

# GOVERNANCE: TOWARD A BROADER VISION OF BUSINESS

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After serving as head of institutional relations for Africa, the Middle East and India at Veolia Water, from 2005 to 2009, then Director of Communications at Veolia, in 2022 Laurent Obadia was appointed Senior Vice President, Stakeholders and Communications for the Veolia Group. As advisor to Antoine Frérot, Chairman and Chief Executive Officer then Chairman of Veolia's Board of Directors, since 2009, Laurent assists the Group in tackling its key strategic challenges and meeting its objective of becoming a model company in the ecological transformation.

Ecological transformation and the corporate changes it requires, must take place through engaging the company's stakeholders beyond mere contractual ties and mutual interests, by identifying new ways of cooperating. Stakeholders' involvement is intrinsic to Veolia's purpose which was adopted in 2019. Veolia is now determined to strengthen and build on dialogue with its stakeholders as it seeks to invent new forms of collaboration. The "+1, the ecology turned into actions" initiative prototyped in 2021, embodies this vision and contributes to spreading a culture of dialogue and engagement that can then be adapted to fit different contexts and scopes within Veolia: contracts, business units, and projects.

## INTRODUCTION

Adopted in 2019, France's PACTE law heralded a new paradigm and contributed to the launching of a fresh perspective on businesses in society. It encourages businesses not simply to take a close look at their responsibilities, but to go further and define their purpose, clearly stating their objectives and the contribution they wish to make to society and the planet. Veolia was one of the first major French corporates to define its purpose, which was adopted by the Board of Directors and presented to the shareholders' annual general meeting on April 18, 2019. Veolia's purpose sets a course for the Group to *"contribute to human progress by firmly committing to the Sustainable Development Goals set by the UN to achieve a better and more sustainable future for all."* To achieve this, Veolia is determined to become a model company in the ecological transformation, standard-bearer for an ambitious and far-reaching transformation of our collective modes of production and consumption.

One of the most important aspects of Veolia's purpose is that it must be actionable in operational terms, nurturing every aspect of its business and becoming a reality for all colleagues at different levels. This is quite a challenge for a company that operates on all five continents, employs 220,000 people, and is undergoing a period of rapid transformation. Veolia's purpose is founded on twin pillars that help translate it into action: a multifaceted performance, which places the same emphasis and ambition on all aspects of Veolia's performance (economic, financial, commercial, social, societal and environmental); and a shift in the Group's governance, to include all its stakeholders: employees, shareholders and clients as well as society and the planet.





## A LONG TRADITION OF STAKEHOLDER DIALOGUE

Veolia has been working on this purposeful and larger vision of business for many years. In 2013, Veolia set up a committee of Critical Friends. The committee is a forum for collective reflection, giving a platform for external observers to share their viewpoints on strategic issues impacting the Group's social, societal, and environmental responsibilities with Veolia's top managers. This was done to facilitate and strengthen the Group's improvement efforts. Members of the committee include nonprofits, institutions, and representatives of the Group's stakeholders (clients, suppliers, younger generations). Part of the committee's main missions is to convey stakeholders' expectations from the Group, and exchange advice on issues that can sometimes be highly complex. For instance, the Critical Friends committee members were asked to express their views on the Group's methods and timelines for its energy transition based on solutions involving renewable energy, carbon capture, and other greener solutions. Their recommendations were then made to the Board of Directors.

Committees similar to the Critical Friends one were set up first in China in 2015, then in Japan in 2018, to provide inputs on issues specific to these two countries. Veolia has also been

commissioning for many years materiality analyses based on extensive consultations with stakeholders. The most recent analysis was conducted in 2020, with nearly 200 internal and external stakeholders consulted on 24 CSR issues.

## A NEW AND MORE AMBITIOUS FRAMEWORK FOR STAKEHOLDER DIALOGUE AND ENGAGEMENT

Dialogue and engagement have multiple objectives: establish a process of active listening, engage stakeholders in some of the Group's decision-making processes, make commitments to them, but also help them appreciate the multidimensional impacts of the Group's activities. The design and adoption of Veolia's purpose was itself the product of a unique long-term collaborative process which included the Group's senior decision-making bodies, employees and their representatives, the Critical Friends committee, clients, and citizen panels. It launched the start of a new era for Veolia, one of a strengthened ambition in terms of dialogue and engagement: for the Group, this involves building and creating new interfaces with society and stakeholders, new ways to observe and listen, new methods of relating to others, new ways of contributing in a broader sense.

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## THE “+1” MECHANISM: AN INNOVATIVE, OPEN-SOURCE METHODOLOGY

The “+1, the ecology turned into actions” mechanism, initiated by Veolia in partnership with Usbek & Rica and La REcyclerie and with support from Comité 21, was born in this context. It is a unique collaborative prototype involving around 50 of Veolia’s stakeholders from various backgrounds (employees, clients, shareholder, society, and the planet) which aims to identify a common pathway to the ecological transformation. The mechanism is designed to bring together various stakeholders that do not always have a forum for exchanging, giving them the opportunity to work on rollouts in a cross-cutting way, identifying and finding solutions for ecological transformation. It provides an ecosystem-based approach to inter-stakeholder dialogue, helping to pinpoint the interconnections that exist between them.

The +1 group met at the REcyclerie in Paris for three half-day sessions between September and December 2021, looking at three topics: #1 Listening, #2 Deciding, #3 Training. At each session, members first heard an opening keynote speech providing them inspiration and food for thought on the challenges of that day’s topic. Members were then divided into sub-groups to participate in collective intelligence workshops with representatives from each of the five stakeholder categories. They came up with high-impact practical actions to help make ecological transformation a reality. The purpose of this consultation process prototype, shared as an open source, is to suggest actionable responses that can largely be adopted thanks to a methodology which can be applied to different contexts, geographical zones, territories, and issues. Its role is to leverage cooperation to find news ideas, and to be an operational tool for use across Veolia and beyond, which all actors can make their own.

*The “+1, the ecology turned into actions” initiative aims to bring together stakeholders that do not usually have a forum to talk to each other, thus giving them the opportunity to work in a cross-cutting way on rolling out an ecology of solutions*

The mechanism has delivered worthwhile results. Firstly, the trial proved the necessity, feasibility, and real desire on the part of stakeholders to find cross-cutting ways to think and work together on issues of ecological transformation. The collective intelligence method developed was effective in enabling the co-construction of concrete solutions for ecology in action. The mechanism also created a community of individuals united in their commitment to bringing about the ecological transformation.

Local adaptations of the prototype are now in development to take the process to the next level.

- As part of a contract and the Arianeo project on behalf of Nice Côte d’Azur metropolitan authority, covering issues surrounding recovery of the city’s waste with the aim of supporting dialogue between all the contract’s stakeholders. A Societal and Environmental Council will be set up, and will gather 6 to 12 members, a third of which will represent the project’s partners, while the others will represent the civil society. It will play a consultative and decision-making role in project management and the contract’s multifaceted performance.
- At the country level, in Prague, at the headquarters of Veolia’s Central and Eastern Europe zone, helping a business unit establish dialogue on the ecological transformation between the Czech Republic’s main national and municipal stakeholders.
- And at a Veolia client, Bouygues Immobilier, looking to tailor the +1 mechanism to suit its own business challenges.

## MULTIFACETED PERFORMANCE: THE SECOND CENTRAL PILLAR OF VEOLIA’S PURPOSE

Veolia’s purpose is expressed through Impact 2033, the Group’s four-year strategic program launched in February 2020, guided by a vision of multifaceted performance that places the same emphasis and ambition on all aspects of performance: economic and financial, commercial, social, societal, and environmental. Convinced that performance in these areas is complementary, forming a single virtuous circle, Veolia has made a public commitment to 18 priority goals and progress indicators covering the five dimensions of its performance. Progress toward meeting these goals is audited regularly by an independent third-party body and will set the performance-related benefits paid to Veolia’s senior management.



# VEOLIA'S PURPOSE...

## AN APPROACH OF SHARED PROGRESS WITH AND FOR OUR STAKEHOLDERS

1. Our stakeholders
2. Our performance
3. Our commitments
4. Our goals



## LEVERS FOR CONTINUITY

Establishing honest dialogue and true stakeholder engagement must be built over the long term and requires constant adjustments and continuous improvement processes. Different mechanisms have been set up by Veolia at various levels (head office, country, department, etc.), to identify several levers enabling the group to perpetuate its approach over the long term. An overview of these levers is provided below.

### A vision shared at the highest level

The impetus for the dialogue and engagement approach central to Veolia's purpose comes from the very top. It was championed by Antoine Frérot, Veolia's CEO from 2009 and Chairman of the Board of Directors since July 1, 2022. It remains a vision shared at the highest levels of the Group's Executive Committee. A coordination and governance mechanism is already in place, to accompany the Group in its approach to deliver meaning, cohesion, and transformation. It includes a Purpose steering committee, comprising members of the Executive Committee and functional departments. Its mission is to coordinate the Group's action towards reaching its purpose.

Several other innovative measures have been adopted to ensure these targets are pursued on the field. Every multifaceted performance target is steered by a two-person team comprising a sponsor from the Executive Committee and a target coordinator from the Group.

- Executive Committee sponsors are appointed to ensure the targets are supported at the very highest levels.
- Target coordinators: define a strategy to ensure the Group meets the targets; suggest how this strategy might be rolled out within the various operational and functional entities concerned; take part in designing and analyzing action plans, monitoring and supporting their implementation, and consolidate the Group's overall multifaceted performance indicators.

### Deep commitments build trusting relationships

This purposeful and larger vision of business is not something that can be imposed unilaterally: it is shared and requires a rigorous process, assuming a long-term involvement and a structured approach over time. A commitment that is built on a rigorous process, requiring long-term involvement and a structured approach over time. It is crucial not to underestimate the long-term effort such a large and demanding approach necessitates for it to be truly meaningful.

### Mechanisms for appropriating dialogue and engagement so they are embedded at every level

One of the key objectives is to ensure that every individual can take ownership of Veolia's purpose. Several mechanisms have been implemented for our managers as well as our operational teams.

Actionable internal guidance has been shared with managers to help them bring the purpose to life on a daily basis, with their team and as part of their activities. The network of Purpose Officers is also helping to speed up the implementation of Veolia's purpose and multifaceted performance within the Group's operational and functional entities. Purpose Officers represent their entity within a global network and are tasked with a threefold objective:

- sharing best practices;
- tracking progress of the approach within areas under their supervision;
- thinking collectively about ongoing improvements to the approach.





*Our Purpose in Motion* training workshops have been available since September 2020 to help managers take ownership of the Group's purpose and to help them integrate the Group's multifaceted approach principles to their projects. Members of Veolia's Management Committee were the first to benefit from this training, progressively rolled out in all business units in 2020 and 2021. The process of adapting it to reflect the specific needs of different business units and geographical zones is yet another step on the road to making sure the message is heard on the field.

To boost employees' awareness of and engagement with these issues, for the past two years we have run in-house competitions to reward projects that best reflect the multifaceted performance concept — initially on a zone basis, then at the Group level. Winning projects are selected by a jury comprising members of Veolia's Executive Committee. In 2021, the jury was enlarged to include stakeholders (employees, clients, shareholders, representatives of the civil society and the planet), who evaluate projects in terms of how well they balance the five dimensions of multifaceted performance and on the significance of their positive impact for each of Veolia's five stakeholders categories.

We also work very closely with employee representative bodies to ensure employees monitor and manage the purpose so that they can take ownership of it.

## CONCLUSION

Veolia's dedication to working with its stakeholders and delivering its purpose is an ambitious, long-term program. Little by little, it is transforming the business at every level, from designing strategies to rolling them out in the field. The most important challenge for the years ahead is to keep this process alive and make it a reality for as many people as possible, employees and external stakeholders alike. Veolia has recently decided to consult its stakeholders across the world to incorporate their input in its next strategic program.

