMENT group employees benefit;
8. resolves that the issue price of the shares or securities conferring access to the Company's share capital will be set by the Board of Directors and may be (a) set under the same conditions as those determined under Articles L. 3332-18 *et seq.* of the French Labour Code, the subscription price being equal to at least 80% of the Company's average quoted share price on Euronext Paris over the 20 trading days preceding the day that the decision is made to set the opening date for subscriptions under this resolution, or (b) equal to the price of the shares issued as part of the capital increase benefiting the employee members of a Company savings plan, pursuant to the twenty-seventh resolution of this General Meeting, and which will be at least equal to the Reference Price (as defined in the twenty-seventh resolution of this General Meeting).

Notwithstanding, the General Meeting expressly authorizes the Board of Directors, if it considers it appropriate, to reduce or eliminate the agreed-upon discount, in particular to take into account locally applicable legal, accounting, tax and social provisions. For the specific requirements of an offer made to the beneficiaries cited in 7(a) above who are resident in the United Kingdom, as part of a share incentive plan, the Board of Directors may also decide that the subscription price of new shares or securities conferring access to the Company's share capital to

be issued as part of this plan shall be equal to the lower of (i) the Euronext Paris opening share price of the reference period used to set the share price for the plan, or (ii) the closing share price of the same reference period, the start and end dates of this reference period being determined under local regulations. This price will include no discount on the reference share price;

9. resolve that the Board of Directors may, with the power to subdelegate as permitted by law, determine the subscription options that will be offered to employees in each relevant countries, in accordance with local legal restrictions, and may choose from among the countries in which the Company has subsidiaries within the Company's financial consolidation scope those to whom the offer will apply pursuant to Article L. 3344-1 of the French Labour Code, as well as the subsidiaries whose employees will be eligible to participate in the operation;
10. resolves that the amount of the share capital increase or of each share capital increase will be limited, if necessary, to the amount of each subscriptions received by the Company in accordance while adhering to applicable legal and regulatory provisions;
11. resolves that the Board of Directors will have all powers to implement this delegation of authority, with the power to subdelegate as permitted by law, within the limitations and under the conditions set forth above, specifically to:
  - decide upon the list of beneficiary(ies), without shareholders' preferential subscription rights, within the class defined below, as well as the number of shares or securities conferring access to the Company's share capital to be subscribed for by the beneficiaries or by each beneficiary,
  - decide the opening and closing dates of the subscriptions period,
  - determine the maximum number of shares or securities giving access to capital that may be subscribed by each beneficiary,
  - set the number of shares that will be issued under this authorization including the issue price, dates, deadlines, terms and conditions for subscription, payment, delivery and access (including any retroactive provisions), the reduction rules applicable in the event of oversubscription as well as the other terms and conditions of issuance, within the legal and regulatory limitations in force,
  - report the completion of the capital increases up to the amount of the subscribed shares or securities conferring access to the Company's share capital (after any reduction in the event of oversubscription),
  - if necessary, allocate the fees for the share capital increases to the resulting premiums and withhold the necessary sums from this amount to bring the legal reserve to one-tenth of the new share capital resulting from these share capital increases, and
  - enter into agreements conduct operations, directly or indirectly through a broker, including carrying out the formalities arising from the capital increases, amend the bylaws accordingly and, in general, enter into any agreement with the specific purpose of ensuring the successful conclusion of intended issues, to handle all measures, decisions and formalities necessary for the issue, and conduct listing and financial servicing of the shares issuances by virtue of this delegation, and to permit the exercise of the rights attached thereto or arising from the capital increases carried out;

12. resolves that this delegation supersedes, as of today, all previous delegations having the same purpose, and therefore any unused portion of the previous delegation granted to the Board of Directors by the Combined General Meeting of May 23, 2013 in its eighth resolution;

13. acknowledges that, in accordance with applicable laws and regulations, if the Board of Directors uses this delegation, it must report to the next Ordinary General Meeting on how it has used the authorizations granted under this resolution.

This delegation of authority is granted for a term of eighteen (18) months as of the date of this General Meeting.

#### TWENTY-NINTH RESOLUTION

**(The purpose of this resolution is to set an overall cap for the delegations and authorizations)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings and having deliberated and reviewed the Board of Directors' Report, resolves that the overall amount of capital increases that may be carried out immediately and/or in the future pursuant to the twentieth to twenty-eighth resolutions of this General Meeting or, where applicable, pursuant to any similar resolution that may succeed the said resolutions during their term, may not exceed:

- (a) with respect to share issuances, an overall nominal amount of €408 million (which, at December 31, 2013, represented 20% of the share capital), or the counter value of this amount if the issuance was in another currency or monetary unit established by reference to a basket of currencies, on the issue date; and
- (b) with respect to issuances of securities representing debt or similar securities conferring access to the Company's share capital and issuances of mixed securities representing debt, an overall nominal amount of €3 billion, or the counter value of this amount if the issuance was in another currency or monetary unit established by reference to a basket of currencies, on the issue date,

it being understood that these overall nominal amounts, as well as the maximum nominal amounts specified in each of the resolutions mentioned above, do not take into account adjustments that may be made pursuant to applicable laws and regulations and, as the case may be, to contractual provisions laying down other cases of adjustment to preserve the rights conferring access to the Company's share capital.

#### THIRTIETH RESOLUTION

**(The purpose of this resolution is the delegation of powers for formalities)**

The General Meeting, acting in accordance with the quorum and majority requirements applicable to Extraordinary General Meetings, authorizes any person holding an original, copy, or extract of the minutes of this General Meeting to perform all necessary filings and formalities.

# GLOSSARY

<b>Biological recovery</b>	Method of treating organic waste by composting it or turning it into methane.
<b>Biomechanical recovery</b>	Process in which waste is treated by mechanically isolating certain parts and treating others biologically. Includes several types of mechanical and biological processes, which may be combined in several ways depending on the desired results. Enables the separation of different fractions contained in waste into potentially reusable fractions and/or which can be treated biologically.
<b>BOT (Build-Operate-Transfer) Contract</b>	Contract under which a private company is responsible for project financing and for the design, construction and operation of the site for a fixed period, after which the property is transferred to the co-contractor.
<b>DB (Design-Build) Contract</b>	A building contract for a system for delivering the finished product. The design and construction of the project are carried out by one and the same entity known as the design-builder or design-build-contractor.
<b>DBO (Design-Build-Operate) Contract</b>	Contract under which a private company is responsible for the design, construction and operation of a site.
<b>EMAS – Environmental, Management and Audit System</b>	Certificate based on ISO 14001 certification and an environmental declaration certified by European inspectors, approved by the European Commission and published.
<b>End-of-Life Vehicle</b>	An end-of-life vehicle is a vehicle transferred by its owner to a third party for destruction. The vehicles involved are private cars, vans and three-wheeled scooters.
<b>Energy recovery</b>	Use of combustible waste as a means of producing energy, by direct incineration with or without other combustible matter, or by any other process, but with heat recovery. Energy recovery consists in using the calorific energy of waste by burning it and recovering that energy in the form of heat or electricity. The process can be carried out at an incineration plant or a cement works.
<b>Energy recovery units</b>	Another name for energy-recovering incinerators.
<b>ISO 14001</b>	International standard aimed at verifying a company's procedural organization and methods of the organizational units, as well as the efficient set-up of an environmental policy and related environmental objectives.
<b>Leachate</b>	Water that percolates through the waste stored in landfills and becomes bacteriologically and chemically charged. By extension, this term is also used for water that has come into contact with waste.
<b>Membrane</b>	A kind of filter or sieve that retains particles of different sizes depending on its type and the diameter of its holes.
<b>Natura 2000 Zones</b>	Aiming to conserve biological diversity and promote landscapes, the European Union has embarked, since 1992, on establishing a network of ecological zones known as Natura 2000, which preserve species and natural habitats while taking the human, economic, cultural and regional activities that exist in those zones into account.
<b>PFI – Private Finance Initiative</b>	Financing mechanism which appeared in Great Britain in 1992, whereby a private company finances the design and construction of a project usually assigned to a public authority, and then ensures its management by signing a PPP contract.
<b>PPP – Public-Private Partnership</b>	Financing mechanism by which the local authority calls upon private service providers to finance and manage installations that provide or contribute to the provision of a public service.

<b>Public service contract</b>	Public service contracts are a form of management contract under which a public entity entrusts management of a public service to a company for a fixed period. The company is paid directly by customers and finances all or part of the investments in plant renewal (leasing contract) and in new plants (concession). The terms of concession contracts are generally longer (10 to 30 years) than those of leasing contracts (10 to 20 years) in view of the need for the operator to amortize the newly built installation works.
<b>RDF – Refuse-Derived Fuel</b>	Solid fuel produced through sorting household waste to extract non-combustible materials and compact combustible materials.
<b>Relevant revenues</b>	Revenues generated by so-called “relevant” activities. In fact, certain activities within the scope of financial consolidation may not be considered relevant for environmental reporting purposes due to their core activity. The financial holding company, and commercial, broking, trading, marketing and sales activities are not considered relevant.
<b>Skid</b>	In membrane technology, a platform comprising a frame, potentially on rails, on which an installation assembly is placed. Enables access to a system which can be moved and transported immediately, without dismantling it.
<b>Sludge</b>	Residue obtained following the treatment of effluent. Sludge consists of water and dry material. Properties of sludge vary widely depending on their origin. They depend on the nature of the effluent and the type of treatment applied.
<b>Soil amendment/conditioning</b>	Process aimed at improving the physical properties of soil by incorporating material which, without being a fertilizer, alters and improves the nature of the soil. Sand, clay, lime or organic material, are all conditioners.
<b>Spin-Off/Distribution</b>	<p>The listing of the company’s shares for trading on the Euronext Paris and Euronext Brussels exchanges was part of the creation by SUEZ of a division that combines all of the group’s water and waste operations for which the Company will be the holding company (the “<b>Spin-off</b>”), followed by the distribution by SUEZ to its shareholders (other than SUEZ), proportionally to their interests in the share capital of SUEZ, of 65% of the shares representing the capital of the company following the Spin-off, immediately before the SUEZ-Gaz de France merger is completed (the “<b>Distribution</b>”, together with the Spin-off, the “<b>Spin-Off/Distribution</b>”).</p> <p>The completion of the Spin-Off/Distribution was accompanied by various restructuring transactions, the purpose of which was specifically to reclassify the interests held by SUEZ or its subsidiaries in companies attached to the environmental division under SUEZ ENVIRONNEMENT or certain of its subsidiaries, and to organize the withdrawal of SUEZ ENVIRONNEMENT and certain of its subsidiaries from the Gie SUEZ Alliance.</p> <p>For each SUEZ share held by a party entitled to distribution, one allotment right to Company shares had been granted, on the understanding that four Company allotment rights gave the right to one Company share.</p>
<b>Stadtwerke</b>	Term of German origin used for a municipal company belonging to a German town, the purpose of which is to manage certain public services, particularly energy, water and transport.
<b>Treatment plant sludge</b>	All residues from the biological activity of microorganisms living in treatment plants and transforming the material carried by wastewater so that it can be extracted. They consist mainly of water, mineral salts and organic matter.
<b>WEEE – Waste electrical and electronic equipment</b>	Electrical and electronic equipment includes all devices or components operating on electric or electromagnetic current (whether powered by electrical outlets or by batteries). These include, for example, <b>household electrical goods or white products</b> (cooking appliances, refrigerators, heaters, vacuum cleaners, etc.); <b>audiovisual equipment or brown products</b> (radios, television sets, camcorders, video recorders, hi-fi equipment, etc.); and <b>office and computer equipment, or grey products</b> (computers, printers, scanners, telephones, etc.).

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# NOTE ON METHODOLOGY

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<b>Operating data</b>	Most of the operating data contained in this document were calculated on the basis of a scope of consolidation that includes fully integrated companies.
<b>Population served by collection activities</b>	The number of residents served by the group's collection activities corresponds to the number of residents served by traditional collection, to which is added the number of residents served by selective collection (a conventional collection operation and a selective collection operation that serve the same individual can thus be added together). This involves estimates (the number of residents served by the Group's collection activities has not been counted).
<b>Human resources</b>	The number of group employees corresponds to the number of salaried employees in SUEZ ENVIRONNEMENT and its fully consolidated subsidiaries. Employees of companies consolidated by proportional consolidation or the equity method (for example employees of Group subsidiaries in China or Mexico) are therefore not included in the total Group workforce on that basis; the employee counts mentioned for them are thus in addition to that total. As soon as a company enters into the scope of consolidation through full consolidation, 100% of its employee data is included, regardless of the percentage of share capital held.





# CONCORDANCE TABLE

This Reference Document includes all the elements from the Management Report of the Company and of the Group for the year 2013, as required in particular by articles L. 225-100, L. 232-1-II, L. 225-100-2 and L. 233-26 of the French Commercial Code. The Management Report was made up by the Board of Directors of the Company on February 19, 2014.

<b>Mentions relating to the Management Report</b>	<b>Reference Document Section</b>
<b>I – ACTIVITY OF THE COMPANY AND ITS SUBSIDIARIES AND/OR CONTROLLED COMPANIES, AND OUTLOOK</b>	
Status and business of the Company (Art.L232-1-II, L233-6, al 2, L233-26 et R 225-102 of the French Commercial Code ("Code de Commerce")).	Section 6
Income from the Company's business: financial situation and performance indicators (Art L233-6 al2 et R225-102 al 1 of the French Commercial Code).	Sections 9, 20.1 and 20.3
Objective and exhaustive analysis of business development, the Company's income and financial situation and, specifically, its debt position in terms of business volume and complexity (Art L225-100 al 3 and L225-100-2 al 1 of the French Commercial Code).	Sections 6, 9, 10 and 20.1
Analysis of key non-financial performance indicators relating to the Company's specific business and particularly information relating to environmental or employee issues (Art L225-100 al 3 and L225-100-2 of the French Commercial Code).	Sections 6.8 and 17
Main risks and uncertainties faced by the Company (Art L225-100 al 4 and L225-100-2 al 2 of the French Commercial Code).	Section 4
Price, credit, liquidity, cash flow risk, indication of the Company's exposure to these risks and indications of the Company's objectives and policy regarding the management of financial risks (Art L225-100 al 6 and L225-100-2 of the French Commercial Code).	Sections 4.1.3 and 4.2.4
Research and development activities (Art L232-1-II and L233-26 of the French Commercial Code).	Section 11
Foreseeable development of the Company's situation and future outlook (Art L232-1-II, L233-26 and R225-102 al 1 of the French Commercial Code).	Section 6.3.4 and 13
Important events occurring between the closing date of the fiscal year and publication of the report (Art L232-1-II and L233-26 of the French Commercial Code).	Sections 20.1, Note 25 and 20.7
<b>II – PRESENTATION AND INCLUSION OF THE FINANCIAL STATEMENTS IN THE MANAGEMENT REPORT</b>	
Changes made to the presentation of the annual financial statements or the valuation methods selected (L232-6 of the French Commercial Code).	Section 20.3
Amount of non-tax deductible expenses, global amount of sumptuary expenditures and the corresponding tax and reintegration into taxable income of certain general expenses by global number or expense category (Article 223 quarter and 233 quinquies of the French General Tax Code (CGI)).	Section 20.3
Income for the fiscal year and proposed allocation of that income.	Sections 20.3, 20.5 and 26
Reminder of total dividends paid during the last three fiscal years (Art 243 bis CGI).	Section 26
Days trade payables outstanding (Art L441-6-1 and D441-4 of the French Commercial Code)	Section 20.3

	<b>Reference Document Section</b>
<b>Mentions relating to the Management Report</b>	
<b>III – SUBSIDIARIES AND INTERESTS</b>	
Status of interests acquired in companies whose headquarters are on French soil (Art L233-6 al 1 of the French Commercial Code).	Section 20.3
<b>IV – INFORMATION REGARDING SHARE CAPITAL, RECIPROCAL SHAREHOLDINGS AND TREASURY SHARES</b>	
Name of the companies controlled and proportion of the share capital the latter hold in the Company (treasury shares) (Art L233-13 of the French Commercial Code).	Sections 18.1 and 21
Identity of individuals or corporate entities owning over 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the share capital or voting rights at shareholders' meetings (Art L233-13 of the French Commercial Code).	Sections 18.1, 18.2 and 18.3
Purchase and sales of its own shares (Art L225-211 of the French Commercial Code).	Section 21.1.3
Factors likely to have an impact in the event of a takeover bid (Art L225-100-3 of the French Commercial Code).	Section 18.3.2
Employee profit-sharing in the share capital (art L225-102 of the French Commercial Code).	Sections 17.3 and 18.1
<b>V – STOCK OPTIONS AND BONUS SHARE ALLOCATIONS</b>	
Stock options and bonus share allocations (Art L225-108, L225-180-II, L225-184, L225-185 al 4, L225-197-1 II, al 4 and R225-29 of the French Commercial Code).	Sections 15.1, 17.3 and 20.1 Note 21
<b>VI – GENERAL MANAGEMENT INFORMATION – CORPORATE OFFICERS</b>	
List of positions and titles held in all companies by each of the corporate officers (Art L 225-102-1 of the French Commercial Code).	Section 14.1.2
Choices regarding the role of executive management (Art R 225-102 of the French Commercial Code).	Sections 14.1.1 and 16.4
Status of corporate officers: appointment, renewal, notification of replacement (Art L225-102-1 of the French Commercial Code).	Section 16.1
Compensation and detail of commitments of all kinds made by the company to its corporate officers (Art L225-102-1 of the French Commercial Code).	Section 15
Amount of Directors' fees received by the Board members for the fiscal year (Art L225-102-1 of the French Commercial Code)	Section 15.1.3
Summary of transactions made by the corporate officers and their relatives during the year ended December 31, 2013 (Art L621-18-2 of the French monetary and Financial Code and Art 223-26 of the AMF General Regulations)	Section 18.5
<b>VII – COMPANY AND ENVIRONMENTAL INFORMATION</b>	
Social information (Art L225-102-1, R225-105 and R225-105-1 of the French Commercial Code).	Section 17.2 and 6.8.2
Environmental information (Art L225-102-1, R225-105 and R225-105-1 of the French Commercial Code).	Section 6.8.1
Societal information (Art L225-102-1, R225-105 and R225-105-1 of the French Commercial Code).	Section 6.8.3
Information on plants classified as high-risk. - policy for preventing risk of technological accidents implemented by the Company, - ability of the Company to cover third-party liability to property and people resulting from the operation of its plants, - means implemented by the Company to ensure the management of victim indemnification in the event of a technology accident in which the Company's responsibility is engaged. (Art L225-102-2 of the French Commercial Code).	Sections 4.1.2, 4.2.2 and 4.2.6

<b>Mentions relating to the Management Report</b>	<b>Reference Document Section</b>
<b>VIII – MISCELLANEOUS INFORMATION</b>	
Summary of resolutions submitted at the Annual Shareholders' Meeting.	Section 26
Injunctions or financial sanctions for anti-competitive practices issued by the Anti-Trust Authority (Art L464-2 I of the French Commercial Code).	Section 20.6.1
<b>IX – STATUTORY AUDITORS</b>	
Mandates awarded to the statutory auditors.	Section 2
<b>X – DOCUMENTS TO BE ATTACHED AS AN APPENDIX TO THE MANAGEMENT REPORT AND/OR TO BE CIRCULATED TO SHAREHOLDERS</b>	
Income statement for the last five fiscal years (Art R225-102 al 2 of the French Commercial Code).	Section 20.3.7
Report of the Board of Directors on the resolutions.	Section 26.2
Report of the Chairman of the Board of Directors (Art L225-37 al 6 and 10 of the French Commercial Code).	Section 16.4
Report of the statutory auditors on the annual financial statements (Art L225-100 al 8, L823-9, L823-10, L823-11, L823-12 and R823-7 of the French Commercial Code).	Section 20.4
Statutory auditors' report on selected social, environmental and governance disclosures (Art L225-102-1 of the French Commercial Code)	Section 6.8.4
Inventory of marketable securities held in portfolios at the end of the fiscal year.	Section 20.3.7 Note 18
Summary table: - on the status of the delegation of authority and currently valid powers granted to the Board of Directors or Executive Committee by the Shareholders' Meeting in terms of capital increases; - on the use made of that delegation in the past fiscal year. (Art L225-100 al 7 of the French Commercial Code)	Section 21.1.5



## CONCORDANCE TABLE

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