Case study

Veolia

Primary themes

Environmental Social Governance ✓

Approach

Direct ✓ Collaborative Escalation

Objective

Achieved Ongoing Not met N/A – interaction ✓

Context

Veolia is a French-listed company with global operations in waste, water and energy-related environmental solutions. The investment rationale recognises the earnings and cashflow growth potential of these critical services. We engaged with the issuer as it has been a long-term holding.

Summary

Jupiter is a long-term and supportive shareholder, and we have a productive relationship with the company. The company appointed two shareholder representatives to the Board in the first quarter of 2025.

The Board did not previously contain any institutional shareholder representatives. We observed that one party, CriteriaCaixa had acquired a 5% stake in March 2025, and it would assume a Board seat. The French Public Investment Bank, BPIFrance (BPI), via its Sovereign Wealth Fund, also disclosed an €800m investment which equates roughly to 3.8% of share capital.

Although we were not fundamentally concerned by this development and recognised the long-term commitment and pedigree of both parties, our initial reaction was not without a degree of caution due to ambiguity about these arrangements.

Engagement objectives

We did not have any concerns over the credentials of the new individuals. However, we required further clarity regarding the governance impacts and whether any special rights were conferred on these parties that may or may not be consequential to Jupiter and other shareholders.

Our objectives are outlined below, and were targeted towards understanding the governance protocols behind the appointments and whether there was any resultant diminution of our interests. As discussed, this was not a concerning scenario but as stewards and without prejudice, investor experience across different markets has taught us that vigilance is required when encountering meaningful boardroom developments.

- **Understanding Board nomination rights:** We noted from the Articles of Association that there was no ownership threshold that authorised Board representation. We wanted to verify our interpretation and to understand why Board representation had been offered to these parties.
- **Uncovering exit provisions:** On a related note, we also wanted to be aware of the conditions that secured the longevity of Board membership – if the abovementioned parties reduced their holding, at what level did they lose their rights for Board representation?
- **Probing shareholder agreements:** The disclosures referred to individual shareholder agreements. We noted that these were private arrangements but as independent shareholders we felt within our rights to enquire whether the terms contained provisions that compelled these independent shareholder directors to vote with management. We were not suggesting this was the case, but we wanted clarity around the terms of the balance and influence on the Board.
- **Understanding strategic intent:** The company had referred to shareholder and governance stability within the context of these appointments. We wanted to understand whether the company had any concerns about the stability of its shareholder register.

About the dialogue

We used the lead-up to the AGM as an opportunity to communicate these matters to the company General Counsel (GC).

The GC provided us with assurances over the governance queries. Our understanding was correct; there is no threshold established in the Articles that mandates a Board seat. The expectation was that these shareholders will maintain their investment for the long term. However, should they sell, the Board representation right would be removed, but it was not clear whether this was linked to a complete divestment or a certain reduction in shareholding. The GC also outlined elements of the shareholder agreements and provided clarity on how conflicts of interest were managed in relation to these directors.

With reference to stability, the GC explained this outcome was a strategic undertaking by management and the Board to seek long-term and committed shareholders who are aligned with the company's goals. The company believes, in time, this will have a positive factor on the evolution of its share price and re-rating.

It was highlighted that the company had sought out BPI as shareholder, but CriteriaCaixa made the approach to Veolia. The company emphasised that both investors support the group's strategy and their long-term commitment is aligned to the interests of the wider shareholder base.

Outcomes

Jupiter was appreciative and satisfied with the company's response and we duly voted with management on all items at the AGM and continue to remain invested.