

Comité 21



Paris, 25 April 2007

CONSULTATION PROCESS BETWEEN SUEZ ENVIRONMENT AND A PANEL OF STAKEHOLDERS

SUMMARY OF THE FIRST CONSULTATIVE MEETING

Within the framework of its sustainable development policy, SUEZ Environment, together with Committee 21, has taken the first steps in external consultation, enabling them to identify the analyses and expectations of a panel of sustainable development experts, and water sanitation services policies. The aim of consultation was to improve the appropriateness of company strategy in line with society's expectations and to refine our thoughts and commitments regarding sustainable development. The ultimate goal is to enable the company to state its commitments and thus refine its plans of action.

The first phase in consultation took place on 9 March 2007. This first meeting enabled the stakeholders represented to voice their expectations. At a second meeting, which will be held in the autumn of 2007, SUEZ Environment will reply to the questions mentioned below and state its commitments.

The meeting was attended on behalf of the company by representatives of the SUEZ Group, SUEZ Environment and Lyonnaise des Eaux. There were some fifteen external stakeholder representatives from the world of science, from cooperation organisations, from industry and consultancy, elected representatives and their associations and representatives of charities (NGOs for North-South development, solidarity, human rights defence).

The organisation of the consultations was based on rules devised by Committee 21 and approved by the participants: confidentiality of discussions; comprehensive replies to questions asked; discussions led by Committee 21.

Committee 21 called together the stakeholders and chaired the meetings, making sure that the accepted rules were respected by all, to ensure the smooth-running and quality of the debates, with the aim of making an operational contribution to progress within the Company. Committee 21 was made responsible for drafting the summary of the consultation.

The company committed to maintaining the procedure over time and to record decisions taken regarding commitments made and operational interpretations arising from the expectations voiced.

Reminder of the expectations voiced by stakeholders

I/ INFORMATION AND CONSULTATION: BALANCING POWER WITH STAKEHOLDERS

Expectations voiced by stakeholders fell under three main headings: redefining water governance; transparency and tariffs for services; fighting corruption.

1. Towards redefining water governance

Access to information

In a revised definition of water governance (equality of knowledge of operators and territories), can SUEZ make commitments in terms of balancing knowledge and power between the public and private sectors? This implies knowledge and dissemination of information on resources, the aquatic milieu (the state of resources), the state of the network (its deterioration) and sanitation services (where costs will increase proportionally) and on adjustments, both internal (between consumers of drinkable water) and external (North-South relations).

Bilateral relationships between operators and regulators are no longer sufficient for defining the regulation of information. New governance issues raise the crucial question of access to information for other stakeholders (with the widest possible definition of stakeholder representation: citizens, NGOs, companies and trade unions etc). How can SUEZ take part in this attempt to share information, and in discussions both prior to signing a contract and throughout the whole duration of the contract?

Balancing powers

As the manager of a vital public asset, the social responsibility incumbent upon a corporation such as SUEZ is quite specific. The concentration of decision-making powers in the hands of the private sector raises the question of balance of power. Where is the point of balance between government ethics and the entrepreneurial objectives of the service provider?

In many developing areas, institutional arrangements and social coalitions have become obsolete and are no longer capable of "stabilising" water management. How does SUEZ intend to ensure a "balance of power" with existing stakeholders so that contracts will continue to apply (even in conflict situations)?

Access to information is a necessary but insufficient condition for the balance of power and the renewal of governance. In order to effectively overcome the problems of asymmetry of information, SUEZ must also get involved in issues of wealth-sharing and capacity for involvement and negotiation in power-sharing and decision-making issues. It was suggested that SUEZ employ a process of public-private partnerships to set up consultative platforms with the poorest representatives.

National governance vs. Local governance

What roles can SUEZ play in terms of local and national governance to provide the conditions for a better "balance of power" at all levels (notably in developing countries)?

There is no ideal level for water governance. Can criteria be identified that defines the most suitable level of governance for every local situation?

Strategy assessment

Redefining water sector governance of the water sector presupposes the involvement of a delegating organisation beyond the framework of service management. It presupposes a genuine assessment strategy that is intelligible to the general public; conditioning more transparent contracts. How can the Group get involved in the definition of defining progressive strategies and governance assessment procedures in the water sector? Is the SUEZ Group ready to accept performance targets and/or obligations for results in its

contracts? Would it accept communicating this information, which could become an international benchmark in the performance of water services?

2. Transparency and tariffs for services

Regarding the failure of contracts in a number of developing countries, a genuine accountability by the Group is expected, and a clarification of the reasons for these failures, leading to an open and transparent exercise in communication.

Between the extremes of free water access and making money from it, SUEZ must be a fully open operator on the water market. Would SUEZ agree to notify profits generated?

In many countries in the South, water is invoiced and, as a general rule, those on low incomes pay much more than the better-off. How can SUEZ be more equitable in terms of its tariffs?

In the absolute, the consumer finds water charges difficult to understand and the different levels of price between territories are often poorly understood. Can SUEZ contribute to developing a quality and accessibility water resource table for given territories? Can Suez put into perspective the various factors in determining water tariffs (particularly for sanitation services) to contribute to more intelligible tariffs?

3. Fighting corruption

In order to anticipate and, where necessary, counter the risks of corruption (patronage), and also to contribute to a better balance of power with the various levels of government in place, SUEZ should define rules that enable it to commit to fair and equitable investments and management methods, that are comprehensible to the majority.

Does SUEZ have the means to take action against the scourge of corruption, or does it intend to be resigned to it? If it intends to fight it, is the Group going to adopt a code of ethics, draw up guidelines for good practices, build a suitable system of remuneration for sales representatives, and support the standardisation of accounting?

In order to fight the factors that distort competition, it is suggested that SUEZ share its knowledge on fighting corruption mechanisms with its backers. This would clean up the conditions for competitive bidding in the water market on a worldwide basis.

It is suggested that SUEZ avoid monopoly situations, which are in themselves an important factor leading to corruption.

II/ UNIVERSAL ACCESS AND EQUITY REGARDING WATER AND SANITATION SERVICES

Expectations voiced by stakeholders fell under three main headings: SUEZ strategy in developing countries and territories; decentralised cooperation; cost transparency and service tariffs

1- SUEZ strategy in developing countries and territories

Longevity of commercial strategy

How does the SUEZ Group see its role in the future regarding access to water world wide, optimising, in particular, performance objectives, obligations for results and accounting transparency?

Ultimately, in the water domain, is the Group's strategy to invest in wealthy countries or poor countries? If the Group intends to continue its presence in poor countries, what proportion of its turnover is it ready to allocate? What is the justification for such investments?

What lessons has the Group learnt from the setbacks it encountered in some developing countries? In particular regarding negotiating future contracts? How does the Group see itself moving forward in terms of assessing objectives and the means planned for contracts generalising access to services? How can the continuity and coherence of these contracts be measured (presupposing that the operator commits to reasonable objectives that it is sure it can maintain over time)?

How does the Group intend to arbitrate between rural and urban imperatives? How can it contribute to a better balance between the two?

Differentiated standards

The French public service model is not replicated everywhere in the world with the same criteria for service requirements. Is the SUEZ Group ready to accept this state of affairs and promote different standards to match hydrology and human (socio-economic) realities when setting up in a territory?

It is proposed that the SUEZ Group invest in research and development in order to draw up new, cheaper economic models, suited to supplying water in rural areas and small towns in developing countries.

2- SUEZ involvement in decentralised cooperation

Organising cooperation

While the Group wants to be a partner in building water services wherever societies need them, including rural areas and small towns in developing countries, how does it intend to interact with institutions and cooperation organisations?

A large corporation such as SUEZ could provide expertise on a regional or national basis, as well as audit facilities and competence sharing etc. It is suggested that SUEZ, together with local authorities, take part in decentralised cooperation.

Other than the technical expertise the Group can provide, it is proposed that SUEZ become involved in resolving institutional issues, even to providing operational support for fighting corruption.

Organising relations with local stakeholders

In the poorest countries, it is suggested that SUEZ strengthen ties with local organisations by creating a foundation for cooperating with small local companies, or following the example of Haiti, accepting the delegation of community management.

It is suggested that the Group work on promoting local enterprise by contributing to operator training, and more widely, entrepreneurship, through organising the transfer of skills.

Financial partnerships

It is suggested that the Group allocate some of the profit generated to benefit North-South relations and give the Group a co-contribution role together with cooperation organisations, local authorities and NGOs.

In the absence of proper banking systems in certain developing territories, could SUEZ help build financial proposals making projects more credible, and facilitate links between banks and companies?

In order to get away from one simple dialogue between local authority subsidiaries and delegating authorities, and to release financing funds, could the SUEZ Group join with other private sector enterprises (who use water) so that they might benefit from their know-how and investments?

3- Cost transparency and service tariffs

SUEZ should contribute to a greater legibility of sharing the economic cost of water management between those involved (beyond financing initial investments) and make this data accessible.

In view of the increasing complexity of tariff mechanisms, is the SUEZ Group prepared to undertake an evaluation of consumption and tariffs in domiciles in order to clarify the issues of price elasticity of demand?

In order to ensure access to essential services, is SUEZ ready to support the principle of a "social" water tariff?

Continuation of the consultative process:

The second meeting must be arranged within three to six months to draw up responses and take decisions regarding the commitments the company wants to make. The company will respond to the expectations voiced, the questions asked and the suggestions made. This second meeting will also enable stakeholders to comment on the adequacy of the company's response to their expectations and to suggest future developments.