

PURCHASING ETHICS

An efficient and well-organized purchasing function is necessary for a coherent, effective, and ethically-based strategy.

THE BUYER'S RESPONSIBILITIES AND RULES OF CONDUCT

As upholder of the Group's image, the Buyer's integrity, professionalism, and forthrightness not only reflect on him personally and professionally, but are also elements of SUEZ's reputation.

Loyalty, transparency and mutual respect

The Purchasing function requires the active involvement of the company's various departments and close coordination between Group Purchasing units, based on the following principles:

- the active and disinterested involvement of the various participants in the Purchasing policy preparation and implementation phases; this involvement is facilitated through working groups created for the purpose;
- transparency in communicating relevant information;
- mutual consideration in scheduling the work of the Buyers of different organizations (whether units, business lines, or the Group itself), to avoid overlapping priorities, duplicate analyses, and diminished synergy.

As the team leader in collaborative company or Group projects, the Buyer must:

- strive for consensus in decisions;
- clarify each participant's objectives;
- with every in-house participant's involvement, identify the contract's risks and opportunities;
- at each stage of the process, explain to everyone the whys and wherefores of decisions made;
- make commitments based only on reliable and verified information;
- respect the confidential nature of the information provided by the various participants and strive to provide in return a like degree of quality information;
- keep all participants informed of the contract's progress.

Integrity

SUEZ attaches the utmost importance to the professional and moral qualifications of the men and women who maintain relations with suppliers and outsourcing partners. This means not only the Purchasing Officer himself, but all who could influence the purchase (business referral partners, technicians, staff members assigned to oversee the execution of a contract, and even users of the supplied item or service).

The fact that a colleague or competitor may behave differently from the behavior prescribed below is no reason, nor excuse, to contravene the Group's rules. Pursuit of commercial success or profit alone is no excuse for misconduct.

Buyers must avoid all conflicts of interest¹ and insulate themselves from any attempt on the part of suppliers or bid candidates to influence their decisions. They must take care not to alter their impartiality, objectivity, or independence of judgment. In case of difficulty, they must be able to consult openly with their colleagues and supervisors concerning their conduct in such circumstances.

In their professional relationships, Buyers must commit to the following principles:

Honesty, forthrightness, and impartiality in their relations with suppliers:

- to provide suppliers accurate information;
- to provide the same degree of information to all suppliers involved in a particular project;
- to obey all applicable national and international laws, particularly those relating to the rules of fair competition;
- to issue clearly defined criteria for selecting candidates and awarding contracts;
- to provide information to candidates who are not selected on why their offer was not retained, without divulging confidential information;
- to honor the terms of contracts, promises, and agreements, particularly with regard to payment deadlines;
- to respect the confidential nature of any information that might harm the interests of a supplier, Group company, or customer;
- to seek rapid, equitable solutions in case of disagreement;
- to maintain respectful, honest, courteous, and fair relations with all parties.

The Buyer can only make commitments with third parties when he is assured there is an internal consensus and has evaluated the qualifications of the supplier to meet contract commitments. If something unexpected arises, the Buyer must inform his correspondents and try to resolve the matter through concerted effort as rapidly as possible in a fact-based, transparent manner.

Buyers must be aware that their position exposes them to solicitations and pressures from suppliers. This may take the form of gifts, invitations, fringe benefits, and even some complex or subtle forms of emotional blackmail – all to influence a decision. The Buyer must consciously safeguard his capacity for independent judgment and take care not to give the impression of being easily swayed.

All SUEZ employees must observe the following rules:

- gifts offered as a simple expression of courtesy and of little value may only be accepted if they are infrequent and are in relation to events which justify them, such as Christmas, and are appropriate to the customs of the country;

¹ *All professional situations in which the judgment and decisions of a person, a company or an organization may be influenced or altered from their independent and disinterested course by personal considerations or by pressures from an outside source.*

- invitations to cultural, sporting, or similar events must be approved by management and be exceptional in nature and not involve excessive expense;
- invitations to travel or conferences may be accepted with the approval of management if they are collective in nature and have a definite professional purpose. Within the Group, travel and lodging expenses are always for the account of the benefiting company;
- all other fringe benefits (supplier products or services provided free of charge or at a discount to Buyers or their families) must be refused, unless approved by management, following verification there is no conflict of interest.

Professional Buyers and all Purchasing department or Logistics personnel are particularly exposed to solicitations for special favors. In order to protect their personal reputations, as well as that of the Group, they are prohibited from accepting gifts of any kind. They must periodically inform real or potential suppliers of this fact. In addition, there are situations that may raise questions about their true nature, for example an invitation that is both professional/technical and recreational. In such cases, personnel in this category must obtain formal authorization from their management before accepting.

Management is responsible for ensuring proper application of the rules of ethics.

It is not enough to state "all obligations must be met" rather, everyone must work to create an organization where it is possible to do so.

THE RULES OF FAIR COMPETITION

Companies that hold a significant or leading position in a market must ensure that they do not abuse their dominant position, put suppliers in a position of economic dependence, impose oppressive or one-sided conditions, or practice discriminatory or excessive pricing.

The Buyer must avoid any activity that could be interpreted by the supplier as a pressure tactic, such as:

- reciprocal arrangements (agreements to buy from a supplier in return for a sale);
- conditions which place the supplier in a real position of dependency with respect to the Buyer;
- solicitations to sponsor a sports club or cultural events, or to buy raffle tickets, etc.

When a Group Purchasing Officer seeks bids from both outside and inside Group companies, the same rules apply to all.

Legitimate research about competitors and/or suppliers in connection with market surveys must not hinder the workings of fair competition. Research on the status of supplier markets remains a necessity, however, and buyers should feel free to use any means at their disposal, so long as they are legal and ethical. Without any other restriction, when conducting their market surveys, buyers use numerous information sources, such as the press and other media, advertising brochures, consultant reports, customers' comments and visits to trade shows or exhibitions.

COMMITMENTS TO SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY

SUEZ incorporates its environmental and social concerns in its Purchasing procedures, which is why bid specifications contain supplier and product selection criteria related to the Group's social and environmental commitments.

This means that SUEZ Buyers may be guided in their approach by standards such as those defined in the OECD Guidelines for Multinational Enterprises, the International Labor Organization's Tripartite Declaration of Principles concerning multinational enterprises and social policy, of those of SA (Social Accountability) 8000 or ISO 14000.²

In concrete terms, the Buyer is responsible for ensuring suppliers observe the following simple principles:

- product or service suitability to our specifications;
- regulatory compliance regarding safety, employee well-being and child protection;
- a pledge to avoid any form of discrimination within their company or toward sub-contractors and to avoid corruption in any form;
- respect for the environment in product design, manufacture, use, and disposal or recycling.

Methods to determine and monitor compliance with these principles are left to the discretion of local Purchasing managers. These methods may either be achieved through incorporation in purchase specifications or through actual monitoring depending on the strategic importance of the purchase. At the very least, during consultations suppliers will be asked to explain what measures they have taken in favor of sustainable development and social responsibility. Their responses are to be taken into account when making the supplier selection.

² *These documents with comments are available from the following sites: www.oecd.org (see documentation, financial affairs, taxation matters for companies, then search for document dated October 31, 2001) and www.ilo.org (search for pages on the tripartite declaration); for SA 8000 go to www.cepaa.org*

For all questions on purchasing ethics, please contact your company's ethics advisor the Group's ethics advisor at ethic@suez.com

N.B. The full text of the Purchasing Ethics Guidelines is available on the PACHA website. The appendix to these Guidelines contains some practical advice concerning purchasing organisation, the mission of the Purchasing function, the Buyers' roles, the procedures and the tools.