

Empowerment and engagement for shared progress¹

Since its adoption of ecological transformation as its purpose in 2019, Veolia has achieved an impressive level of coherence in its business activities, narrative and governance. However, aligning a 220,000 people strong organisation across 58 countries and changing the way the organisation interacts with its external stakeholders does not happen in one day. This case describes Veolia's journey as of May 2024 as it seeks to integrate its multifaceted performance approach throughout its organisation.

Veolia

Veolia takes its roots, 170 years ago, in France, with the creation of Compagnie Générale des Eaux, a water distribution company. The company won a first public service concession in Lyon before expanding first in France, then abroad. The company further developed through acquisitions into other network activities, namely waste, transport and energy, and internationally. In 2009, Antoine Frérot became CEO. Frérot had long been interested in the societal role of business. He progressively refocused the group portfolio of activities and businesses, withdrawing from transport and expanding into the corporate segment, with the stated aim of "becoming the industry standard for environmental solutions." In 2021, the merger between Veolia and Suez, the world's largest privately-owned water company and a leading player in waste recycling and recovery, created the global player that Veolia was in 2024: the world leader in water services, water technologies, and hazardous water, and one of the market leaders in Europe in solid waste, district heating and energy efficiency (**Exhibit 1**). In 2022, Estelle Brachlianoff succeeded Antoine Frérot as CEO. Frérot became Chairman of the Board of Directors, following the separation of duties between the Chairman and the CEO. In 2024, the company employed a workforce of around 220,000 people and was active in 58 countries. Its customer base was almost equally divided between municipalities, on the one hand, and industrial and commercial clients, on the other.

Veolia's purpose

In 2019, Veolia became one of the first companies in France to define its purpose, following a change in the French civil code enabling companies to define their purpose ("raison d'être") in their status.² Frérot did not want Veolia's purpose to be reduced to a slogan and, instead, opted for a longer text that carefully articulated what the company sought to accomplish and how. The text went through an impressive 16-round iteration, involving the company's management bodies, employees, clients, consultative committees and external stakeholders before its final version was adopted at its general assembly in 2019. Veolia's purpose referred to the company's role in contributing to human progress and to the United Nations Sustainable Development Goals. It stressed the importance of addressing economic, social and environmental issues as an indivisible whole. Upon its adoption, Frérot declared "[o]ur business prospers because it is useful, not the other way round. Its usefulness is the source of

¹ Date: April 2024. This case was prepared by Prof. Estelle Cantillon as a basis for discussion at the third UCB-SBSEM symposium "Business and Society" in May 2024. It seeks to describe, from the perspective of one protagonist, the transformation journey of their organisation and how they developed their governance and leadership model to support their sustainability ambitions.

² See e.g. <https://www.economie.gouv.fr/loi-pacte-redefinir-raison-etre-entreprises> (accessed April 27, 2024).

its attractiveness for its customers and it is its usefulness which keeps its employees committed and which is the foundation of the loyalty of its shareholders, customers and partners.”³ A dedicated Purpose Steering Committee, made of executive committee members and representatives of functional departments, was set up to coordinate and promote the initiative throughout the company.

Multifaceted performance

Multifaceted performance lay at the core of the implementation of Veolia’s purpose and its strategy. Multifaceted performance underscored the idea that the company placed the same level of attention and requirements on its economic and financial, commercial, human resources, social and environmental performance. Visually, Veolia’s multifaceted performance approach took the shape of a wheel, with the company’s stakeholders, which notably included the planet, on top of the more conventional set of stakeholders that are society, employees, clients and shareholders, at the outside. The wheel could be read from the outside in, from Veolia’s performance and commitments on its five dimensions of performance, to its objectives (**Exhibit 2**). Each objective was associated with an indicator and a target.⁴ For example, the “circular economy: plastic recycling” objective was associated with a volume of plastics recycled in Veolia’s processing plants, with a target in terms of kilo tonnes. The “access to essential services (water and sanitation)” objective was associated with the number of inhabitants benefiting from inclusive measures to access water or sanitation. **Exhibit 3** provides an overview of Veolia’s progress on its multifaceted performance as of 2023.

Internally, the wheel was used to align local business units on a common approach while allowing them some flexibility: each business unit had to select at least one objective in each performance dimension; some objectives were non-negotiable and imposed on all business units. The multifaceted performance wheel was also used to engage with external stakeholders to discuss convergence points and holistic solutions suited to the local ecosystem, something Veolia referred to as “shared progress.”

Aligning governance for impact

Veolia’s purpose was supported at the highest level of the company through a proactive governance approach (**Exhibit 4**). Aside from the Purpose Steering Committee, each objective was managed by an executive committee sponsor and a group key expert in charge of defining the strategy for achieving the objective and supporting its implementation. Additionally, a member of the executive committee was specifically put in charge of stakeholder issues. No less than five board committees integrated Veolia’s corporate social responsibility in their relevant area of responsibility. Multifaceted performance was integrated into the variable compensation of senior executives and the long-term compensation of the top 500 management. The Critical Friends Committee, a committee made of high-level independent experts that had been set up in 2013 to challenge the company when it diversified into the industrial and commercial customer segment, continued to perform its role of helping the company stay on course.

Empowerment and engagement for shared progress

The job of transforming Veolia to support its purpose did not stop at the highest level of the organisation however. Fanny Demulier was Head of Purpose and Stakeholder Engagement. Her job was to ensure that Veolia’s purpose lived at all levels of the organisation and in the way the company worked with its stakeholders. A network of purpose officers was created in 2021 to accelerate the deployment of Veolia’s purpose and multifaceted performance in their entity. Also in 2021, Veolia

³ Taken from <https://www.veolia.com/en/news/veolia-group-giving-itself-purpose> (accessed April 27, 2024).

⁴ The indicators and number of objectives have evolved over time. The 2023 strategy included 18 performance objectives. The new strategic plan, GreenUp for 2027 has 15 progress objectives and indicators.

launched the “+1, the ecology turned into actions” initiative that sought to bring in different stakeholders to identify new solutions for ecological transformation, using an open-source collective intelligence method developed in-house. Any stakeholder could create a +1 initiative to make progress on a specific issue. As of 2023, 12 “+1” collectives had been formed and, in fact, the new strategy GreenUp 2027 was developed as part of a “+1” collective bringing people from 8 different countries.

To further accelerate the deployment of its purpose, “Purpose in motion” trainings were offered to all managers to equip them with the tools and skills to engage in new ways with clients and stakeholders, and, in 2023, a shorter, simpler version of the purpose was produced to help with appropriation (**Exhibit 5**).

Exhibits

Exhibit 1: Veolia's sector and geographical footprint

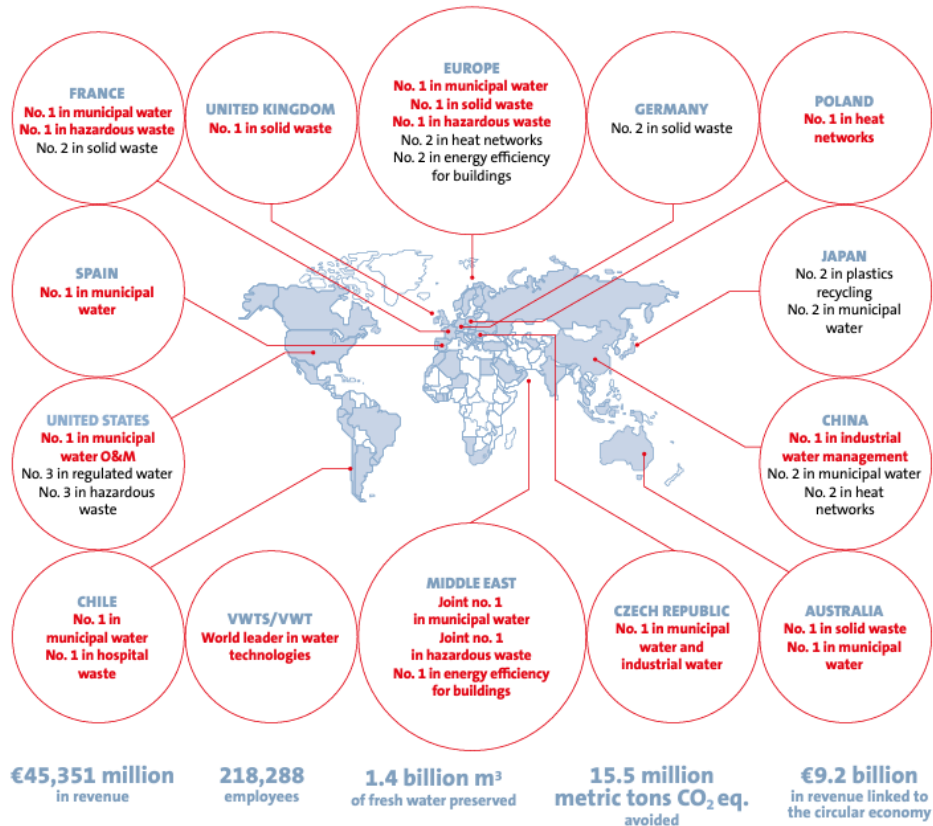


Exhibit 2: Veolia's multifaceted performance wheel



Exhibit 3: Multifaceted performance progress report 2023

**A COMMITMENT TO
MULTIFACETED PERFORMANCE**

OBJECTIVES AND ASSOCIATED INDICATORS	2019 REFERENCE	2020 RESULTS	2021 RESULTS	2022 RESULTS	2023 TARGET	EXECUTIVE COMMITTEE SPONSORS
Economic and financial performance						
■ Revenue growth Annual growth in published revenue	€27.2 billion	€26.0 billion	€28.5 billion	€42.9 billion	Annual target	Claude Laruelle
■ Profitability Current net income – Group share	€760 million	€415 million	€896 million	€1,162 million	€1 billion	Claude Laruelle
■ Return on capital employed ROCE after tax (with IFRS 16)	8.4%	6.4%	8.2%	7.6%	Annual target	Claude Laruelle
■ Investment capacity Free cash flow (before discretionary investments)	€1,230 million	€942 million	€1,720 million	€1,463 million	Annual target	Claude Laruelle
Human resources performance						
■ Employee commitment Rate of engagement of employees, measured through an independent survey	84%	87%	87%	89%⁽¹⁾	≥80%	Laurent Obadia
■ Safety at work Lost time injury frequency rate	8.12	6.60	6.65	5.61	5	Estelle Brachlianoff
■ Employee training and employability Average number of training hours per employee per year	18 h	17 h	21 h	26 h	23 h	Isabelle Calvez
■ Diversity Proportion of women appointed among Executive Resources from 2020 to 2023 ⁽²⁾	Not applicable	28.3%	30.4%	30.3%	50%	Helman le Pas de Sécheval
Commercial performance						
■ Customer and consumer satisfaction Customer satisfaction rate calculated using the Net Promoter Score methodology	Not applicable	NPS = 41 with 57% of revenue covered	NPS = 43 with 72% of revenue covered	NPS = 48 with 83% of revenue covered⁽³⁾	NPS > 30 with 75% of revenue covered	Frédéric Van Heems
■ Development of innovative solutions Number of innovations included in at least 10 contracts signed by the Group	Not applicable	2	6	10	12	Anne Le Guennec
■ Hazardous waste treatment and recovery Consolidated revenue generated by the hazardous and liquid waste treatment and recovery activities	€2.56 billion	€2.53 billion	€3.06 billion	€4.12 billion	> €4 billion	Jean-François Nogrette

(1) 2022 data excluding the scope integrating employees transferred on the Suez merger: 88%.
 (2) Formerly referred to as the Top 500 senior executives of the Group.
 (3) 2022 data excluding the scope integrating activities transferred on the Suez combination (no 2021 reference). The 10 largest business units in this scope have a score of 45 with 85% of revenue covered.

OBJECTIVES AND ASSOCIATED INDICATORS	2019 REFERENCE	2020 RESULTS	2021 RESULTS	2022 RESULTS	2023 TARGET	EXECUTIVE COMMITTEE SPONSORS
Environmental performance						
■ Combating climate change • Reducing GHG emissions: progress of the investment plan to phase-out coal in Europe by 2030	Not applicable	8.1% of investment to be achieved	17% of investment to be achieved	30% of investment to be achieved	30% of investment to be achieved ⁽⁴⁾	Claude Laruelle
• Avoided emissions: annual contribution to avoided GHG emissions (assessed with regard to a reference scenario) – EF IEA 2013 ⁽⁵⁾⁽⁶⁾	12.1 million metric tons of CO ₂ eq.	12.5 million metric tons of CO ₂ eq.	12.4 million metric tons of CO ₂ eq.	14.1 million metric tons of CO₂ eq.	15 million metric tons of CO ₂ eq.	
■ Circular economy: plastic recycling Volume of recycled plastic in Veolia transformation plants ⁽⁷⁾	350 thousand metric tons	391 thousand metric tons	476 thousand metric tons	490 thousand metric tons	610 thousand metric tons	Christophe Maquet
■ Protection of environments and biodiversity Progress rate of action plans aimed at improving the environment and biodiversity footprint in sensitive sites ⁽⁸⁾	Not applicable	17%	30%	66%	75%	Philippe Guitard
■ Sustainable management of water resources Efficiency of drinking water networks ⁽⁹⁾ (volume of drinking water consumed/volume of drinking water produced)	72.5%	73.4%	75.6%	76.3%	> 75%	Ángel Simón
Social performance						
■ Job and wealth creation in the territories Socioeconomic footprint of Veolia's activities in the countries where the Group operates, with regard to jobs supported and wealth created	Not applicable	1,105,388 jobs supported €51 billion of added value created in 51 countries	1,033,623 jobs supported €49 billion of added value created in 52 countries	1,147,238 jobs supported €53 billion of added value created in 50 countries	Annual assessment of impacts, overall and by geography in at least 45 countries	Gavin Graveson
■ Ethics and compliance Rate of positive answers to this question of the engagement survey "Veolia's values and ethics are put into practice within my entity"	92% of Top 5000	83% of all respondents	84% of all respondents	85% of all respondents⁽¹⁰⁾	≥ 80% of all respondents	Eric Haza
■ Access to essential services (water and sanitation) Number of inhabitants benefiting from inclusive measures for access to water or sanitation within contracts	5.71 million inhabitants	6.12 million inhabitants (+7%)	6.71 million inhabitants (+17.5%)	6.92 million inhabitants (+21.3%)	+12% vs 2019 at constant scope	Sébastien Daziano

(4) Investment budget in new forms of energy aimed at eliminating coal in Europe by 2030 was initially estimated at €1.274 billion between 2019 and 2030. It was revalued at €1.584 billion at the end of 2022.
 (5) Emissions factors (EF IEA) for electricity used to set the Impact 2023 plan target.
 (6) The 2021 EF IEA updated in the Global Report reporting tool in 2021 show a value of 13 million metric tons of CO₂ eq. in 2022.
 (7) Since 2021, this indicator includes plastic volumes recycled in Veolia transformation plants processing WEEE and volumes recycled in plants acquired or sold by Veolia during the year. In 2022, in the case of non-consolidated joint ventures, the indicator includes volumes of recycled plastics in proportion to Veolia's stake in these joint ventures.
 (8) 2019-2022 pro forma data.
 (9) For networks serving over 50,000 inhabitants. At constant scope.
 (10) 2022 data excluding the scope integrating employees transferred on the Suez merger: 85%.

Exhibit 4: Veolia's governance and organisation (source: 2023 Multifaceted performance progress report)

BOARD OF DIRECTORS	
	① Purpose Committee ② Research Innovation and Sustainable Development Committee ③ Compensation Committee ④ Accounts and Audit Committee ⑤ Nominations Committee
GOVERNANCE	Ethics Committee Executive Management Executive Committee, 1 sponsor for each multifaceted performance objective Risk, internal control and internal audit management
Topics	Environment & Social Responsibility Human resources Preventing corruption & Human rights
Sectors	<ul style="list-style-type: none"> • Strategy, innovation and sustainability • Human resources • Health & Safety Center of Excellence • Workforce dialogue bodies • Compliance
Internal Collaborations (Purpose Steering Committee)	Development, Purchasing, Insurance, Legal, Finance, Public Affairs, Information Systems, Security, Communications, Tax, Governance, Veolia Institute, Veolia Foundation
External stakeholders	Critical Friends Committee and "+1, the ecology turned into actions" approach Prospects, clients, economic partners, suppliers, public institutions, non-financial rating agencies and investors, NGOs and local opinion leaders, local communities, academic experts

Exhibit 5: Veolia's short version purpose (2023)

