



The consultation process at Suez Environnement

"Ethics and Transparency" **Workshop summary**

Meeting of 27 October 2009



Foreword

As part of its Sustainable Development policy, Suez Environnement has undertaken a process of external consultation with Comité 21 (French committee on the environment and sustainable development) to **identify the analyses and expectations of a panel of experts in sustainable development**. The aim of this dialogue is to ensure that the company's strategy is in tune with the expectations of civil society at large and to bring the lessons learned to bear on its commitments to sustainable development. Over time, our objective in pursuing this dialogue is to assist the company to clarify and fine-tune its commitments, and consequently its action plans.

In 2007 and 2008, Suez Environnement held four consultation meetings in Paris and New York. Attendance included some 100 representatives of the Suez Environnement group and external stakeholders representing Associations, researchers, professionals, institutions and local government.

Four themes emerged during these sessions: **corporate patronage, transparency, participatory public-private partnerships (4P model) and dialogue**. Comité 21 itself had recommended that Suez Environnement extend this consultation exercise, consider all of its business activities - water and waste, include new stakeholders and maintain the project dynamic within the company.

In 2009, Suez Environnement has pursued the process of consultation with external stakeholders in the water business. The aim is to draw up a **report of the action plan** implemented after the first phase of the process.

A first consultation day on the subject of access to water was organised in April. During the second day, held on 27 October, stakeholders were invited to share their views on "**Ethics and transparency**" in the company's water business. Representatives from the Suez Environnement group answered questions and explained the company's undertakings.

The **process will continue in 2010** with two other themed workshops, one on dialogue at local level, and the other on the financial aspects of Suez Environnement's activity. A consultation session with external stakeholders on the waste sector will also take place in 2010. The cycle will conclude with a plenary session during the year.

Comité 21 assembled the stakeholders and chaired the meeting. It was also tasked with preparing this summary of the major points of the second meeting, which was run according to the **rules devised by Comité 21 and approved by the participants as a whole**: namely, confidential dialogue, comprehensive answers to questions, with Comité 21 leading the discussions.



Summary of the discussions

■ Transparency of financial, societal and environmental information

1. Changes in communicating "ESG" performance

Company presentation

- report of actions undertaken (participation in the Global Compact, dialogue with stakeholders, etc.);
- Presentation of CSR materials (Sustainable Development report submitted for verification, dedicated "Sustainable Development, Commitments and Performance" document, etc.);
- Edelway in-house process.

Questions to stakeholders from the company:

- What are the most relevant reference frameworks? What about the future ISO 26 000 standard?
- How can we draw relevant comparisons between the performances of private players and between public and private?
- How can we make the complex company CSR process accessible? How can we define relevant information and specify the most appropriate format - without sacrificing relevance - to present this data?
- Should the Edelway process be extended to social or asset performance?
- Should there be an external label for this type of commitment, covering the process itself?
- Could the commitment to performance result in a bonus-malus penalty – reward system to "remunerate" performance?

→ Reactions of stakeholders

- *The initial efforts of Suez Environnement were considered interesting, however, the process could be more transparent and could go further. It would have been interesting to **show continuity in progress achieved since SHS 1.***
- Reference frameworks to adopt:
 - *comply with the most widely recognised **national and European reference frameworks.***
 - *contribute to the emergence of a **sector-wide shared reference framework**, which should culminate in the creation of a new water governance system, and which allows **comparisons between public and private players**, although the management issues are not the same for the two. Indeed, none of the existing reference frameworks (GRI, ISO 26 000, etc.) stand out clearly. The ONEMA (French National Agency for Water and Aquatic Environments) initiative to create a water observatory to highlight performance indicators may be used as a reference, because it is the result of a long period of consultation with stakeholders and applies to all services, both public and private (in France today, this amounts to some 30,000 services). A "full scale" test is currently underway with the FNCCR (Fédération nationale des autorités concédantes et régies). What directives has Suez given to its subsidiaries concerning collaboration with ONEMA?*

- Clarify the **limits of the concept of transparency** for Suez Environnement (lobbying actions, confidentiality of information, distinction between market and non-market values, etc.), notably in view of the diverse sets of national regulations confronting Suez Environnement on the ground.
 - specify how **suppliers** are included within the scope defined by the company.
 - incorporate the issue of **site reclamation** (by analysing life cycles, carbon balance, etc.) early in the process, i.e. in the call for tenders. For example, will this be the case for the Syndicat des eaux de la Presqu'île de Gennevilliers? The addition of environmental criteria may seem more justified than the *intuitu personae*.
- Edelway process:
- This initiative was welcome, because it takes into account and **quantifies the carbon criterion**. Moreover, it should promote greater energy consumption efficiency for the consumer.
 - However, its relevance needs to be shown in practice. Also, it is not very convincing as regards the **biodiversity** criterion, over which the company does not have a lot of control.
 - The fact that there is no reference to the **general deterioration in raw water quality** is also an issue: there is no mention of terms such as agriculture, nitrates or pesticides, whereas these are contributing factors to raising the price of energy consumption.
- Rating agencies and external third parties:
- Some stakeholders mistrust extra-financial **rating agencies**, in view of their role in the crisis and the three challenges associated with their activity: the extra-territorial nature of the activities or large groups, which creates distance; their method of financing by companies and the opaque nature of fraudulent activities, particularly corruption.
 - Furthermore, they place a question mark over the **technical quality** of their work, given the short time devoted to evaluating a company.
 - As regards the **auditors** who certify extra-financial reports, the limit of their action lies in their lack of competence in environmental reporting. In addition, some are not up to speed on the new inspection principles. The question of a possible change in existing methods arises.
 - As a result, an approach that promotes a **culture of sustainable development inside the company** would certainly be more relevant than the work of an external third party, because this is a vital part of the process of anchoring change in the long term.
- Discussions on changing the business model:
- The intention to **switch from volume to value** is a worthy one, but risks creating a conflict with the frame of reference of local authorities, which is slow to change. Moreover, the users who elect local representatives need to be convinced of the need to reduce consumption. How will the company deal with this dual requirement?
 - If **there is a clear reduction in quantities sold**, it is possible we may find ourselves in a contradictory position where, while companies seek to increase their margins by providing more added value, customers may be reluctant to accept that they have to pay more for services delivered while using lower volumes.
 - The question pertaining to the **bonus-malus** system is of interest to many stakeholders, because it may constitute a type of guarantee, since it assumes the constitution of the equivalent

of a provision for guarantees in balance sheets and income statements. It all depends on how it is implemented.

- *Note that the **draft Grenelle II law** already introduces a form of "bonus-malus": It provides that if the performance indicators pertaining to network efficiency are not achieved, the "Levy" fee will be increased.*

↔ The company's answers

Until recently, Suez Environnement, which was not listed (and therefore had less exposure) conducted modest **lobbying activities** through third parties (professional federations, Suez Group). Now it wishes to act directly. The company has signed the European Commission charter of representatives of companies and interest groups and presents its positions on the main issues under discussion (recycling, taking water scarcity into account, etc.) on its website. The company has also stated its readiness to publish its positions online in its responses to consultations initiated by the European Commission.

However, SE has not explicitly placed limits on the concept of **transparency**. The economic and regulatory environments within which the company operates vary greatly from country to country, which makes it difficult to ensure communication is standardised.

- Reference frameworks and the Edelway process:

Suppliers are taken into account for the carbon balance and in the framework of purchasing policies (responsible purchasing charter). Carbon balances will be conducted at facilities (e.g. the "Carbon-neutral" operation at Cannes). The process is still in its infancy.

It would appear to be useful **to draw comparisons between private companies and public corporations**, rather than merely between private companies.

Suez Environnement's impact on **biodiversity** could relate to the quality of effluent. In the framework of its waste management activity, the company is trying to regenerate or develop a number of species found within the perimeter of landfill centres.

- Rating agencies and external third parties:

Ratings only represent one line of action and are not sufficient to develop a culture of sustainable development in the company; nonetheless they do help to develop procedures, rules and reporting information. Extra-financial performance only makes sense in the context of the triptych formed by the external observer (agencies), management (self-regulation) and the regulations (public authorities).

The assessment by the **auditors** is, after all, a response to the expectations of stakeholders, which highlights possible weaknesses in the company's internal processes.

- Changes in the business model:

Additional investment is required to improve the **"carbon" efficiency of a water system**. Some invitations to tender already provide for a weighting of 40% allocated to the rating for environmental performance criteria. In addition to the water price margin, a bonus-malus clause could be introduced linked to the environmental performance achieved in the framework of the contract. This would provide additional room for manoeuvre to encourage the operator to achieve good environmental performance.

The question of **changes in customer behaviour is crucial**: many customers have made undertakings to achieve results, in the context of municipal campaigns, the climate plan or Agenda

21 initiatives. These customers are very sensitive to any support the company can provide to achieve their objectives at the least cost (e.g.: if the Degré Bleu process were rolled out in Paris, 50% of the city's Climate Plan would be met).

2. "Accountable to our customers", the example of Lyonnaise des Eaux

Company presentation

- integrating transparency at Suez Environnement;
- Vigéo rating;
- Report of the public service delegating body (*Rapport du délégataire*);
- communication through the water bill.

Questions to stakeholders from the company: a new evaluation process will be implemented in 2010. What are stakeholders' recommendations on this issue? The same as for the Report of the public service delegating body and bill presentation?

→ Reactions of stakeholders

- *There was very little reaction to the Vigéo evaluation apart from the methodology used by the agency to evaluate Lyonnaise des Eaux's approach: what are the criteria? Companies should be able to **communicate on their weakest results**, because the ability to improve is more important than the absolute result shown by an indicator at a given time.*
- *On the other hand, most questions focused on the Annual Report of the public service delegating body, because it is perceived as a tool that is overly complex and not sufficiently transparent:*
 - o *SE lost the "public opinion battle" in the past because of lack of transparency. Therefore, there is a **need to simplify and organise the Report of the public service delegating body**. For example, the company cannot continue to refer - in certain reports - to an old circular that is not legally binding.*
 - o *An **executive summary of the Report of the delegating body**, about 10 pages long, legible and with less focus on figures, would be welcome, especially for small local authorities, provided that it is disconnected from the regulations (which makes understanding this type of document more complex). The report is a valuable dialogue tool that local authorities are capable of appreciating.*
 - o ***Analytical accounting** information is more important in the water sector, where there is a kind of natural monopoly, because it allows us to understand the service based on a functional, detailed and instructive breakdown (e.g.: the cost of renewing a linear meter of drinking water, the average cost of repairing a leak, etc.). Associations use this information to recalculate the price of water. The company should provide this type of information to make constructive discussion possible (c.f. the Federated Consumers' Union Que Choisir initiative with the Syndicat des Eaux d'Ile de France) and comparisons between players.*

- *In the end, the consumer is interested in only one thing, apart from the price of water: **what are the company's margins?** If this information is not clearly shown, they will always think that the company is manipulating the figures so that the margins cannot be clearly seen. This is even more important for SE, as it is recording losses on many contracts.*
- *What about the question of **contract equalisation**, which is decisive for local authorities, and which has played a key role in operators historical model? This question had been raised during the SHS1 and was not answered. The debate should be brought into the public arena.*
- *The large number of management units in the water sector creates problems (there are in excess of 10,000 in the drinking water sector); **therefore the organisation of the public service should be rationalised** at local level to avoid equalisations.*
- *The reports of the delegating authority must account for the key element, namely the **quality of management in the long term** (especially infrastructure renewal capital investments). These issues provoke anger, because it may seem that the organising local authority has not fulfilled its role, concerned only with not increasing water charges. It should also assess the relevance of replacing investments in costly technologies by "natural capital" investments (resource protected from background ambient air pollution, for example).*
- *It is difficult to understand the **asset policy** implemented, which is why the annual network renewal rate should be shown and plans for the future laid out. If operators refuse to supply this information, this would create a void that the associations would take responsibility for filling. The report favours post facto communication. It would be more advantageous to report **at an earlier stage** stressing the methodology, reference frameworks used and strategic objectives, while linking the company's future planning with that of the local authority. The report of the delegating authority should be based on a communication strategy.*
- *A fundamental debate is taking place at the moment in England, Scotland and Wales, where it has been decided that annual reports of companies involved in water management must be drawn up by **independent companies**. In France, are there not difficulties with such reports being drawn up by the operators, as was the case across the Channel?*
- The new water bill has been well received; however a few adjustments are merited:
 - *The problem with the **bill** is that **many consumers do not receive it**, and it includes **too much information**. What is of interest to consumers is whether their actual (and not estimated) consumption is increasing, and the cost. Lastly, they want to know if the distributor is making abnormally high margins (perceived opacity). The key information should be given on the first page and the breakdown on the second. The central issues are the market pricing system and margins. This debate is not as sensitive in other countries as it is in France (e.g. in Chile, where the margins are set by law).*
 - *Suez Environnement should adapt this bill to the waste sector in the case of an incentive tax, because this is progress. What about e-billing?*
 - *Do the same transparency requirements apply in **Suez Environnement's locations internationally**(e.g.: in India)? Do customers receive the same level of information?*

↔ The company's answers

The **Vigéo evaluation process** takes place every year based on the company's existing reference frameworks. Objectives are defined for each action (e.g.: for 2010, save the equivalent of the water

consumption of a town of 700,000 people, compared to 500,000 people in 2008). Indicators measure progress towards achieving these objectives, for which Vigéo assesses the relevance, validity, results and resources implemented to achieve them.

The requirements specified by LDE for its **bill** only concern France. Morocco also has a detailed and instructive bill.

SE's position on **equalisation** between rural and urban areas is clear: This issue is not up to the company to decide - although it did so in the past - because it is a political decision. Today, the contract approach and grouping of management units is moving in the direction of a market pricing system.

3. Improving local governance

Company presentation

- Presentation of the DUNDEE study

→ Reactions of stakeholders

- *This is a very interesting research project; however be careful to clearly distinguish between the right to water (equitable distribution) and water rights (good water management): **the type of user participation differs by case**: in developing countries, a significant section of the population is not connected to the public water mains and is therefore very dependent on this resource.*
- *Some user participation **initiatives** already exist (working group of the national water committee, legal framework, local public services consultative committees). How is this project different?*
- *How much **room for manoeuvre** do researchers have to select their interlocutors for this research work?*

↔ The company's answers

The scope of the research consists of water and sanitation services (and not management of the resource). The research does not cover the application of the framework directive, but sets out to **compare water governance in six different countries**. The aim is to determine to what extent consumers have access to information on water regulations, if they have recourse in the event of disputes with local authorities, etc. **The research is only interested in the opinions of consumers.**

France does not have a **Regulator** in the Anglo-Saxon sense of the term, which constitutes a major difference in service governance. It will supplement the comparison of participation practices in the countries studied by DUNDEE.

The **methodology** for the study was defined by the research team, and it will draw up the **list of people** it wishes to interview. Suez Environnement recommended people it considered would be of interest, especially in France.

■ Suez Environnement's new ethics policy

1. Ethics Charter

Company presentation

- Key points of the Suez Environnement Ethics Charter

→ Reactions of stakeholders

- *Many stakeholders praised the quality of the Charter. In the main, comments focused on the **accuracy of the terms** and **the hierarchy of values** in the Charter*
- On the content:
 - *How were the **values in the Ethics Charter defined**? Do they reflect the aspirations of employees and management of Suez, or was a wider group taken into account when defining them?*
 - *Suez Environnement should clearly state that it promotes respect for human dignity and **Human Rights**, and in particular, man's economic, social and cultural rights (especially access to water), and that it supports the relevant **international reference texts** (OECD principles, and so on). Everything else flows from this.*
 - *Be careful not to see ethical issues solely through the prism of regulation, but rather in terms of **compliance with standards** (government, international and societal).*
 - *The company must also consider the question of **updating ethical objectives**, these can be improved upon and should not be merely the subject of evaluation. For example, values such as solidarity or the precautionary principle could be included. In addition, a link with **rules of professional conduct** should be specified, otherwise, the ethics officer has too great a margin of flexibility.*
 - *For the whistle blowing policy, no **external coordinator** is mentioned. This shortcoming is all the more important given that Suez Environnement is sometimes confronted with delicate situations in this regard. Employees should be given the option to contact an outside body.*
 - *It is our opinion that the request from the *Fédération des distributeurs d'eau indépendants (FDEI)* (Independent Water Supply Company Federation) to adopt a French-style Small Business Act is interesting because it would enhance **competition regulation** in the French market. What type of leadership is Suez Environnement willing to undertake in order to improve regulation of the sector, in the absence of strong state regulation?*
 - *A **water governance index** drawn up by external researchers would enable the company to improve measurement of compliance with these ethical principles. It could approach the UNESCO Ethics of Science and Technology Committee with a view to developing evaluation practices and defining a conceptual and operating framework for water governance.*

- Be more precise in the form:
 - On a number of points, the Suez Environnement Ethics Charter seems to be formulated in **overly generous terms**. While the charter sets out to constitute a reference for the entire company, it should formulate issues more precisely, be they different business ethics scenarios (price-fixing agreements or the organisation of phoney invitations to tender) or references to Human Rights.
 - SE's laudable intention **to exceed compliance with laws and regulations** should be written down. Beware of excessively diluting the content of the charter.
 - Beware of **awkward formulations** such as the section on political party funding, according to which the Group does not finance political activities "except in countries where such funding is permitted". Likewise, page 15 of the Charter states that "only legal and honest means are used to obtain information on competitors". It would seem to be more relevant to indicate "... to obtain relevant information on obtaining contracts".
- The translation of the Charter into operating terms has been discussed over and over:
 - How will the main principles of the charter **be applied in practice**? For example, in the area of competition: the company undertakes to comply with market rules and to ensure loyal behaviour on the company's part. However, the FDEI's comments, for example, give a slightly different picture of the reality. Is it the opinion of Suez Environnement that its practices in this area should change?
 - The question of **implementing ethical principles according to the countries** in which the Group has a presence means that it is necessary to distinguish between the rules imposed by law and those defined by the company.
 - One could question **the strength of this commitment** and notably the relevance of the choices of some members of the "referral" group. Perhaps it would also be interesting to see the inclusion of an **ethics professional with a worldwide reputation**? It seems that only French companies are currently represented.
 - Let us put ourselves in the shoes of a sales director negotiating a contract and faced with the realities of the market (lower prices, different strategies, etc.). Should he deviate far from the ethical rules? Or **would he be penalised** for losing three out of four contracts, because he was more virtuous than another competitor in applying the ethical principles?
 - Be careful not to confuse the Group's internal activities and its global environment, over which it has little control. Therefore, it would seem better to specify the manner in which the Ethics Charter is applied on the ground in the Group, which has 65,000 employees. How will the company **involve its employees in this process in practice**?
 - **Regarding corruption**, it is in SE's interests to follow the example of other industries and **be proactive in its communications**, because the media impact of a scandal is reduced when the issue is announced by the company rather than revealed by a third party. In this way, the company shows that it has the situation under control, and sends a strong and positive message to employees about the company's determination to prevent this type of aberration.

↔ The company's answers

– Ethics Initiative and Charter:

Respect for **Human Rights** is a key principle for SE and is considered as such in the recommendations contained in the Practical Guide. The issue of **updating** ethical objectives is a real concern, because the view of ethics changes, during periods of crisis, for example. The idea of **ethics certification** (possibly with different levels of commitment) is interesting and could be a next step.

The **Charter** was drawn up in several stages: first, the company examined the research and studies carried out by other companies or institutions, such as UNESCO, and then commenced dialogue with stakeholders to assess this approach. The terms of the **Practical Guide** (currently being produced) linked to the Charter are more specific and should provide a response to stakeholders' concerns. Moreover, the document is more a code of conduct than an Ethics Charter.

The choice of coordinators is based on their vision acquired through their experience. The only people who can sit on this **Ethics Committee** are members of the Board of Directors. It is international in culture, even though two thirds of its members are French.

Paradoxically, increased transparency about ethical issues can be **devastating for the image and reputation of a company**, for example, when a trivial breach of the rule is spread to all of the company's activities.

The FDEI's position is not very helpful, because it defends the idea that only SMEs should be able to submit bids for local authorities of a certain size, while the pooled resources and critical mass of large operators actually means they are better placed to submit more advantageous bids to these local authorities.

– Operational implementation:

The company acknowledges the difficulty in **implementing the Ethics Charter in everyday practice**, especially because some concepts do not have a clearly defined legal status, such as loyal behaviour. The Charter must be reflected in day-to-day actions and concrete examples, concerning which stakeholders could provide feedback to the company. The question of **responsibility** is assessed on a case-by-case basis. The Ethics Charter must be given to all new employees when they are hired or during individual interviews. The aim is to promote an overall ethics culture and to ensure that employees receive a good level of information. (e.g.: 500 Sita employees have been trained). Sometimes, it is the group in which employees work that is responsible for the ethical rules and therefore, there are no individual sanctions.

Our approach aimed at **defining the main principles** is important as it is intended to ensure that the Group's ethics officers base the practices of Business Units in their context and business sectors (e.g.: in India). It can happen that there are differences between the Group's recommendations and the legal framework in a particular country. In these cases, a fairly subtle balance must be found. This Charter sets out additional guidelines to achieve such a balance.

There is provision for **whistle blowing** in the Anglo-Saxon countries in which the group has a presence (US, Australia, United Kingdom), but in view of the cultural differences, a different choice was made for France. However, the mechanism ensures confidentiality for employees and external stakeholders.

2. A few concrete examples

Company presentation

- Degrémont: GoodCorporation analysis;
- Transparency International France audit;
- Water Integrity Network (WIN).

→ Reactions of stakeholders

- Be careful, an ethical culture may often seem to be a given, but it is not as easy as it seems. Ethical certification must be evaluated on a **rating scale that varies** according to the degree to which values are integrated in the Group.
- Does Purchasing require that subcontractors **implement principles comparable to SE's**? If not, is there not a risk of 'subcontracting' a difficulty or a litigious situation to a local subcontractor in order to shift the risk outside of the company's scope?

↔ The company's answers

In a GoodCorporation analysis, auditors not only check that the company has an ethics code, but also **that ethical management is an integral part of the company's procedures** and the place of ethics in the company's enterprise culture (through interviews with employees, customers and suppliers). These principles are included in purchasing policies, in relations with suppliers and with subcontractors.

Subcontracting for the purpose of transferring risks is prohibited, inasmuch as SE's company rules in such areas as safety at work, for example, require it to report accidents that occur at subcontractors - which, on the contrary, helps them to improve.

■ Suez Environnement and the World Water Forum:

1. Event organisation, the Group's contribution: opportunities for improvement

Company presentation

- Presentation of the Water Forum;
- Presentation of the waterblog.

→ Reactions of stakeholders

- Stakeholders were divided on the benefits of the forum. Some see it as being dominated by multinationals:
 - **What is the connection between this Forum and the ethical management principles of Suez Environnement? Is the World Water Forum simply a lobbying forum for multinationals aimed at creating world governance? Are these commercial concerns?**

- Some **organisational choices** are easy to criticise, especially in the case of the next forum to be held in Marseilles. Given the criticisms focusing on the legitimacy of the World Water Council, it is inevitable that opponents will make their presence felt at the Marseilles Forum, which could erode the credibility of the debates.
- What **actual opportunity will representatives of civil society have to express their views** during the next Forum, because it is being held in France. They had little opportunity to do so in Istanbul? Do they really have a place in these events?
- Is there not a risk that Suez Environnement will be seen as a **national company** and that France will be seen as promoting the French model?
- On the other hand, others are less critical and perceive the Council as a significant opportunity for NGOs:
 - **NGOs** should ensure that their participation is visible, because it constitutes a real opportunity to express their views, to **defend the values** they see as central (the right to water, etc.), and their conclusions are not a foregone conclusion. It is a tool for world water governance.
 - **NGOs are involved in the discussions** that take place in the framework of the Forum (e.g.: on integrated management of water resources). Some subjects are debated in the forum: the French model of management by catchment area, the issue of access to sanitation and management of border rivers, 'all pipe' model, etc. Others could give rise to interesting debates such as on a paradigm change (from volume to value).
 - Can Suez Environnement not participate? It seems that rather than passively reacting, Suez Environnement should **adopt a proactive approach** to highlight its work and its positions. For example, by promoting the issues of ethics and transparency, and by preparing in the future to implement a strategy in line with the Forum's themes.
 - Moreover, where is the problem with the **commercial dimension** (see the very pushy approach by the Dutch in Istanbul)? The Water Forum is also a canvassing forum.
- The waterblog approach is interesting:
 - The merit of some blogs is **that they leave aside institutional discourse** and offer the opportunity for very direct discussions, which is not always easy.
 - However, two ethical questions may arise: **data protection** (for personal information) and **control of content** (risk of cyber crime).

↔ The company's answers

The World Water Forum is seen as an **emerging water governance body** with global reach; therefore it is natural that Suez Environnement should be involved. It is also a forum for learning **dialogue with stakeholders** and for immersion in the problems that surpass our day-to-day activities, for the directors of the Group's entities. There is also a powerful positive impact on **mobilisation inside the company**.

History shows that **ongoing political events** did not affect previous forums in the country concerned (c.f. Istanbul and Mexico).

Finally, whereas the place reserved for NGOs is very limited in the World Water Council itself, some NGOs do have a presence alongside other **stakeholders**, such as UNESCO, universities, government representatives and river basin agency representatives.

The **waterblog** is run by a team of moderators to prevent abuse.

■ Summary of questions put to general management

1. Event organisation, the Group's contribution: opportunities for improvement

Access to information and transparency are two key issues raised by stakeholders. However, on the one hand these expectations are very contradictory (request for summary versus detailed information, etc.), while, on the other, there is a cultural obstacle in France to the question of profits, although this information is already accessible. Suez Environnement should consider going further, for example by spontaneously highlighting the information that stakeholders want. Regarding **Suez Environnement's accounts** (supporting documents, etc.): all auditors mandated by the local authorities have access to this information.

Regulation and water governance: the company needs a strong and structured public partner that defines the objectives of the public water sector, implements its objectives and controls the private operator. Nonetheless, on the subject of fixing margins, the company points out that water charges in France are amongst the most competitive in Europe; therefore margins are already low (5 to 6%) for a public service (compared to the health sector, for example). Perhaps an additional regulatory method should be envisaged (e.g: financial support for local communities).

Suez Environnement campaigns in favour of **developing public water services in France**, which has too many water service agencies (compared to the United Kingdom or Italy) leading to considerable complexity: how do we explain changes in water charges to customers? The development of intercommunality could be the first step in providing an answer.

This issue should be looked at in the context of **the development of Suez Environnement services and its business model** (switch from volume to value): the true service provided resides not so much in the quantity of water supplied but in accessibility to the resource at all times. The company intends to encourage economising water consumption by switching from being a "water supply" company to a "water and environment protection" company. Suez Environnement wants to strengthen its commitment to protecting biodiversity.

Water Forum: Suez Environnement does not want this forum to become a "trade fair", because there are other fora intended for this purpose (e.g.: Pollutec). Nor does it set out to participate in global water governance, or to export a "French model". Suez Environnement adapts to local models and needs partners on site.

■ Methods for continuing dialogue

→ Reactions of stakeholders

- *Internal company conflicts* were not mentioned, whereas they should be identified by stakeholders to help the company to move forward. Moreover, some points were only outlined by Suez Environnement, such as the link between corporate social responsibility and financial choices: we now need to move on to the large-scale adoption of these processes. Overall, we are still missing some additional information on financial aspects (costs, profits, etc.).
- How has the company fared during **the crisis**? Have its extra-financial results deteriorated, as we have seen for some industrial firms?
- During upcoming meetings, it would be a good idea to examine questions concerning **natural environments, the water resource and biodiversity**.
- How will SE report on the **pace at which it switches** from a volume economic model to a value model?

■ Conclusion

Suez Environnement wants to continue the dialogue with its stakeholders, with a view to ensuring that this process is rolled out on the ground. One of the challenges for the company is to convince operating managers of the benefits of developing this type of process.

Comité 21 Analysis

Observed

- **An excellent turnout**
 - 21 stakeholders attended out of the 38 invited (55%);
 - A panel that is both diverse (NGOs, researchers, rating agencies, local authorities, consumer associations, etc.) and relatively open internationally (three European stakeholders, one African);
 - The company's executive directors and its business lines were very well represented (20 or so participants).
- **Consultation that was visibly appreciated**
 - 38% of stakeholders who answered the questionnaire (71-% response rate) found the "company's attitude" very satisfactory and 15% rated the "quality of the replies" as very satisfactory; all declared themselves at least "satisfied" with these two criteria. However, only six of them felt that they really "influenced" the company. They also appreciated how the dialogue process was organised and run;
 - Main benefits: fruitful dialogue, enhanced understanding of the company's strategy, making contacts.
- **... sign of a real change in policy...**
 - projects have been initiated since SHS 1, concerning governance (Ethical Charter Committee, membership of the WIN, more robust reporting, dialogue with stakeholders, etc.), operations (Edelway process), and transparency (Transparency and Good corporation audits, Vigéo rating, instructive bill, etc.).
- **... but more remains to be done and measured on the ground:**
 - These initiatives (a larger number than were presented in the Access to Water workshop) need to be tried and tested in practice (e.g.: The Edelway frame of reference is only relevant for very few bids, and the Ethics Charter is not yet in force);
 - Moreover, stakeholders expect the company to give more detail on its position on a number of key issues: market pricing/ margins, biodiversity/protection of the water resource, new business model (covered in the Access to Water workshop), simplified report of the delegating bodies, positive leadership in the context of both world and French water governance;
 - Lastly, some themes were not discussed but merit inclusion: invitations to tender, in-house labour practices and employees' role in drawing up the company's CSR policy, inclusion of the poorest population groups, issue of the Group's nuclear waste.

Comments

- Stakeholder satisfaction owes much to **the positive mobilisation of company representatives**, which seems to indicate acceptance of the process inside the company, at least in the framework of this day of dialogue. The company's representatives were also careful to answer each and every question raised by stakeholders;
- However, this benevolence on the part of stakeholders must not be betrayed: **expectations are high**; consequently **words must be followed by actions** so that stakeholders are truly convinced of the sincerity of the process.
- Lastly, stakeholders want Suez Environnement to go further with respect to **the transparency of the dialogue process**. Some less corporate working documents could have been distributed, such as the Transparency International report. Likewise, the company's presentations did not seem altogether spontaneous, as though it were defending its position.

■ Recommendations / next steps

- **Give a corporate boost to the consultation process:**
 - Continue the bid to formalise the process in the framework of the new 2010 Action Plan, which should be adjusted to take account of stakeholder comments;
 - Ensure more accurate monitoring of progress achieved since 2007 as a result of the process (action monitoring table);
 - To do this, Suez Environnement should measure the effort required to mobilise teams to learn about its ethical management and sustainable development policy. The extent to which company representatives were involved in this exercise in dialogue shows that consultation is an effective lever to mobilise teams inside the company.

- **Maintain stakeholder trust:**
 - Ensure the projects and models developed are implemented on the ground (e.g.: operational application of the new Ethics Charter, simplification of the assignee's report, improved accuracy of the scope of the concept of transparency, etc.). This point was already raised during the previous water workshop (28/04/09);
 - Continue to strive for transparency, especially by stressing those stakeholders who wish it in the Group's next Sustainable Development report. In terms of methodology, Comité 21 proposes this type of change to the methodology used for the next dialogue session (using the Chatham House rule);
 - The presence of several stakeholders (at least four) with significant financial links or partnerships with Suez Environnement is questionable and risks having a negative effect on the discussions. Comité 21 is not in favour of this practice and in future will seek to limit this as much as possible, in cooperation with the company;
 - Comité 21 also proposes reading the company's presentations earlier on in the process to ensure that they accurately reflect the subjects covered during the consultation;
 - Finally, the presence of foreign stakeholders was very beneficial to the process. Comité 21 recommends a strong international presence for the next plenary session scheduled for the end of 2010.