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This guide is for the use of professionals only. It states the position of the market as at the time of going to press and is not a substitute for detailed local knowledge.

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## REAL ESTATE

# 2007-2008 UPCOMING EVENT SCHEDULE

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THE NEW YORK TENANT-IN-COMMON TRANSACTION FORUM	DECEMBER 10-11, 2007	NEW YORK, NY
WINTER FORUM ON REAL ESTATE OPPORTUNITY & PRIVATE FUND INVESTING	JANUARY 23-25, 2008	LAGUNA BEACH, CA
ASIAN REAL ESTATE OPPORTUNITY & PRIVATE FUND SYMPOSIUM	MARCH 2008	HONG KONG
LATIN AMERICAN REAL ESTATE OPPORTUNITY & PRIVATE FUND SYMPOSIUM	MARCH 2008	MIAMI, FL
DISTRESSED REAL ESTATE SYMPOSIUM	MARCH 2008	MIAMI, FL
WEST COAST REAL ESTATE MEZZANINE LOANS SYMPOSIUM	APRIL 2008	LOS ANGELES, CA
US REAL ESTATE OPPORTUNITY & PRIVATE FUND INVESTING FORUM	MAY 27-28, 2008	NEW YORK, NY
FINANCING, DEVELOPING & OPERATING CONDO HOTELS SYMPOSIUM	MAY 2008	MIAMI, FL
DESTINATION CLUB & PRIVATE RESIDENCE INDUSTRY SYMPOSIUM	MAY 2008	PHOENIX, AZ
OFFICE & COMMERCIAL CONDOS CONFERENCE	MAY 2008	PHOENIX, AZ
THE NEW YORK PRIVATE & NON-TRADED REIT INDUSTRY SYMPOSIUM	JUNE 2008	NEW YORK, NY
CASINO REAL ESTATE SYMPOSIUM	JUNE 2008	LAS VEGAS, NV
REAL ESTATE CDOs SYMPOSIUM	JUNE 2008	NEW YORK, NY

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# What does it take to be a pioneer in Corporate Social Responsibility?

As Al Gore said: "There are many who still do not believe that global warming is a problem at all. And it's no wonder, because they are the targets of a massive and well-organized campaign of disinformation lavishly funded by polluters who are determined to prevent any action to reduce the greenhouse gas emissions that cause global warming out of a fear that their profits might be affected if they had to stop dumping so much pollution into the atmosphere."

However, many companies do acknowledge the problem and have participated in a number of global initiatives designed to mitigate it. For example, the United Nations (UN) has created The Global Compact. This is a network-based initiative, consisting of the Global Compact Office and six UN agencies. The Global Compact consists of all relevant social contributors. These are the companies whose effect on the local environment they seek to influence, governments, labour, civil society organizations and the UN – which plays the role of convener and facilitator.

There are 10 principles to which companies are encouraged to adhere, spanning human rights, labour standards, the environment and anti-corruption.

## **Human Rights:**

- Businesses should support and respect the protection of internationally proclaimed human rights;
- Businesses should make sure that they are not complicit in human rights abuses.

## **Labour Standards:**

Businesses should uphold:

- The freedom of association;
- The effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labour;
- The effective abolition of child labour;
- The elimination of discrimination in respect to employment and occupation.

## **Environment:**

Businesses should:

- Support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility;
- Encourage the development and diffusion of environmentally friendly technologies.

## **Anti-Corruption:**

- Businesses should work against corruption in all its forms, including extortion and bribery.

The Global Compact was launched in 2000 and has grown to over 3,800 participants including over 2,900 businesses in 100 countries worldwide.

In addition, in 2005 the Kyoto Protocol came into effect. The Protocol was an international agreement aimed at reducing the world's greenhouse gas emissions, in particular carbon dioxide; the target set for industrialized countries was to cut their combined emissions by 5% (1990 levels), between 2008 and 2012.

The Kyoto Protocol became a legally binding treaty on February 16 2005 among much speculation on the difference such a protocol would make. Although there is scientific consensus that greenhouse gas emissions are causing global warming, the suggested 5% reduction in emissions has been seen as just the tip of the iceberg, with reductions of 60% across the board needed to truly avoid the consequences of global warming, according to many experts.

Changing how businesses have operated for many years was always going to be a slow process, especially with no financial incentives for change. As a result, the Kyoto Protocol introduced emission trading allowing countries to buy and sell the carbon credits agreed within their allowances of greenhouse gas emissions. Countries can also gain carbon credits by offsetting their emissions such as through tree-planting.

With guidelines provided by the UN Global Compact and global initiatives such as the Kyoto Protocol, companies have developed many unique projects that expand their Corporate Social Responsibility (CSR).

*Euromoney* looked at companies across Europe to find those who have developed unique and interesting initiatives that are having a positive affect on the environment, local communities and stakeholders.

As climate change and the role of the corporation become a larger political and social concern, the pressure on companies to take responsibility for their impact on the environment, local communities and employees has increased. Corporate governance operating according to sustainability principles can and does bring competitive advantages, often serving as a tool for brand differentiation and the establishment of a unique selling proposition. At the same time, it may even trigger positive side effects in terms of more efficient and cost-effective production procedures or facilitate the opening of unexplored markets. As part of a company's risk management strategy, CSR offsets the jeopardy of scandalous events and defends a reputation for integrity and best practice which in turn helps build customer loyalty.

Corporate Social Responsibility is a broad concept and can include a number of projects and developments. *Euromoney* has highlighted 10 companies that have shown initiative in their approach to CSR.

# Deutsche Telekom

Deutsche Telekom is the largest telecommunications company in the EU. It is represented in 50 countries around the globe. More than half of its revenues from the first half of 2007 were generated outside of Germany. As it is stated in its corporate profile The Group is committed to the principles of sustainability and uses economic as well as social and ecological criteria as the basis for its actions. With its environmental and social performance, Deutsche Telekom is regularly at the top of international sustainability indexes. It has pursued Corporate Responsibility for more than a decade and, as Dr Ignacio Campino, representative of the Board of Management for Sustainability and Climate Change, explains: "As a current example, we are offering our clients the first handset with decarbonized electricity consumption. We are very aware that costs and benefits are in a healthy balance. We do not regard Corporate Responsibility as charity. Thinking CR is an integral part of all our internal processes. CR is not for free, but with an intelligent concept of CR the balance can be positive. So we compensate costs for water and wind power with money saving from reductions of power consumption by increasing energy efficiency."

Environmental consideration is increasingly becoming part of the firm's structure. Deutsche Telekom has: "introduced different management systems in all kinds of areas regarding environmental protection. They are related to product development, energy and lighting, waste management, real-estate management, supply chain, fleet, etc. All of this helps us to significantly reduce costs and risks and at the same time contributes to more sustainability in our society." Developing technologies that have environmental considerations encourages sustainability as these will



René Obermann, CEO, Deutsche Telekom

By voluntarily taking steps to reduce climate change, Deutsche Telekom is reducing its reliance on fossil fuels and therefore increasing its sustainability as it increases its use of energy efficient and low CO<sub>2</sub>-producing renewable energies. "In Germany we are planning to compensate all CO<sub>2</sub> emissions from electricity consumption with hydro and wind power by the year 2009."

When it comes to profit versus the environment, profit usually prevails unless the two are combined under the intention of becoming sustainable. At Deutsche Telekom profit places equal priority on protecting the environment and promoting the skills and capabilities of its employees. Application of its own resources, whether research, technology, products

**"We do not regard Corporate Responsibility as charity. Thinking CR is an integral part of all our internal processes. CR is not for free, but with an intelligent concept of CR the balance can be positive"**

be the technologies of the future that protect natural resources while increasing efficiency and encouraging economic growth which will lead to increased profits.

Deutsche Telekom was one of the first companies to take action against climate change, incorporating a sustainability report and accepting that, as a leading communications company, it consumes a lot of power which results in high CO<sub>2</sub> emissions.

Taking responsibility for this means looking for alternative sources of energy and supporting world initiatives. "Regarding climate protection, we support the Kyoto Protocol because we believe that global warming is a great challenge not only for society but also for the economy," says Campino. "Our technology can make a valuable contribution to more resources efficiency and particularly to more energy efficiency. For example, we can support traffic substitution by telecommunication services like video and audio conferences."

or services, can have a lasting impression on society and the company's stakeholder's be they shareholders, employees or customers.

Internationally, Deutsche Telekom supports the United Nations Global Compact which connects the UN with industry. Deutsche Telekom has created projects that support the basic principles of the Global Compact.

The company has been recognized as a leader in climate protection. In 2007 BAUM, The German Environmental Management Association, ranked it top for its "varied, ambitious and successful CO<sub>2</sub> reduction programs in an eco ranking of the DAX-30 companies".

The World Wide Fund for nature said that Deutsche Telekom is one of the best companies prepared for climate change. In the 2006 report published by the Carbon Disclosure Project, an initiative of more than 300 institutional investors, Deutsche Telekom was acknowledged for its leading role in the area of climate protection.

# FCC Group (Fomento de Construcciones y Contratas)

Esther Koplowitz is Chairwoman of the Strategy Committee and principal shareholder of Fomento de Construcciones y Contratas (FCC). She is credited with the change in strategic direction of the company away from construction and towards higher-margin businesses which has resulted in increased profit performance and share price. By the end of 2007 FCC will have net revenue of €13.7 billion.

The FCC Group is active in four main sectors: construction, cement, real

Koplowitz is becoming increasingly known for her philanthropic activities, as founder of the Esther Koplowitz Foundation. Her company FCC reflects this and takes its social and environmental responsibilities seriously. In 2005 the group established a specific CSR department with its own chairman responding directly to the General Secretary, and the department publishes an extensive CSR report every year. The report sets out FCC's initiatives in the field of social responsibility stating: "FCC Group has dedicated considerable resources to becom-

"Solely paying attention to financial aspects is not enough. History has taught us that business decisions cannot disregard the social and cultural background against which they are taken"

estate and environmental and urban services. Most of these provide challenges to tackling CSR and reducing emissions, but the company has shown a sustained determination to address these issues across the group. The company has also shown commitment to rendering services which bring social benefits.



Allianz Arena, Munich

ing the best company in our sector in terms of the soundness of our culture and excellence and quality in management?" For all big decisions made within the company with social, environmental and ethical implications, the Board of Directors: "try to look at decisions from not only the financial but various other perspectives. Solely paying attention to financial aspects is not enough. History has taught us that business decisions cannot disregard the social and cultural background against which they are taken."

FCC is a supporter of the UN's Global Compact and its culture, based on close ties with the communities it serves, ensures a keen interest in sustainable development, looking at concerns ranging from efficient urban waste management to the construction of infrastructure such as housing which promote development and wellbeing. "Introducing energy efficient renewable energies will also reduce waste and help increase their eco-efficient aims."

The company's Corporate Responsibility Master Plan includes two aims: eco-efficiency and the fight against climate change, while also increasing sustainability for future generations.

The company carries out eco-efficiency consumption campaigns among the customers and users that interact with the various FCC entities, while also taking part in educational projects with the aim of increasing social leadership towards environmental responsibility. Its 2007/08 Master Plan has established the "Green Centre" plan which will boost eco-efficient management at the respective corporate headquarters of the FCC Group. Eco-efficiency means that FCC is constantly searching for the new and best ways of reducing its use of raw materials and how to reduce the impact on the environment.

FCC has invested in alternative technologies for a number of years, but its recent track record shows a greater intent to factor in CSR and eco-efficiency into all their activities. Their CSR report highlights a number of these, including:

- The commitment of FCC's cement factories to reduce their emissions to levels below those established in legislation;
- Investment in installations with eco-efficient furnaces for the manufacture of clinker using materials which minimize emissions, and use of alternative fuels deriving from waste;
- Participation in the Spanish Carbon Fund;
- Establishment of a sustainable mobility services model, which prioritizes the purchase of vehicles which are less polluting;
- Creation of eco-efficient synergies across the group, such as the use of waste to generate energy as a substitute fuel in the cements division.

The FCC master plan has been prepared following in-depth analysis of the key areas of the company that need to reflect CSR values. This has involved studies in the environmental services, construction, cement and real estate divisions which has led to objectives and challenges being set up. Key features include: eco-efficiency, the fight against climate change, health and safety in the work place and corporate governance.

As the report states, "Combating climate change commits FCC to take responsibility in this global challenge, combining the implementation of policies and the procedure with the increasing use of renewable energies to reduce emissions."

The group shows a cohesive approach throughout its subsidiaries. Waste Recycling Group (WRG) in the UK has shown consistent reductions in its carbon emissions, preceding its acquisition into the FCC group. FCC Connex, which specializes in urban and inter-city passenger transport, has reduced energy consumption whilst seeing increases in passenger numbers.

### Priority lines for FCC Construcción Areas plans

FCC Construcción operates in a sector with perhaps the largest challenges to CSR. Its 2005-06 updated sustainability reports highlight a number of focal points in the company's CSR strategy. Sustainable building materials, energy efficiency, employment rights and a zero accidents plan are naturally important, with specific targets to reduce



**Esther Koplowitz, Principal Shareholder and Chairwoman of the Strategy Committee, FCC**

The company is quick to point out that there is plenty of work still to do, and is in the process of designing protocols to measure the different sources of greenhouse gases throughout the group for an effective audit. Given its rapid internationalization in the past year this will be an even bigger challenge in the future. Divisions have been instructed to come up with reduction targets, and as a group they have resolved to closely monitor their progress towards greater use of renewable energy and technologies that maximize energy output.

In terms of their efforts to show good corporate citizenship in the societies in which they operate, it is revealing that The Confederación Comarcal de Empresarios de Cartagena (COEC) gave the FCC Environment branch in Cartagena-Almería the Corporate Excellence Award in its social commitment category for the efforts carried out by its parks

**“Combating climate change commits FCC to take responsibility in this global challenge, combining the implementation of policies and procedure with the increasing use of renewable energies to reduce emissions.”**

the emissions of greenhouse gases by 5%. Their ecological efficiency targets are designed to reduce the generation of waste and water and power consumption by 20%. The application of good practices with regard to the generation of wastes has already allowed 70.66% less rubble than that forecast for 2006 to be sent to the tip. Finally, FCC Construcción's Project Arfrisol is engaged in applying solar energy and bio-climatic architecture in buildings, with a view to electrical and thermal savings in heating and refrigeration.

and gardens division. The panel of judges highlighted FCC's hiring of the socially disadvantaged and the physically and mentally handicapped, which account for 20% of the employees of the gardening division.

The prize is a reward for the work carried out to integrate people in the workforce by the company jointly with two other companies, Asus and Prolam, which are constantly striving to improve the quality of life of the disabled and disadvantaged.

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# The Linde Group

The Linde Group is an internationally recognized leader in the field of industrial gases, medical gas and engineering, with 49,000 employees working in some 70 countries. Following the acquisition of The BOC Group plc, the company has gas and engineering sales of around €12 billion per annum.

Since 2004 it has recognized that Corporate Social Responsibility is a key part of management activity. As Dr Wolfgang Reitzle, president and chief executive, says: "To sustain competitiveness on a long-term basis, companies need to look beyond economic success: they must act responsibly and remain open to dialogue. The first Corporate Responsibility Report produced by Linde AG demonstrates how we have woven these issues strategically into the very fabric of our organization. This is necessary if we are to achieve continuous improvements in each of the four focuses we have defined: the environment, our human resources, society and the capital market."

In this CSR Report, Linde has undertaken to act responsibly to all its stakeholders, namely its "customers, shareholders, business partners, employees, society and – not least, the environment." The report goes on to say: "We have geared our R&D activities towards melding sustainability with customer benefit in our products and technologies. The vocational programmes and comprehensive training opportunities we offer our employees represent a key element in our sustainable corporate strategy."



Dr Wolfgang Reitzle, president and CEO, The Linde Group

**"To sustain competitiveness on a long-term basis, companies need to look beyond economic success: they must act responsibly and remain open to dialogue"**

The UN Global Compact is a global alliance of organizations which seek to cooperate with private business to protect human rights, ensure compliance with labour standards, encourage environmental responsibility and combat corruption. Members are supposed to report



back to their stakeholders annually about the progress they have made in implementing the principles of the Global Compact. The Linde Group signed the UN Global Compact along with 2,000 other companies.

Part of the Linde Group, the UK-based BOC Foundation for the Environment, was started with an initial injection of £1 million in 1990 and funds air and water quality projects. Current projects have led to a review of roadside emissions testing and development of liquid petroleum gas "clean" fuel cell technology. Others include: a new oxidation technique for pharmaceutical toxic waste, developments in solar power, research into electrical and electronic hazardous waste plus developing new low-cost electrolyses in support of the hydrogen economy.

Prof Dr Reitzle says: "At Linde, corporate success means more. It is inextricably bound up with the concept of corporate responsibility. This added dimension derives from a commitment to the company's historical roots and a loyalty to central tenets we uphold today as proven values."

# Edison SpA

Edison SpA is one of Italy's top energy companies, with operations in the procurement, production and sale of electric power and natural gas. Its electric power operations have an installed capacity of 11,400 MW while on the distribution side Edison's share of Edipower's output adds a further 3,500 MW. Edison has a market share of 22.4% for electric power and 15.7% for natural gas within Italy.

Edison has developed its Corporate Responsibility policy to not just meet legislation but also to take it further to voluntary improvement. It has structured environmental management systems and quality management systems for key corporate organizations.

Back in 1994 the company began to publish a Group Environmental Report and in 2004 it published a Sustainability Report to unify communication with stakeholders and provide in-depth information on the environmental performance of the electric power and hydrocarbons operations.

Edison was the first energy company in Italy to introduce the technology of a combined cycle fed by natural gas, characterized by high efficiency, and significantly reduced its emissions. The gas-combined cycle sets at zero the emissions of dusts and sulphur dioxide and reduces CO<sub>2</sub> emissions compared with fossil fuel plants.

Edison's research into technologies covers a range of scientific fields which will develop energy technologies that should protect the environment.

In 2006 Edison focused its R&D efforts on new methods of generating energy that respect the environment. Specific projects involved fuel cells, photovoltaic technologies, energy storage and increased conductivity.

While upgrading its conventional power plants, Edison has commissioned new facilities that are powered with renewable sources and plans to expand further in this area. It has supported the Carbon Fund and the Clean Development Mechanism which were developed by the Kyoto Protocol to encourage sponsors to finance important sustainable development initiatives in the developing countries in exchange for emission reduction credits. Edison has been reducing its spot market purchases of emission credits, choosing instead to support environmentally socially sustainable programmes.

Although not legislatively forced to meet energy efficiency requirements, the company began to operate in that area in 2005 when it established Monsei Esco, an energy service company.

Edison plans to develop new generating capacity from renewable sources. Specifically, the 2007-12 Investment Plan allocated €480 million. The main focus is to upgrade the generating capacity of hydroelectric power plants and provide a significant contribution to the

national plan for the expansion of wind power generation; in this area Edison plans to increase its capacity from 273 MW installed at present to 450 MW.

Like all operators in the electric power industry, the group is required by law to use renewable sources to generate a percentage of the energy it produces. It has, however, exceeded the requirements of industry regulations and plays an active part in developing and promoting green energy projects.

In 2005 Edison launched ECODOC, Electric Power from Nature, which certifies the purchase of electric power produced entirely from renewable sources covering

only wind power and hydroelectricity generation.

The ECODOC brand is based on the RECS International Certification system under which the source of electric power produced from a renewable source is certified by an independent third party that is recognized at a European level. As a guarantee that the energy purchased is green, customers receive a certification issued by RECS International with their electricity bill.

In addition, Edison training programmes are focused on energy conservation and consumption optimization.

At the end of 2006, Edison agreed to collaborate with the Abruzzo Latium and Melise National Park on a project planned for 2007 to protect the Marsican Brown Bear and its habitat. Specifically, the project will involve initiatives to protect this species and raise public awareness, with the goal of improving the condition of the Marsican Brown Bear through campaigns of meaningful information. The Abruzzo National Park has been committed to protecting this endangered local species. This project represents the first instance of partnering with a private enterprise in the park's history.



# Iberdrola

Iberdrola is one of the world's leading private energy groups with a presence in approximately 40 countries. It is the largest wind energy producer in the world and the lowest emission generator in Spain, producing only 247 grams of CO<sub>2</sub> per kWh in 2006. Iberdrola's net profits rose by 20.1% between 2005 and 2006, resulting in profits of over €1,660 million.

The company's commitment to CSR comes from the top. Ignacio Galán, chief executive of Iberdrola, says: "Since 2001, we have been guided not only by the big increase in electricity demand in our markets, but also by our philosophy of providing an effective response to environmental concerns. This has led us to prioritize clean and efficient generation technologies. Over the past seven years we have therefore concentrated on achieving a balanced production mix, especially through renewable energy and natural gas combined cycle plants. Installed capacity in combined cycles has risen to more than 12,000MW today, to 10,000MW in hydro plants, and we have become world leaders in wind power with around 7,500MW in capacity and a project pipeline of more than 41,000MW. In

throughout the world.

The European Union has proposed lifting renewable energy production to 37% of the total by 2020 and primary energy generation to 20%. As companies face the challenges Iberdrola "believes that developing this form of energy is vital, not only to reduce emissions and contribute to sustainable development, but also to incentivize energy independence, especially in major



Ignacio Galán, CEO, Iberdrola

"I think analysts and investors value the importance that Iberdrola as an energy company has placed on responsible development, especially in the field of renewable energy"

all, 42% of our installed capacity is renewable, and more than half is emission-free. In Spain, emission-free output is nearly 70% of the total."

Ignacio Galán's company is in itself an investment for future environmental energy supply, having identified the "new means of power generation that is more efficient than the previous gas-powered stations": "Climate change is a worldwide challenge for humanity, to which the international community must respond with big reductions in the "greenhouse gas emissions that cause global warming".

The drive to meet emissions targets means that renewable energy – especially wind power – has enormous potential for growth



importing regions such as Europe that face incessant price increases for fossil fuels".

Iberdrola has invested more than €14 billion in new technologies replacing old plants. However, its corporate responsibilities are not just limited to the environment. Galán has also improved efficiency targets, cut costs and brought down the average workforce age from 58 to 42 without compulsory redundancies.

Unions like Galán. He for his part says that a good relationship with unions is crucial in delivering positive changes of culture in a business. He explains: "A good example of this is our new Collective Contract, signed just recently with the unions. As a result of this agreement, we have become the first major company in this country to introduce a continuous working day. This agreement restructures working hours with the double objective of improving the quality of life for our people and of increasing productivity by an estimated 500,000 hours."

Iberdrola is not just paying lip service to Corporate Social Responsibility; it is a central part of the company, a part that Galán credits much of his success to. "The financial community has always been supportive of our growth strategy, and proof of this has been the rise in market cap from €12 billion in 2001 to nearly € billion this year, placing it among the top five electricity companies in the world," says Galán. "I think analysts and investors value the importance that Iberdrola as an energy company has placed on responsible development, especially in the field of renewable energy."

# ENEL Slovenské Elektrárne (ENEL SE)

The Slovakian economy is growing rapidly and ENEL SE is the largest power-generating company in the country. Paolo Ruzzini, chairman of the board of directors of Slovenské Elektrárne, states in the company's environmental policy document that: "Slovenské Elektrárne's mission is to generate, sell and trade electricity and heat safely, reliably, efficiently and competitively while continually decreasing its production process's negative impact on the environment."

Since April 2006, when the company was formed through the acquisition by ENEL of 66% of Slovenské Elektrárne, Corporate Social Responsibility (CSR) has been a prime component of ENEL SE's management structure.

Juraj Kopriva, spokesperson for ENEL Slovenské Elektrárne, says: "CSR is not simply an administrative component of the organization, but represents the character and culture of management." Kopriva adds that CSR embraces all aspects of corporate relationships through all interested parties – "the shareholders, investors, employees, customers, suppliers, institutions, future generations and the community at large."

With a global audience watching companies' attitudes to the environment, many have a strategy for CSR, says Kopriva: "environmental policy is an important pillar of the overall concept of sustainability which is embedded into ENEL SE's strategy. It is part of the company's mission to generate clean and environmentally friendly energy."

The majority stakeholder is a leading company in power generation from renewable energy sources. In December 2006, ENEL SE announced

species (marmot and chamois). "We intend to install our newest technologies at one of the mountain cabins – this project, just like the small hydro plants, will need our full attention and commitment, not only financial sponsorship, because we would like it to be our showroom of high-end technology, located at a place where environmental responsibility is priority number one."

CSR is not just confined to protecting the environment but also the human capital within a company. ENEL Slovenské Elektrárne

collaborated with Slovak universities and high schools in order to raise the attractiveness of technical careers and the quality and numbers of university students. Different programmes are also aimed at promoting education in energy matters at Slovak secondary and high schools.

"Other projects that raise the awareness of CSR create a social dimension. We are funding projects such as reconstruction of crises centres and hospices for the homeless while also supporting cultural growth



Paolo Ruzzini, chairman of the board, ENEL SE

**"CSR is not simply a classic administrative component of the organization, but represents the character and culture of management"**

an investment of €4 billion in renewable energy and innovative technologies. It has also announced further investment plans worth €3.2 billion which will mainly be invested in CO<sub>2</sub>-free technology.

"We don't only talk about CSR, we really implement it through concrete projects, not only with sponsorship, but with real participation in the projects," explains Kopriva. "Particular attention is paid to the communities and localities around the power generation plants. We are collaborating with High Tatra National Park, in the creation of educational tourist paths, the creation of small hydro plants in or near selected cities and many other activities. The project with High Tatras is unique."

The company launched its collaboration with Tatra National Park (TANAP) in 2007 in order to promote the stabilization of biodiversity through research and activities for the preservation of endangered

on a national level in collaboration with the Slovak Ministry of Culture, Slovak National Museum and Slovak National Gallery."

As the availability of fossil fuels diminishes, there are real pressures on companies to invest in alternative ways of producing energy. Even though ENEL Slovenské Elektrárne produces 83% of Slovakia's electricity, it is still not deemed a big CO<sub>2</sub> producer because of the structure of its generation facilities. In 2005, 67% of electricity was generated at nuclear power plants with 17% coming from hydro power plants and 16% being produced from fossil fuels.

Thanks to its strong commitment to CSR, ENEL SE is included in the world's most selective ethical indexes, such as the Dow Jones Sustainability Index. In 2007 ENEL SE became a full member of Business Leader Forum which is the foremost non-government organization in the CSR field in Slovakia.

# Air France KLM

Jean-Cyril Spinetta is chairman and chief executive of the Air France-KLM Group, Europe's largest airline, having merged in 2004. Spinetta has taken an active role in ensuring that his company leads the way in CSR.

"For our part it is perfectly legitimate for the airline industry to shoulder its responsibility," he says in the Air France KLM Corporate Social Responsibility statement. As a result it published a Climate Action Plan that supports the Kyoto Protocol and is inclusive of the air transport in

but also requested of its suppliers and subcontractors. Spinetta has taken his company to a new level of CSR. "We feel that it is indispensable to prepare for the future rather than submit to it," he says. Air travel is an industry that is seen as a big cause of environmental problems. Air France is a leader of CSR in its field.

Among the steps taken by Air France under its Climate Action Plan is optimizing traffic control by using Paris-Charles de Gaulle as a traffic concentrator to ensure fewer flights are necessary to carry the same

**"We feel that it is indispensable to prepare for the future rather than submit to it"**

the European Union's emission trading scheme.

The group is well aware of its effect on the environment, particularly where noise and emissions are concerned but it is also aware that as an airline they meet the demand for growing mobility worldwide and contribute to economic development by connecting regions and cultures.

The plans are not short term but an investment for the future. Research and development in aviation design has the potential to reduce CO<sub>2</sub> emissions with greater efficiency.

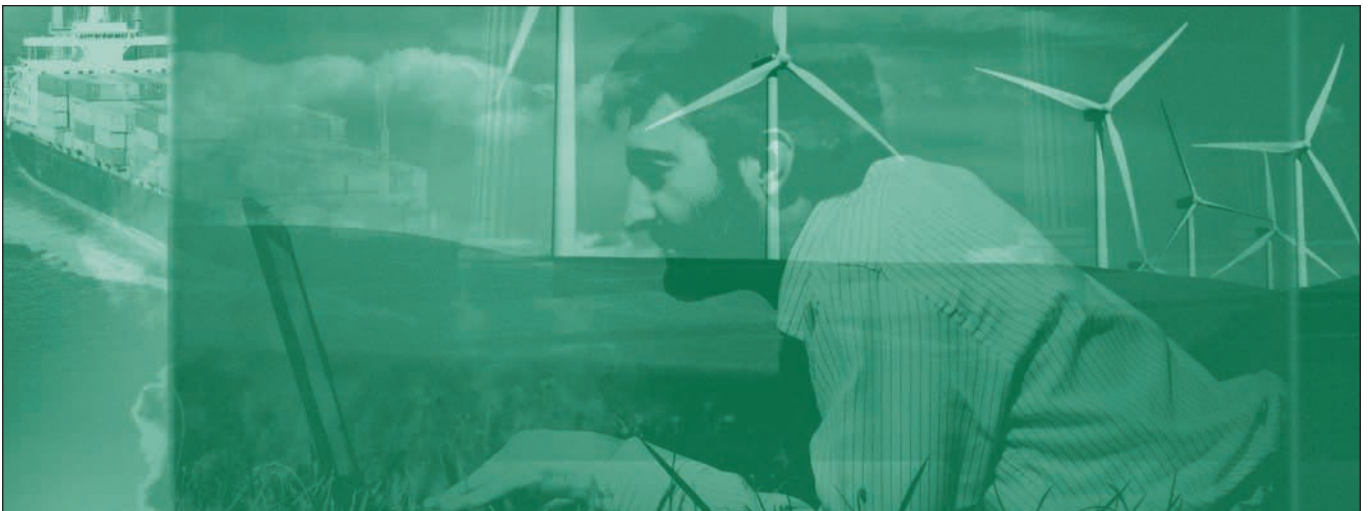
And while it is clear Spinetta has made his company aware of its social responsibilities he has also made it available for customers by providing data concerning CO<sub>2</sub> emissions generated by their journeys, which are based on real operating data and therefore "encouraging awareness and promoting creativity among all our employees by supporting innovative projects that factor in environment considerations".

Environmental concerns are not just concentrated within the company

number of passengers. Also, it has renewed part of its fleet as modern planes are more energy efficient. During 2006-07 Air France acquired 17 new aircraft and decommissioned 14 of its oldest ones. Newer planes also produce lower carbon dioxide and hydrocarbon emissions which has improved the air quality at airports.

Air France is also making plans to promote renewable energy and has given financial support to programmes for reforestation and promoting biodiversity. Finally, Air France is active in training its staff in environmental action plans.

The airline industry is often portrayed as being at odds with the environment: while other industries can move to established environmental-efficient energy sources, airlines cannot. It has been reported that airlines produce 3.5% of global emissions and that was expected to rise over time. As a reaction to the political and social pressures, airlines have been accepting their responsibility. As an airline Air France is aware of the effect of its carbon emissions on the environment while also understanding that airlines need to meet other social objectives.



# Jerónimo Martins

Corporate Social Responsibility (CSR) is a recent concept in Portugal's business world. Jerónimo Martins, a local manufacturing and food distribution company, adopted its definition from the European Commission Green Paper 2001 *Promoting a European framework for Corporate Social Responsibility*. This encourages companies to decide voluntarily to contribute to a better society and a cleaner environment.

According to Luis Palha, chief executive of Jerónimo Martins: "Social responsibility constitutes a way of managing business through sustainable development."

The plan is to combine social responsibility while also generating long-term value for all Jerónimo Martins' stakeholders. The introduction of "Profit, People, and Planet" demonstrates this:

- **Profit** is indispensable to a company's sustainability and the wealth creation of an economy;
- **People** are vital because they have not only to satisfy the needs of the consumers but also the shareholders, employees and partners;
- **Planet** is important because it is Jerónimo Martins' policy to aim for the "correct use of natural resources, through study, analysis and research of management practices"

The pursuit of CSR and sustainable profits can seem mutually exclusive but Palha has the foresight to see that in the long term the two are very compatible. "We aim for the continual improvement of the environment performance of our business activities, products and services and the prevention of pollution with a view to eco-efficiency," he says.

EA Soares dos Santos, chairman of the board of directors, said in a message to shareholders: "As in the development of its businesses, Jerónimo Martins invested in innovation and dynamism in the practical application of its Social Responsibility policy, taking part in the development of the countries and societies where it operates. Among the several initiatives carried out in 2006, two particular cases can be highlighted which resulted in real support for younger generations."

In Poland, through the Biedronka chain, Jerónimo Martins invested in a programme that aims to fight malnutrition in children. As part of this programme, the first socially responsible product was launched in association with Danone, the Polish company Lubella and the Polish Mother and Child Institute. This product contains the essential vitamins and minerals for the healthy development of children.

In Portugal, the commitment to the younger generation was translated into the development, together with 13 other companies, of "Aprender a Empreender", the Portuguese branch of JA-YE Europe, a non-profit making association that aims to encourage responsibility and entrepreneurship among children and the young. Around 50 managers of the group were involved on a voluntary basis in 17 secondary schools, reaching over 900 students in 2006.

A diagnosis was carried out on the management of emissions and an action plan was developed, aimed at demonstrating compliance with the EU and the Portuguese state with regard to the emission of substances that destroy the ozone layer. Progress has been made in discontinuing the use of HCFC gas. Used as a coolant, it is expected to be fully replaced by 2015.

A monitoring plan was developed to check the quality of emissions into the atmosphere in the respective units. A pilot project was started in a Feira Nova store. This plan is being widened to other units in 2007.

The manufacturing companies responsible for emissions into the atmosphere monitor relevant parameters with the objective of ensuring compliance with the legislation. Studies are being carried out to check conformity of the chimney heights, aiming to guarantee the effective dispersion of atmospheric pollutants in relation to the manufacturing units, pollution and the surrounding landscape and neighbourhood.

## Initiatives to Raise Environmental Awareness

In 2006, JM companies carried out initiatives to raise environmental awareness among consumers and employees.

- Disclosure of good environmental practices in the promotional leaflets of Feira Nova and Recheio
- Launch of the 2007 Environmental Calendar campaign in Pingo Doce and Feira Nova stores. In order to encourage public discussion on environmental issues, Jerónimo Martins took part in the 2nd Portuguese Forum on social responsibility, with the "Environmental Management in the Jerónimo Martins Group" talk
- It continued to sponsor the Eco Schools Programme, a Europe-wide initiative launched by the European Blue Flag Association, while aiming to raise environmental awareness among young people. In the 2005/06 academic year, 548 schools took part in the programme and presented 442 action plans
- The companies also continued the National Green Brigade initiative which analysed the resources lacking in the respective schools or in the surroundings and subsequently created and presented a specific project
- During 2006, Pingo Doce and Feira Nova took part in the Climate Change Index and Management of Companies project implemented by Euronatura – an external independent organization. The environmental performance of 59 companies from different sectors in Portugal was assessed with regard to climate change strategy. Pingo Doce/Feira Nova improved their performance according to the ACGE index from 27% to 69%.

# DONG Energy

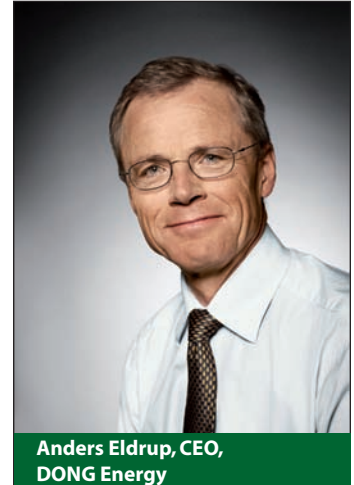
DONG Energy is a new energy company that was formed in 2006 as a result of a merger between six Danish energy companies. The company produces, distributes and trades energy and energy-related products in Northern Europe; its segments are responsible for oil and gas exploration and production, power and heat generation, infrastructure and energy trading.

DONG Energy is aware that the supply of energy is the foundation upon which all businesses are based; it is also aware that the consumption of energy produces CO<sub>2</sub> emissions, which cause global warming. Anders Eldrup CEO of DONG Energy states in the company's annual Corporate Responsibility Report: "A secure energy supply is the backbone of our society. At the same time, the world's energy consumption creates major challenges to the global climate. Climate change is a huge problem that needs to be solved. Not in several hundred years, but in the near future. CO<sub>2</sub> emissions therefore need to be reduced."

Focusing on this challenge has meant setting out investment plans to develop the energy infrastructure, especially within electricity supply. According to present trends, in Europe, by 2030 half of the electricity generated will come from fossil fuels while the other half



will come from specifically 36% renewable energies and 14% nuclear power. Since renewable energies such as wind and hydropower are CO<sub>2</sub> neutral they can be developed. However, the main problem with relying on wind and water energy production is that they are not sufficiently stable to meet world demand for electricity. As a result, a lot of investment has gone into reducing the CO<sub>2</sub> production of power stations as well as into developing renewable energies.



**Anders Eldrup, CEO,  
DONG Energy**

DONG Energy has been making significant developments in increasing energy efficiency and reducing the effect that power stations have on the climate. In fact, according to its corporate website, if DONG Energy's existing technologies for coal-fired power generation were used throughout the world, global CO<sub>2</sub> emissions would fall by 30%.

However, investment in renewable energies has also paid off: in 2006 wind and hydropower accounted for 16% of its production capacity, making DONG one of the largest offshore wind farm operators. DONG Energy's combination of investment in long term-renewable energies and short-term thermal efficiency for power stations will ensure sustainability for the company in the future.

DONG Energy has ambitious plans when it comes to reducing CO<sub>2</sub> emissions. The ultimate objective is to eliminate these emissions from power stations. According to the company's Corporate Responsibility Report 2006, this is being developed through new technologies to capture CO<sub>2</sub> from flue gas with a view to storing it underground or in depleted North Sea oil fields.

The expansion of DONG Energy's wind power generation is currently concentrated primarily off the UK coast, although there are wind farms in Greece, Spain, France and Norway. Energy is also being produced by hydropower and geothermal heat with the company hoping to develop solar energy, wave power and bioethanol energy production. Denmark holds the EU record in energy efficiency. DONG Energy tries to encourage its customers to support this by providing advice on efficiency and energy saving. Finally, part of its energy plans is to bring energy saving to the transport sectors. The transport sectors have always been large contributors to CO<sub>2</sub> emissions. Current transport rates produce approximately 20% of global emissions. In an attempt to combat this, DONG Energy has been supplementing petrol with bioethanol. As one of the leaders in the development of bioethanol, its production relies on access to power and heat and is connected with power stations.

DONG Energy produces electricity from coal, oil, gas, biomass, waste, wind and water. Production in 2006 totalled 25.6 million MW electricity and 49 million GJ heat. In 2006, 87% of DONG Energy's power and heat generation was based on fossil fuels, resulting in total emissions of 18 million tonnes of CO<sub>2</sub>. However, its power stations are among the most efficient in the world: being able to extract the most energy from their resources means they can produce the lowest CO<sub>2</sub> emissions. To maintain this position the company has developed three CO<sub>2</sub>-reducing strategies:

- enhancing energy efficiency at power stations
- co-firing of CO<sub>2</sub>-neutral fuels
- CO<sub>2</sub> capture and storage

Within Denmark there has been a steady reduction in CO<sub>2</sub> emissions, partly due to the developments in technology for energy production. The global climate would therefore benefit if all energy producers invested in similar technologies. DONG Energy has done so partly through using the Kyoto Protocol's encouragement of cost-effective reductions of CO<sub>2</sub> emissions.

DONG Energy has participated in a number of world projects aimed at reducing global CO<sub>2</sub> emissions. The Responsibility Report includes:

- Establishment of two small hydroelectric power stations in Sri Lanka.
- Methane capture from coal mines in China. The project has led to improved personnel safety in the mines and methane that would normally have been emitted to the atmosphere is now being used for heating purposes.
- Establishment of wind farms in Estonia, Latvia and Russia.

DONG Energy, as mentioned earlier, does not only concern itself with the production of energy but also the consumption of it. Economic growth can be created without an increase in energy consumption, Denmark has held the record in economic growth without a similar



Companies that want to be sustainable and develop require both knowledge and people to bring ideas and plans forward. As its report says: "We therefore take joint responsibility for training, nurturing and maintaining the competencies needed by the energy industry. DONG Energy invests in building up knowledge internally, at strategic business partners and at universities." DONG Energy tries to create an environment that will attract talented people to the energy sector and offer them development within the industry.

Energy efficient markets have been developing over the years, having to adapt to increasingly market-oriented systems. The countries that have been leading the way include the UK, Denmark and other Nordic countries. DONG Energy is a member of the Northern European

**"Climate change is a huge problem that needs to be solved. Not in several hundred years, but in the near future. CO<sub>2</sub> emissions therefore need to be reduced"**

increase in energy consumption. As stated in the report, over the last 25 years Denmark's GDP has almost doubled while their energy consumption has remained largely static. Although it has recently been increasing its energy consumption it is still extremely energy efficient which is what the EU Energy Green Paper from 2006 identifies as being the best way of reducing CO<sub>2</sub> emissions.

Often consumers are unaware of their energy consumption and as a result consume more than they need, therefore DONG Energy developed Smart Read an intelligent electricity meter. The meter reads their energy consumption every day and can be monitored by the consumer online or on their mobile phone to see if their energy consumption is increasing. The Smart Read also allows consumers to control their energy consumption remotely; it also allows consumers to turn off their heaters without being in the house.

energy market and tries to encourage liberalization and the development of well-functioning energy markets in Nordic countries and Europe. There are four components to the energy sector: generation, transmission, distribution and sale of electricity. When it comes to energy generation DONG Energy produces it not only for Denmark but also for the whole Northern European market.

DONG Energy has two strategies when it comes to Corporate Social Responsibility: in the long term it wants to develop sustainable, renewable energies that can meet a global demand; in the short term it wants to make its current energy production as environmentally friendly as possible. As Anders Eldrup states in the company's Corporate Responsibility Report: "DONG Energy can contribute to a more sustainable world by running a sound business on a responsible basis."

# KLP Group

KLP – Kommunal Landspensjonskasse – is one of Norway’s largest life insurance companies, providing pension, financing and insurance services to the local government sector and the state health enterprises as well as to businesses in the public and the private sectors. According to Siri Austeng, chairperson of KLP’s board of directors, the company’s Socially Responsible Behaviour statement says that “KLP decided, as the first Norwegian insurance and financial institution, that ethical rules should apply to all types of financial investments. Our socially responsible investment strategy has been in operation since 2001.”

One in eight Norwegians has a pension entitlement with KLP. The management of these pension funds is therefore key to ensuring the schemes are cost effective as well as profitable. In 2006, KLP’s board of directors developed a strategy to incorporate Corporate Social Responsibility into the KLP group.

In 2002, KLP published a list showing which companies had been excluded from its investment portfolios and why they were excluded. “Publication of the list is a part of demonstrating openness about our decisions which in turn strengthens our influence,” it said. KLP is the only pension fund provider in Norway that discloses the names of the companies in which it divests. It also publishes the basis for those exclusions.

Exclusion of companies that do not meet its responsible investment criteria is part of a two-step strategy. KLP also looks to positively influence companies in which it does invest to adopt and advance sustainable policies and practices. Companies can also be taken off the exclusion list and brought in from the cold.

“With total assets of over Nkr170 billion, it creates a degree of attention when KLP takes the step of excluding a multinational company from its investment universe,” says KLP. “We find it works. For example the Marriott hotel chain, following substantial investor pressure including from KLP, established a policy to combat child prostitution at its hotels.”



Siri Austeng, KLP chairperson

The definition

of “sustainable development” has evolved over the last couple of decades. In the 1980s, responsibility typically meant investing in companies that manufacture environmentally friendly technologies or avoiding investment in companies in controversial industries such as tobacco, alcohol and pornography.



Iver Lund, CEO, KLP Group

Responsibility has evolved into developing comprehensive strategies that encompass environmental, social and corporate governance issues. While preserving and even sometimes enhancing financial performance, KLP may acknowledge its responsibility as an investor but it also leads by example and tries to reduce its impact on the environment.

Within the company, KLP Eiendom checks the consumption of water, electricity and district heating. By monitoring the amount used it is able to spot changes in consumption. It recycles cardboard, paper, glass, electrical equipment and computers. It also combines with the Norwegian Ministry of Education and Research to give schools computers with reusable value.

When the consumption of raw resources is necessary, KLP has an absolute prohibition against using tropical timbers not environmentally certified by the Forest Stewardship Council (FSC).

KLP Kapitalforvaltning became the Norwegian partner in the Carbon Disclosure Project (CDP) to reduce greenhouse gas emissions to ease climate change. This project started in 2002 by challenging the world’s 500 largest companies to improve their climate strategies. The challenge was signed by 35 institutional investors. By 2006, 225 institutional investors, including KLP, supported the challenge which had been sent to 2,180 companies.

KLP is in a unique position as an investor, by choosing companies that are compatible with its own values. It is the Group’s way of encouraging prospective investment partners to adopt ethical principles by making it a financial consideration.