

SUEZ GROUP SOCIAL DYNAMICS
Section on "Employee ownership scheme"

GROUP AGREEMENT DATED 3 July 2007,

hereinafter referred to as the "**Agreement**",

BETWEEN

SUEZ S.A., whose registered office is located at 16, rue de la Ville l'Evêque, Paris (75008), and its subsidiary companies meeting the conditions defined in Article 2-1 of the Agreement, jointly represented by Mr. Gérard Mestrallet in his capacity as Chief Executive Officer of Suez S.A.,

of the first part,

AND

The European Consultative Committee represented by its Bureau.

AND

Representative trade-union organisations within the scope of the Agreement, duly entitled to sign the agreement, namely:

- **The European Trade Union Confederation** represented by Mr Jan Willem Goudriaan, Deputy General Secretary of the European Federation of Public Service Unions.
- **The C.F.D.T.**, represented by Messrs Bernard Larribaud and Laurent Grolier,
- **The C.F.E.-C.G.C.**, represented by Messrs Fabrice Amathieu and Joseph Chapeau,
- **The C.F.T.C.**, represented by Mr Jacky Rouchouse,
- **The C.G.T.**, represented by Messrs Yves Montobbio and François Mamet,
- **The C.G.T.-F.O.**, represented by Mr Jean-Luc Vignon,
- **The European Confederation of Managers (CEC)**, represented by Mr Philippe Mangelinckx,

of the second part,

hereinafter jointly referred to as the "**Parties**".

PREAMBLE

Within the framework of discussions, which started more than a year ago on Suez Group social dynamics, employee representatives expressed their wish for the establishment of a minimum social guarantee base for each employee belonging to the Group.

One of the basic elements identified as a priority for employee representatives is the creation of a specific financial motivation scheme at Group level based on Group performance and for which the main features would be as follows:

- (ii) It should be based on Suez Group consolidated performance and not on the profits of each individual company making up the Group;
- (iii) It should not replace existing remuneration or profit sharing schemes and should thus be additional to them;
- (iv) It should be allocated to each employee of companies exclusively controlled by the Suez Group; and,
- (v) It should vary each year depending on the level of net profit attributable to the Suez Group before disposals.

Given the positive change in Suez Group performance and financial equilibrium, Management is agreeable to the introduction of such a scheme for the years 2007, 2008 and 2009.

This scheme would indeed enable the Suez Group to share the benefits of its growth and prosperity and therefore be a means for Management to develop employee loyalty and improve future performance.

ARTICLE 1 PURPOSE OF THE AGREEMENT

The purpose of the agreement is to create a financial motivation scheme for employees who meet the conditions defined in article 3 below (**Beneficiaries**) as follows:

- (vi) The scheme itself will be subject to an annual decision by Suez S.A. To this effect, it should be noted here that this scheme may, as decided by Suez S.A., take various forms, such as free allocation of shares, payment in cash or in any other form and these may furthermore be combined, and
- (vii) The conditions for distribution to the Beneficiaries will be subject, for each of the three years concerned, to annual negotiation between the Parties (to which may be added new companies which, during the agreement application period, meet the conditions defined in article 2 below) or, should negotiations fail, to a decision by Suez S.A. which will be applicable for the year concerned.

This scheme will be implemented in accordance with the terms and conditions specified in the agreement, for years 2007, 2008 and 2009.

To enable a preferential tax and social treatment for Beneficiaries or to limit tax and social costs to them as much as possible, they will be entitled to different forms of the financial motivation scheme under different terms and conditions, country by country.

ARTICLE 2 SCOPE OF THE AGREEMENT

Article 2.1. European Union and EFTA

For each of the years considered (2007, 2008 and 2009), the scope of the agreement includes all companies which meet the conditions defined in (i) and (ii) below (the "**Associated Companies**") as at 31 March of the year considered.

- (i) To be fully integrated in the consolidated structure of the Suez Group or, failing this, to meet the conditions so as to be included in it, in accordance with the provisions of Community Regulation No. 1606/2002 of 19 July 2002 (or any other provision that is issued to replace or amend it) concerning the application of international accounting standards and the laws relating to its application; and
- (ii) To have the registered office in the country of one of the European Union Member States or of EFTA.

Similarly, Associated Companies that cease to meet conditions (i) and (ii) above as at the 31 March of the year concerned will automatically fall outside the scope of the agreement for that year and, if appropriate, for subsequent years.

Article 2.2. Outside European Union and EFTA

For information purposes, it is stated here that Suez S.A. will enable employees of Suez Group companies whose registered offices are located outside the European Union and EFTA and which meet the condition defined in (i) of article 2.1 above, to benefit from a similar financial motivation scheme, under conditions and in accordance with terms to be defined.

ARTICLE 3 BENEFICIARIES OF THE FINANCIAL MOTIVATION SCHEME

For each of the years 2007, 2008 and 2009, the Beneficiaries of the financial motivation scheme provided for in the agreement will be those who meet the following conditions:

- (iii) the initial allocation condition: holding a valid employment contract with one of the Associated Companies as at 30 June of the year concerned; and
- (iv) the final allocation terms set out by Suez S.A. resulting from the form of financial motivation scheme chosen for the year concerned.

ARTICLE 4 TOTAL VALUE OF THE FINANCIAL MOTIVATION SCHEME

The total value of the financial motivation scheme to be distributed in 2007 to all beneficiaries, whether they are employees of Associated Companies mentioned in article 2.1 (European Union and EFTA) or of companies mentioned in article 2.2 (outside European Union and EFTA), will be some 80 million Euros. Distribution will be in the form of a free allocation of Suez S.A. shares.

It is however agreed that this mention, which is solely for information purposes, does not form part of the agreement and in no way confers on the amount or form considered an agreed or contractual status. The amount and form of the financial motivation scheme for 2007 will be determined by Suez S.A. at the Board meeting scheduled for 4 July 2007.

It is expressly agreed between the Parties that for 2008 and 2009, the total amount of the financial motivation scheme to be distributed for the year concerned will be calculated with reference to the basis sum of € 80,000,000 increased by a proportion identical to (i) the rise in the recurring net profit (RNP) attributable to the Group recorded for the 2007 and 2008 financial years compared with the 2006 financial year, or (ii) the rise in the dividend per Suez share if the latter is less than (i).

Assuming the recurring net profit (RNP) attributable to the Group in the 2007 or 2008 financial years falls to less than the recurring net profit attributable to the Group in the 2006 financial year, but remains greater than the recurring net profit attributable to the Group for the 2005 financial year, the total financial motivation scheme to be distributed in 2008 and 2009 respectively will be calculated according to the following formula:

$€80,000,000 \times \frac{[RNP2007 - RNP2005]}{[RNP2006 - RNP2005]}$ for the 2008 financial year

$€80,000,000 \times \frac{[RNP2008 - RNP2005]}{[RNP2006 - RNP2005]}$ for the 2009 financial year

It is, however, expressly agreed between the Parties that where the RNP attributable to the Group in the 2007 or 2008 financial years falls to below the RNP attributable to the Group in the 2005 financial year, no financial motivation scheme will be paid for 2008 or 2009 respectively.

For the purposes of the calculation under this article, the Suez Group includes all the companies found within the Suez S.A. consolidated structure accounts in accordance with the provisions of the Community Regulation No. 1606/2002 of the 19 July 2002 (or any other provision that is issued to replace or amend it) concerning the application of the international accounting standards and the laws relating to its application.

Finally, it should be remembered that determining the form of the financial motivation scheme for the years 2007, 2008 and 2009 remains the exclusive decision of Suez S.A.

ARTICLE 5 METHOD OF DISTRIBUTION TO BENEFICIARIES

The distribution of the financial motivation scheme to Beneficiaries may be:

- (a) uniform,
- (b) proportional to the time spent with the company during the financial year,
- (c) proportional to salaries or
- (d) a combination of these criteria.

For 2007, the Parties expressly agree that the total amount of the scheme will be equally distributed among Beneficiaries.

It should be noted here that the choice of this distribution method for 2007 has no bearing whatsoever on the methods to be adopted for the years 2008 and 2009.

ARTICLE 6 MONITORING OF THE AGREEMENT

The representatives of the Suez Group European Consultative Committee (ECC) will be involved, through the ECC bureau, in monitoring the agreement.

In order to enforce the agreement and particularly if a method is modified, additional members may be involved in monitoring.

ARTICLE 7 INTERPRETATION AND REVISION

Since this agreement is translated into several languages, only the original version drawn up in French (the signed version) is binding on the signatories. Questions of interpretation relating to the agreement are the sole prerogative of the monitoring committee mentioned above.

The agreement may be revised in accordance with the relevant provisions of the Employment Code.

ARTICLE 8 EFFECTIVE DATE AND DURATION OF THE AGREEMENT

The Agreement will come into effect from the day following its registration at the Paris DDTE and at the registry of the Paris *Conseil de Prud'hommes* (Employment Inspectorate).

The Agreement is signed for a period of three (3) years, being from 1 January 2007 to 31 December 2009, and may not be renewed by tacit agreement.

At the end of this period, the agreement will no longer be effective.

ARTICLE 9 REGISTRATION OF THE AGREEMENT AND OTHER FORMALITIES, IF ANY

In accordance with the provisions of Article L. 132-10 of the Employment Code, the agreement shall be registered at the Paris *Direction départementale du travail et de l'emploi* (Departmental Employment Management) and at the registry of the Paris *Conseil de Prud'hommes* (Employment Inspectorate).

Should the case arise, it will be the Associated Companies' responsibility to ensure that any other formalities are completed and complied with, in accordance with the local law applicable.

Signed in 10 copies,

In Paris, on 3rd July 2007,

For Suez S.A. and its subsidiary companies fulfilling the conditions stated in article 2.1 of this agreement,

Gérard Mestrallet

For the **European Trade Union Confederation**

Jan Willem GOUDRIAAN

For the **C.F.D.T.** ,

Bernard LARRIBAUD

Laurent GROLIER

For the **C.F.E-C.G.C.**,

Fabrice AMATHIEU

Joseph CHAPEAU

For the **C.F.T.C.**,

Jacky ROUCHOUSE

For the **C.G.T.**,

Yves MONTOBBIO

François MAMET

Pour **La C.G.T.-F.O.**,

Jean-Luc VIGNON

For the **European Confederation of Managers (CEC)**

Philippe MANGELINCKX,

For the **European Consultative Committee**

The Bureau

Bernard LARRIBAUD

Secretary

José BOULANGER

Assistant Secretary

Henk AALBERS

Assistant Secretary

Henk HUMMELMAN

Assistant Secretary

Knut OTTER

Assistant Secretary

Jordi REQUENA FERRANDO

Assistant Secretary

Yves MONTOBBIO

Assistant Secretary

APPENDIX 1 - FOR INFORMATION ONLY - YEAR 2007

The purpose of this Appendix 1 is to present the amount and the form of the financial motivation scheme that Suez S.A. plans to implement in 2007 and which will be subject to a decision by the Board of Directors of Suez S.A. at the meeting scheduled for 4 July 2007.

It is however agreed that this Appendix 1, which is solely for information purposes, does not form part of the agreement and in no way confers on the amount or form considered an agreed or contractual status.

It is hereby expressly stated that determining the amount and form of the financial motivation scheme for the year 2007 remains the exclusive decision of the Board of directors of Suez S.A.

2007 Scheme for free allocation of Suez S.A. shares

For the year 2007, the financial motivation scheme will be in the form of a free allocation of shares which will be carried out in 2007 for a total amount of about € 80,000,000 (eighty million Euros), which represents about 2,000,000 (two million) Suez S.A. shares, subject to authorisation by the Suez S.A. Board of Directors at its meeting scheduled for 4 July 2007 (the "2007 Scheme").

The total amount is included in the overall authorisation that conferred on the Board of Directors by the General Meeting held on 4 May 2007 in accordance with its fourteenth resolution.

The total number of beneficiaries concerned by the proposed free allocation of Suez S.A. shares, whether they are employees of Associated Companies as mentioned in Article 2.1 (European Union and EFTA) or employees of companies mentioned in Article 2.2 (outside European Union and EFTA), would be some 143,000 persons and this is equivalent to an average of 14 shares per Beneficiary.

The main features of the 2007 Scheme are described below.

It is specified that, for tax and social purposes, the conditions for implementing the 2007 Scheme would be different for employees of Suez S.A. and its French subsidiary companies, on the one hand, and for employees of its non-French subsidiary companies, on the other. In fact, the tax and social regime governing the free allocation of shares is highly regulated in France (in particular, the prescribed minimum period for the acquisition and retention of shares is 2 years) and implementing an identical system for employees residing abroad would have negative effects (in particular, being subject to income tax and social charges at the end of the acquisition period while the shares could be not be disposed of before a period of two years).

The terms for the allocation of the 2007 Scheme described below will be submitted for approval at the Board meeting scheduled for 4 July 2007.

1. ACQUISITION AND RETENTION PERIODS

1.1 France

1.1.1 Date of the initial allocation

16 July 2007

1.1.2 Duration of the period of acquisition of rights to the free allocation of Suez S.A. shares.

Two years as from 16 July 2007, i.e. until 16 July 2009 (known as the acquisition period).

1.1.3 Date of the final acquisition of free Suez S.A. shares subject to compliance with the conditions mentioned in paragraph 2 below.

16 July 2009 (no right to dividends before this date).

1.1.4 Duration of the retention period for the freely allocated shares.

Two years as from 16 July 2009, i.e. until 16 July 2011 (known as the share retention period).

It is specified that in the case where a Beneficiary, at the expiry of the 2 years acquisition period, pays the shares freely allocated to him/her into a company savings plan, in accordance with the prescribed legal and regulatory conditions, these shares will be available only at the expiry of a minimum time period of 5 (five) years as from the date paid into the plan, except, should the case arise, in the case of earlier release in accordance with the provisions of the Employment Code.

1.2 Outside France

As an indication, the acquisition period would be 4 years and there would be no retention period.

The free Suez S.A. shares would therefore be finally allocated on 16 July 2011 (no right to dividends before this date).

The formula to be applied will be based on tax and/or social conditions that apply locally to employees. The formula might thus be different depending on countries so that employees may benefit, as appropriate, from the most advantageous system.

2. ALLOCATION CONDITIONS COMMON TO FRANCE AND TO OTHER COUNTRIES

2.1 Initial condition

Holding a valid employment contract, as at 30 June 2007, with an Associated Company or with a company mentioned in Article 2.2 of the agreement.

2.2 Final terms

Free shares will be issued to the employees concerned on the date of the final allocation (i.e. 16 July 2009 for France and, as an indication, 16 July 2011 for countries other than France) only if the following conditions are fulfilled.

2.2.1 Performance condition

The Return on Capital Employed (ROCE) of the SUEZ Group, on like-for-like structures for the 2008 financial year should be equal to or higher than the weighted average cost of capital (WACC) increased by 3% (three per cent). The 2008 ROCE will rise if the structure changes as a result of a transaction that brings about a major change to Suez's financial profile.

2.2.2 Attendance condition

(a) At the date of final allocation, being bound by a valid employment contract with:

- (i) the Associated Company or the company that fulfils the provisions of Article 2.2 of the agreement and that was already the employer of the concerned employee as at 30 June 2007 (whether or not that company still falls within the scope of the agreement at the date of the final allocation - in the case where the company is sold off and falls outside the Suez Group, Suez S.A. undertakes to do its best to negotiate the maintenance of the provisions of this agreement or compensatory measures with the buyer of the company disposed of, in favour of the employees concerned); or
- (ii) another company that was included in the consolidated structure through full consolidation of the Suez Group in accordance with community Regulation No. 1606/2002 of 19 July 2002 (or any other provision issued to replace or amend it) concerning the application of international accounting standards and the laws relating to its application, at the date on which the concerned employee changed employer to join this company;

or

(b) Having held but no longer holding an employment contract with a company that fulfils conditions (i) or (ii) at the date of the final allocation, due to retirement, breach of employment contract following disability or lay off, for a reason other than employee gross misconduct.

2.2.3 Case of early release

In the event of the death or disability of the employee concerned during the acquisition period, his/her heirs in case of death or the employee concerned in case of disability, may ask, subject to fulfilling the performance condition mentioned at paragraph 2.2.1 below, for the allocation of free shares within 6 (six) months of the latest date between:

- (i) ascertaining fulfilment of the performance condition; and
- (ii) death or ascertaining disability.