

Comité 21



Paris, January 31, 2008

SUEZ ENVIRONMENT CONSULTATION PROCESS WITH A PANEL OF STAKEHOLDERS

SUMMARY OF THE MEETING ON JANUARY 7, 2008

Within the context of its sustainable development policy and in conjunction with Committee 21, Suez Environment has organised the second session for the consultation process with the external stakeholders enlisted at the beginning of 2007. The first meetings in March 2007 in France and in April 2007 in the United States permitted us to identify the analyses and expectations of a panel of experts on sustainable development and water supply and sanitation policies. A consultation with stakeholders has the objective of bettering the correspondence between company strategy and the expectations of civil society, and of adding to the company's reflections and commitments in the domain of sustainable development. In time, it must lead the company to stipulate its commitments and adapt its action plan accordingly.

The consultation process

In view of the expectations and proposals issued by the stakeholders at the first meetings, at the meeting in January 2008 the company expressed a certain number of commitments. It presented the actions it has already adopted, or which are in the process of being adopted, in writing via documents addressed to the stakeholders. At the meeting on January 7, company representatives presented to the panel the decisions taken, the actions confirmed and the commitments and their operational consequences. Each of the themes tackled was followed by a debate with the stakeholders on the appropriateness of the group's responses to expectations, also permitting additional proposals to be made.

On the side of the company, this second consultation meeting brought together all of the departments concerned at the level of Suez, Suez Environment and Lyonnaise des Eaux as well as various local subsidiaries. The external stakeholders included fifteen or so organisations from scientific spheres, cooperation, industrial and consultant bodies, elected representatives and their associations and representatives from community-based initiatives (NGOs for North / South development, solidarity, human rights).

The consultation rules and principles retained are identical to those proposed by Committee 21 for the first meeting and were once again approved by all participants: confidentiality of exchanges, exhaustive nature of responses to questions posed; firm establishment of the process over time; overseeing of exchanges by Committee 21. Committee 21 mobilised the stakeholders and oversaw the meetings, ensuring that the rules accepted by all were respected to maintain the serenity and quality of debates, with the objective of making an operational contribution to the company's progress initiative. Committee 21 was entrusted with the task of drafting the summary of this consultation meeting.

As regards both content and form, this second consultation session with the external stakeholders was noted for its quality. The context of the procedure was scrupulously respected by company participants

and external stakeholders. The stakeholders welcomed the efforts made in terms of transparency and expressed their interest in seeing the significant mobilisation, at the highest level, of group representatives. For their part, company representatives saluted the quality of reciprocal listening, permitting works to be undertaken with greater efficiency. They also appreciated the level of knowledge stakeholders possessed with respect to the company and its difficulties. Although dealing with numerous and complex stakes which by nature cannot be dissociated, the participants expressed their interest in being associated with and informed of all of the Group's sustainable development issues.

The conditions of the acquis

The company committed to ensuring that the process is a long-term process and to reporting on the decisions taken in terms of commitments and operational effects. Owing to this, the initiative comes within a progress process and a certain number of the actions presented by the company gave rise to questions, the need for precisions, a desire for realisation or, in other cases, reservations on the part of a certain number of stakeholders. Furthermore, a brief exchange took place between the stakeholders and company representatives on the nature of the consultation process itself and on its evolutionary prospects. All were unanimous in their wish to see the process continue.

The commitments made

The commitments made by SUEZ Environment and likely to be implemented at an operational level in the short-term are:

The exchanges during the first session led Suez Environment to clarify its responsibility and commercial strategy according to the different types of markets. Three main types of situations have consequently been defined:

- The business as usual segment, which regroups the countries in which public service delegation is a favoured management mode for these essential services, with partnerships between public and private sectors (concession, affermage, partnership contract, BOT, operation & maintenance contract etc.). This namely concerns Europe, North America, Australia and China.
- The sponsorship and humanitarian action segment, which permits a minimum water and sanitation service to be provided in regions which are too poor and where housing is too dispersed for such services to be introduced in the typical sense. Humanitarian action is performed via an NGO belonging to the company, Aquassistance, or via other vectors (partnerships with operational NGOs, financing humanitarian actions, technical contributions).
- In between these two situations, we can identify an intermediary segment which concerns average-sized cities in developing countries. It is characterised by the tariff's incapacity to finance the renewal or extension of infrastructures and often, by institutional weaknesses and planning difficulties at the level of public policy for access to water or sanitation services. This segment requires a specific contractual model which closely associates the operator, the public authorities, NGOs and representatives from civil society and the backers financing the necessary infrastructures.

As a whole, the stakeholders applaud Suez Environment's efforts to segment markets.

Beyond market segmentation, Suez Environment has regrouped its projects around three themes:

- The company's social and environmental responsibility ;
- Adding to the commercial service offer;
- The institutional contribution for better water governance thanks to the sharing of experiences.

Theme 1: Suez Environment's social responsibility

The formalisation of Suez Environment's CSR strategy is translated by its adaptation to the specificities of the places in which the company is established. It contains specific training actions (social engineering programme) and transfers of expertise to local stakeholders. In 2008, formalisation actions will be set out

in a letter of commitment drafted by General Management following this consultation session and by the progression of *reporting* within the *Roadmap* and the introduction of additional social and societal indicators.

Given their local specificities, the reinforcement of local governance is a matter which concerns Suez Environment subsidiaries. It is characterised by support and accompaniment in order to put in place more in-depth dialogues with local stakeholders on their scale.

Internal mobilisation on the social components of Suez Environment's activities is based on a training dynamic, whose content is adaptable and flexible, meeting the requirements of well-being, better comprehension and better performance.

Reporting on the company's global performance occurs via a tool to steer responsibility, known as a *Roadmap*. This tool aims to review all of the commitments representing the good performance of activities from an economic, environmental, social and societal viewpoint. The *Roadmap*, which sets out 52 commitments, is in place within the majority of major subsidiaries and concerns between 70% and 80% of Suez Environment's turnover.

In 2006, Lyonnaise des Eaux adopted a procedure to promote dialogue, listening and transparency, which has been christened "Nouvelle donne". Information has been simplified in order to make it accessible to all. It initially concerns the report of the delegatee.

The Suez Environment Foundation has the objective of facilitating the access of poor or underprivileged populations to the essential services of drinking water, sanitation, hygiene and waste management. The annual budget of the Foundation stands at 3 million euros. In relation to previous years, this budget has permitted Suez Environment's possibilities for action to be doubled as regards humanitarian aid (for example: provision of expertise and transfer of skills within the context of projects).

Theme 2: Adding to the commercial service offer

Specific actions for populations in precarious situations within the context of traditional contracts show that in spite of the difficulties encountered, private players do have a role to play in these testing situations.

The 4P model – participatory public private partnership – applies to the business segment in difficult situations, in other words, which can neither be classified as business in the traditional sense nor as purely humanitarian. It concerns developing countries and cities which do not possess the political, economic and social stability conditions necessary for the implementation of long-term contracts. The populations live in secondary cities where water and sanitation services are little developed. By further associating the responsibility of local authorities, civil society (NGOs), financial backers and operators, this model hopes to provide a new response to the Millennium Goals via partnership models associating private and public players in the most transparent manner.

The creation of the WDA, -Water Development Alliance - (association governed by 1901 law) aims to ensure that specific operator expertise (both public and private) is benefited from, permitting ethics and the social responsibility of activities to be improved.

The WIKTI initiative -Water International Knowledge Transfer Initiative- has been developed to work on the transfer of knowledge to local personnel by diagnosing needs and introducing expertise. Transfers clearly concern technical expertise, but also behavioural and organisational skills. This tool permits a progress assessment to be conducted per business and per activity.

Theme 3: Contributing towards better water governance

Among other things, actions to improve transparency and combat corruption are reflected by the support given to a research programme led by the UNESCO for the right to water, based at the University of Dundee. This three-year research programme intends to create the link between the participation of users

and the imperatives of transparency. At the end of 2005 the group also put in place a partnership with Transparency International France with the objective of helping Suez Environment to improve its organisation in terms of internal corruption prevention (practices of commercial representatives and external agents, purchases, recruitments, sponsorship, customer relations). The results of this initiative are awaited for 2009. In addition, Suez Environment has joined the international WIN network - Water Integrated Network- which aims to combat corruption as a factor limiting access to water in developing countries.

As a newly listed company, in 2008 Suez Environment will assert its own rules, charters and ethics procedures.

Suez Environment intends to take action with the public authorities responsible for the right to water by providing its know-how, whilst being careful not to usurp their role. The group nevertheless intends to reflect on how to include the right to water in contracts – namely as regards tariff policies – whilst taking account of the legal specificities of each country.

Reminder of the expectations expressed by the stakeholders

SUEZ Environment's social responsibility

- Greater transparency: whilst respecting the confidential nature of certain contractual information which, if divulged, would compromise the company's competitive edge,
- Put in place indicators: beyond the traditional indicators to measure Suez Environment's contribution to the Millennium Goals. An extra-financial assessment of Suez Environment's results must be systematic.
- Foundation – sponsorship actions: profile and budget to match stakes (see Millennium Goals)

Add to the commercial service offer

- The 4P model: request for clarification, namely in terms of the remuneration of expertise,
- The Wikti initiative: greater transparency regarding the sources of Wikti financing and on the sum and contents of *management fees*.

Contribute towards better water governance

- Combat corruption: existence of a list of regions and / or countries in which Suez Environment forbids itself from working owing to the level of corruption observed?
- Local consultation: organise consultation meetings with stakeholders at a local level.

Opinions and suggestions of Committee 21

Committee 21 is delighted with the progress made by Suez Environment between the two consultation sessions. The company has provided elements of a response to all of the themes raised during the first session, even if for numerous topics, these responses still need to be further clarified and/ or added to. The market segmentation proposed has been approved by all of the stakeholders and provides an essential clarification of Suez Environment's activities.

The company provided elements of a response for all of the questions posed and responded to this first consultation with concrete and significant progress. Committee 21 does however estimate that the subject is far from exhausted. Several issues would merit more precise commitments. On four themes in particular, Committee 21 would like Suez Environment to adopt clearer and more ambitious positions: the sponsorship policy, the reporting system, the 4P model and consultation with local stakeholders.

- **Sponsorship policy:** missions and objectives must be much clearer and easier to read. A group such as Suez Environment is expected to meet the Millennium Goals. The actions and the sums allocated must correspond to this expectation.
- **The reporting system:** Suez Environment's action is international and based on a strong territorial establishment. In this sense, the responsibility indicators selected, namely as regards societal aspects, must be more numerous and shared with other stakeholders. These tools must constitute a real internal and common steering tool, permitting CSR strategy to be put in place and appropriated. A group such as Suez Environment is also expected to reveal its vision of society via these indicators, which cannot solely be indicators of condition.
- **The 4P model** must be able to be more clearly expressed permitting its innovative nature and added value to be illustrated with respect to existing partnerships. Which experiments are in progress, what are the objectives, the partnerships, the deadlines fixed?
- **The consultation process** with the external stakeholders committed to the process at a *corporate* level must be able to find outlets at the level of territorial establishments. The strong territorial establishment of Suez Environment's activities must be accompanied by a long-term structured and organised dialogue with local stakeholders.

In addition Committee 21 suggests that Suez Environment **renews this consultation exercise** with the stakeholders to take account of all of the activities performed by the group (water and waste services). We also propose that the company initiates a second consultation session to discuss the group's sustainable development strategy as a whole and that the panel of stakeholders is reinforced in order to do so. The two initial questions, (transparency and access to the resource) should not be retained in order to permit a real transverse and integrated analysis of the stakes.

Committee 21 applauds the Group for the very significant mobilisation, at the highest level, of representatives from Suez, Suez Environment and Lyonnaise des Eaux. This mobilisation is the proof that the sustainable development stakes have been understood internally and that all of the strategic and operational departments concerned are implicated. It reiterates its satisfaction on seeing that a constructive dialogue, based on mutual respect, is being developed within a multi-player context with a view to improving the management stakes of sustainable development.

It is important that this consultation process becomes a long-term initiative to acquire weighting and legitimacy. Suez Environment has accepted that the exercise be repeated from the end of 2008 and Committee 21 applauds this decision.