

# Employee share offering : SEQUOIA 2015 Local supplement for the United States

You have been invited to invest in Veolia Environnement shares in the Veolia Environnement Group employee share offering "SEQUOIA 2015" (the "Offering"). You will find below a brief summary of the offering information for U.S. employees and principal tax consequences relating to the Offering. You should read this together with the Information Brochure for the Offering.

## LOCAL OFFERING INFORMATION

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### Reservation Period

During the reservation period, you will be able to subscribe to purchase Veolia Environnement shares ("VE Shares") by completing and sending in your subscription form to participate in Sequoia 2015. The reservation period starts on September 18, 2015 and lasts until October 5, 2015 (inclusive).

### Subscription Price

The subscription price (i.e., how much you will pay for each VE Share) will be expressed in euros and will be equal to the average of the opening prices of VE Shares on Euronext Paris over the twenty (20) trading day period preceding November 4, 2015, less the discount of 20%. The subscription price will be published on November 5, 2015 on the Sequoia website ([www.sequoia.veolia.com](http://www.sequoia.veolia.com) – password: sequoia2015).

While the VE Share subscription price is expressed in euros, your subscription to purchase the shares will be in U.S. dollars. Consequently, the amount of your payment will be converted to euros using the exchange rate published by the European Central Bank on November 3, 2015. Further, for so long as you continue to hold the VE Shares for which you subscribed in the Offering, the value of your investment in VE Shares will be affected by fluctuations in the currency exchange rate between the euro and the U.S. dollar. As a result, if the value of the euro strengthens relative to the U.S. dollar, the value of the VE Shares expressed in U.S. dollars will increase. On the other hand, if the value of the euro weakens relative to the U.S. dollar, the value of the VE Shares expressed in U.S. dollars will decrease.

### Cancellation Period

As the subscription price will not be known during the reservation period, there will be an opportunity to cancel your subscription if you wish once the subscription price has been set. The cancellation period starts on November 6, 2015 and lasts until November 10, 2015 (inclusive). Upon the expiration of the cancellation period, outstanding subscriptions become binding and irrevocable.

### Method of Payment

Your personal contribution may be paid via payroll deduction or personal check. If you elect to pay via payroll deduction, the deductions will occur in equal installments over two pay periods if you are paid biweekly, and over four pay periods if you are paid weekly. Employees paid biweekly and weekly will have deductions withheld on pays the weeks of November 16, 23, and 30 and December 7. If you pay via check, the check should be made out to Veolia North America LLC and remitted to Mary Kay Conley at 101 West Washington Street, Suite 1400, Indianapolis, IN 46204. The check must be received by the end of the reservation period (i.e., October 5, 2015).

### Custody of Your Shares

Your VE Shares purchased through the Offering will be record kept in your name and held in an omnibus account at Computershare Trust Company, N.A. ("Computershare"), the global custodian for the U.S.-based participants.

### Dividends

Any dividends declared and paid by Veolia Environnement on the VE Shares held by you in your Sequoia 2015 account will be paid directly to you.

### Voting Rights

You will be entitled to directly exercise the voting rights attached to your VE Shares.

## Lock-Up Period and Early Exit Events

Under the Offering, your investment must be held for a period of five years, and you will not be able to sell the VE Shares that you subscribe for in the Offering prior to the end of this five-year “lock-up” period. Nevertheless, you may be able to request early release and exit from the Offering before the end of the lock-up period in the case of the following events:

1. Your disability (as determined under Veolia’s long term disability program);
2. Your death;
3. The termination of your employment with Veolia Environnement and its affiliates; or
4. You experience a hardship (as determined under the Veolia North America 401(k) Savings Plan, without regard to the requirement to take a loan under such plan).

You should not conclude that an early exit event is available unless you (or your estate or guardian) has provided any required supporting documentation to Computershare and received confirmation that the event is approved for early exit.

## SECURITIES, TAX AND OTHER REGULATORY CONSIDERATIONS

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### Securities

#### Notice

The securities offered hereby will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), or under any state securities laws, and neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities or passed on the adequacy or accuracy of this Local Supplement or the other documents delivered to you in connection with the Offering. Any representation to the contrary is a criminal offense. The securities are offered pursuant to exemptions provided by the Securities Act and certain state securities laws and certain rules and regulations promulgated pursuant thereto. The securities may not be sold, transferred or otherwise disposed of within the United States in the absence of an effective registration statement under the Securities Act or an exemption from the registration requirements under the Securities Act and applicable state securities laws. Veolia Environnement may require an opinion of counsel that an exemption from registration is available. In addition, the shares offered hereby will be subject to a five-year holding period during which you may not sell or transfer the shares, except under certain limited circumstances.

#### Rule 701

The Offering is a “compensatory benefit plan” within the meaning of Rule 701(c)(2) under the Securities Act, and Veolia Environnement will be relying on the exemption from registration under the Securities Act provided by such Rule 701. This Local Supplement (except for the section entitled “Tax Information for Employees”) and Information Brochure collectively constitute the plan document for purposes of Rule 701. The Information Brochure has been distributed to you simultaneously with this Local Supplement.

#### Tax Information

This summary sets forth general principles that are expected to apply to employees who participate in the Offering and (i) are residents in the United States for purposes of U.S. federal tax laws and the Convention between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital effective January 1, 1996 (the “Treaty”) and (ii) are entitled to Treaty benefits. This discussion is not intended to address the tax consequences resulting from all of the situations relating to the Offering..

This discussion is based on Veolia Environnement’s understanding of the present French and United States federal income tax laws as they are currently interpreted by the relevant governmental agencies. No representation is made as to the likelihood of the continuation of the current interpretation of such tax laws. Moreover, no attempt has been made to consider any applicable U.S. state or other tax laws. A qualified tax advisor should always be consulted with regard to the application of the tax law to the particular circumstance.

#### Circular 230 Notice

**ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS LOCAL SUPPLEMENT (AND ANY RELATED DOCUMENTS THERETO) IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT THE INTERNAL REVENUE SERVICE MAY ATTEMPT TO IMPOSE ON A TAXPAYER, (B) THE INFORMATION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTION OR MATTERS ADDRESSED BY THE WRITTEN INFORMATION AND (C) TAXPAYERS SHOULD SEEK TAX ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

## Tax Consequences Upon Subscription

### Will I be required to pay any tax upon subscription or purchase of the VE Shares?

There will be no tax due at the time you subscribe. Upon purchase of the VE Shares following your subscription, scheduled for December 17, 2015, you will recognize income in the amount of, and be taxed on, the difference between the fair market value of the VE Shares you acquire in the Offering (including the value of any VE Shares acquired with the matching contribution made on your behalf) and the amount of your personal contribution. The difference between the fair market value of the VE Shares and what you paid for them is impacted by any discount offered on the VE Shares, any matching amount of VE Shares provided by Veolia, any change in value of the VE Shares between the date the subscription price is fixed and the purchase date, and any currency exchange fluctuation.

The income recognized as a result of the acquisition of VE Shares will be treated as additional compensation income (ordinary income) and will be reported by your Veolia employer as additional compensation on your Form W-2 for 2015. Further, this additional compensation will be subject to immediate withholding of federal income taxes, payroll taxes (Social Security and Medicare taxes under the Federal Insurance Contributions Act ("FICA")), as well as state and local income taxes, depending on the state in which you work or reside. Pursuant to applicable laws, your Veolia employer may be required or may deem it appropriate to withhold taxes or fulfill employment related or other obligations in connection with your taxable income received upon subscription. Your Veolia employer has the right to determine how such collection, withholding or any other measures are arranged or carried out. However, ultimately, you are personally responsible for any taxes associated with your purchase of VE Shares under the Offering. You are advised to consult your own financial and tax advisers (at your own expense) before subscribing to the Offering.

## Tax Consequences While Holding VE Shares

### Will I be required to pay any tax on dividends I receive on my VE Shares?

#### (i) Taxation in France

France generally imposes a withholding tax of 30% on dividends paid to residents of other countries, including the United States. However, if you meet the conditions in the Treaty and comply with certain filing formalities, French withholding tax will be levied on dividends paid on your VE Shares at the reduced rate of 15% (rather than 30%). The reduced withholding tax rate of 15% will apply if you deliver to the paying agent, at least 3 weeks prior to the date of payment of the dividend, French Tax Form 5000 (certificate of residence) either certified by a U.S. bank or accompanied by an Internal Revenue Service ("IRS") certificate of tax residence (IRS Form 6166). You should attach French Tax Form 5001, relating specifically to dividends, to the Form 5000. If you do not submit a properly completed and certified Form 5000 and the accompanying Form 5001, the withholding tax will be levied at the rate of 30%. In this case, you may apply to have the difference refunded to you or charged against future French withholding taxes by submitting Forms 5000 and 5001 to the French tax authorities before December 31 of the second year following the year of payment of the dividend.

English language versions of Forms 5000 and 5001, together with instructions for completing and submitting the forms, are available at the web site of the Embassy of France in Washington, D.C.: <http://ambafrance-us.org/spip.php?article1315>.

#### (ii) Taxation in the United States

For U.S. Federal income tax purposes, the gross amount of any dividend paid on the VE Shares, including any French withholding tax, will be included in your gross income as dividend income in the year the payment is received. The amount of any dividend paid in euros, including any French taxes withheld, will be equal to the U.S. dollar value of the euro amount calculated by reference to the spot rate in effect on the date the dividend is includible in income. Please note that the calculation will be made with respect to the U.S. dollar equivalent regardless of whether you actually convert the euros into U.S. dollars.

Subject to certain conditions and limitations, you may claim the French withholding tax that was collected on any dividends paid to you as a credit against your U.S. federal income tax liability or alternatively as a deduction. In general, FICA taxes are not imposed on dividend income. However, your dividend income may be subject to a 3.8% Medicare tax. This tax is imposed on net investment income, which generally includes income from dividends, if a taxpayer's modified adjusted gross income is higher than a threshold amount. The amount of net investment income subject to this tax is the lesser of (a) total net investment income; or (b) the amount of a taxpayer's modified adjusted gross income that exceeds \$200,000 (\$250,000 for married couples filing jointly).

## Tax Consequences Upon Disposition

Will I be required to pay any tax when, at the end of the lock-up period (or in the event of an authorized early exit event), I sell my VE Shares?

#### (i) Taxation in France

You will not be subject to income taxes in France when the lock-up period expires or, subsequently, on the gain, if any, realized when you sell your VE Shares.

#### (ii) Taxation in the United States of America

No tax will be imposed upon release of the VE Shares to the employee at the end of the lock up period. However, upon a sale of the VE Shares, gains (calculated as the difference between the sale proceeds and the tax basis of such shares, including both your investment and any amount recognized as income in connection with the purchase) will be subject to long-term capital gains if the VE Shares are held for more than one year and short term capital gain (taxed at rates applicable to ordinary income) if the VE Shares are held for one year or less. The one-year period generally starts as of the day after the shares are transferred to the employee's account with the custodian.

In general, FICA taxes are not imposed on capital gains from the sale of shares. However, your capital gains may be subject to the 3.8% Medicare tax on net investment income described under the above section on taxation of dividends. Net investment income includes capital gains.

## **Tax and FBAR Reporting Requirements**

In any year in which you recognize income or gains related to the VE Shares for which you subscribe, you will be required to report the relevant amount(s) on your annual federal income tax form (e.g., Form 1040) and any applicable state or local tax form.

Additionally, the IRS requires taxpayers to include a Form 8938 with the annual federal income tax form to disclose “specified foreign financial assets” that exceed a minimum threshold (which can be as low as \$50,000). Generally, foreign securities and foreign financial accounts are considered to be “specified foreign financial assets”. However, taxpayers are not required to report accounts maintained by U.S. financial institutions. As currently contemplated, Computershare will serve as the U.S. custodian of the VE Shares, and as such, we would not expect employees to have a Form 8938 filing obligations solely as a result of participating in the Offering. However, you should consult your tax advisor to make any determinations with respect to obligations to include a Form 8938 with your annual federal income tax form.

The Bank Secrecy Act requires U.S. persons who have financial interest in aggregate exceeding \$10,000 in a foreign bank, foreign securities or other foreign financial account to file a FinCEN Form 114, Report of Foreign Bank and Financial Accounts (“FBAR”) annually. However, such U.S. persons are not required to FBAR with respect to foreign securities are held in an account with a financial institution located in the United States and the person may not directly access their foreign holdings. As currently contemplated, Computershare will serve as the U.S. custodian of the VE Shares, and as such, we would not expect employees to have an FBAR filing obligation solely as a result of participating in the Offering. However, you should consult your tax advisor to make any determinations with respect to obligations to file an FBAR.

## **Deferred Compensation**

The Offering, as designed, does not involved any tax deferred compensation and, as a result, is not subject to Internal Revenue Code Section 409A.

## **ERISA**

The Offering is not subject to any provisions of the Employee Retirement Income Security Act of 1974 (commonly known as “ERISA”).

## **Questions**

Please see your [veoliabenefits.com](http://veoliabenefits.com) or contact Michael Torongeau at [michaela.nightenhelser@veolia.com](mailto:michaela.nightenhelser@veolia.com) or at 317.917.3715 or Mary Kay Conley at [marykay.conley@veolia.com](mailto:marykay.conley@veolia.com) or at 317.917.3928 for questions and more information.