



Sustainability is more than an option – it is core business



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Business Council for Sustainable Development in Hungary

The current situation and future expectations for sustainable development based on the opinion of Signaturee of the The Complex Interpretation of Corporate Sustainability Recommendation for Business Leaders

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About The BCSDH

The Business Council for Sustainable Development in Hungary (BCSDH) is the national partner organization of The World Business Council for Sustainable Development (WBCSD). WBCSD is a CEO-led business organization that was founded in 1992 and is located in Switzerland. It works with more than 200 corporations in over 60 countries all over the world and deals exclusively with business and sustainable development. The organizations' goal is to promote business solutions for sustainable development by harmonizing and translating into business operations the following elements of the three pillars of sustainability: economic development, ecological balance and social justice.

About the report

This report shows the outcome of survey conducted by the Business Council for Sustainable Development in Hungary. It outlines the opinions, experiences and expectations of respondents about the current situation of and trends in sustainable development in Hungary. The survey was based on the Recommendations for Business Leaders: The Complex Interpretation of Corporate Sustainability that was published in 2012 which was signed by 42 companies. 34 of these companies participated in the follow-up survey for this document which was conducted during the Autumn of 2013 using an electronic questionnaire. The survey was analysed and summarized by an independent consultant and the report was then edited based on this summary by the Working Group and staff of BCSDH. This report presents the main findings of the survey. The examples introduced may also exist at other companies. We would like to display trends by highlighting some good practices but due to the limited extent of this report we are not able to present full case studies.

Members of The BCSDH



The Complex Interpretation of Corporate Sustainability

1 Strategic approach

The management of a company that interprets sustainability in a complex way should draw up its business strategy by integrating long-term, value-creating economic, environmental and social aspects and should provide the resources necessary for implementing such strategy.

2 Responsible management

An executive from the top management level of the company should be appointed to be responsible for its sustainability performance. Each member of management, at every level, should be individually responsible for promoting the sustainable operation of the company. The executive incentive scheme should include environmental and social goals as well as economic ones.

3 Ethical operations

The company should operate in a way that respects the law and is ethical (for example, endeavour to be free from corruption and provide fair employment). The behaviour expected should be recorded in writing, resources should be provided for implementation and enforcement and the policy should extend to all stakeholders.

4 Respect for human values

The company should consider the protection of human life and safety, equality and the right to a healthy environment to be basic values and should take them into consideration when business decisions are made.

5 Environmental responsibility

The life cycle approach, as well as both economic profit and environmental impact, should inform decisions made by the company. The company should be committed to environmental sustainability and should extend this responsibility to the entire supply chain (suppliers, partners and customers).

6 Partnership with stakeholders

The company should cooperate with its stakeholders and maintain open and bilateral communication with them. When stakeholders are impacted by its operations, the company should aim to create mutual satisfaction and long-term cooperation and partnerships. It should set an example by taking advantage of its size and position. When selecting its business partners, it should consider and prioritise sustainability factors. Through professional organisations and extensive cooperation the company should endeavour to integrate into its operations the sustainability principles of regulatory processes and policies.

7 Transparent operations

The company should collect reliable data and information about its activities, economic, environmental and social impact and performance on an ongoing basis. The information should be made available and the company should inform its partners in a regular and credible way.

The present recommendation has been drafted by the Business Council for Sustainable Development in Hungary in cooperation with business leaders and sustainable development experts.

Message from the President

We believe that the key to the long-term success of a company is to have a CEO and management who are aware of the concept of sustainable development and are able to interpret it in a nuanced way in decision-making. By putting out the Recommendations for Business Leaders: The Complex Interpretation of Corporate Sustainability our aim was to promote the principles that can be used as guidelines for corporate leaders in Hungary. In order for this process to be successful, the principles were drafted in cooperation with business executives and sustainable development experts.

The economic impact of the signatory companies is unquestionable. They generate almost 20% of Hungary's GDP, which also results in them having significant environmental and social influence. For this reason it is important that these companies function as role models and engage and motivate their stakeholders through their business relationships.

One of the important conclusions of the survey is that without the commitment of business executives there is no possibility that development will be sustainable. But it is more important to see that the existing commitments and capabilities of business leaders mean they are able to find ways to change and develop even in the most difficult times and environments. I personally believe that, as a corporate executive and also a responsible citizen, we play a key role in driving sustainable development forward – and I am happy that survey attention has turned to this topic.

This survey was the first of its kind. It shows that there is a great deal to be done concerning corporate partnerships with stakeholders. I am sure that we will move forward in this field and also see that this year more and more business leaders will sign up to the Recommendations and the community of corporations who agree with the principles that are defined in that



document. This will create a strong base for synergistically multiplying our impacts and positively influencing sustainable development trends in Hungary.

István Salgó
President, Business Council for Sustainable Development in Hungary

Executive summary

The Recommendations for Business Leaders: The Complex Interpretation of Corporate Sustainability summarises seven key features of corporate sustainability. Several of these principles are about “putting our house in order” through reviewing basic business processes and operations. Skipping this task, some companies started by jumping into campaigning and undertaking ad hoc action which did not generate the positive feedback they expected. The results of the survey show that companies have started to reorganize these ad hoc actions into a more strategic approach and also to transform their core operations. Some people may feel that sustainable development is being held back or has even stagnated because most of these activities are invisible to external stakeholders. However, in the background, this action, which really needs a lot of resources and commitment, is continuing.

At the time of signing the Recommendations, 61% of all of the companies reported that they were focusing mainly on their **Strategic approach** — by now this number has increased to 82%. It is becoming more and more difficult for business leaders to create and follow a strategy of fostering sustainable development because of an unpredictable and unsteady operating environment and increasing demands for turnover and profit. Thus this will only be possible if they really integrate sustainability into their core business strategies. Good examples of how this can be done include changing product and service portfolios, creating shared value

instead of maximising shareholder value, extending responsibility through the whole value chain and turning donations into social investments.

Respondents reported to making the most significant effort and achieving most results in the field of **Ethical and Transparent operations**. All respondents reported that they have put a great deal of effort into shaping ethical behaviour in the past. 96% of them also outlined outstanding results at improving transparency within the company (for example, through internal and external reporting processes and developing internal com-

munications). More and more companies are saying no to corruption and bribery and have announced a zero tolerance policy for their employees. Based on the opinions of respondents, the Hungarian business sector mostly needs to focus on developing a strategic approach to sustainable development in the near future.

86% of respondents had been working hard to transfer values and principles into **Responsible Management** processes and corporate governance and 53% of them also stated that this would remain a priority for the future. The greatest challenge in this area is to gain the full commitment of



business managers and to build sustainability-related targets into performance management and reward systems.

Most of the development that occurred happened with **Cooperation with stakeholders** but the biggest gap can still be identified here. Half of all companies say that they placed high priority on this issue last year, but this year the proportion had increased to 79%. Good examples are stakeholder engagement projects (like research and consultations, supplier programs and partnerships with NGOs).

The survey also shows that **Respect for human values** and environmental responsibility are the most developed areas at

respondent companies. Key at all companies is Health and Safety and employment practices have become more sustainable through the introduction of atypical forms of work, the employment of disabled people and measures to deal with diversity and gender issues. Environmental responsibility is demonstrated by the measuring, decreasing or neutralizing of negative emissions, complex climate change programs, zero waste operations or the increasing of recycling. **Environmental responsibility** also extends beyond the boundaries of companies when green issues are put into the spotlight during supply chain and logistics activities, the education of customers and consumers and green office operations.

Have we reached an important milestone in sustainable development? It seems as though we may be at a turning point: either sustainability becomes a part of strategic management or it may be deleted from the agenda of the corporates. The commitment and endurance of business leaders will decide which of the two possibilities will become reality.

Recommendations for Business Leaders will not be worth its salt if it remains just a paper on a desk. This is why follow-up is so important. We hope that the survey findings described here will not only be found instructive and useful for our associated companies but to every Hungarian business entity.

Trends

Only a small hint of the positive global trend towards sustainability has arrived to Hungary. Views and opinions about global trends are diverse, but local developments are solidly negatively evaluated.

The economic crisis has caused financial and business challenges and most businesses have slowed down which has forced business leaders to review their strategic priorities. Long-term strategies have turned into day-to-day survival tactics at a lot of companies. At the same time, we can also see that companies have become more and more conscious; they rationalize their resource use, foster more ethical and more transparent ways of operating and some of them are able to focus on innovation instead of maintaining the status quo.

Sustainable development will only remain on the agenda of companies if ad hoc activities can be turned into a more strategic approach.

The greening of the business sector and the increased profile of the social and economic dimension have become visible among the sustainability activities of the companies surveyed. Managing negative emissions and environmentally-friendly production has become part of core business operations. Moreover, we can find more and more green products and services, green offices and environmental protection movements with their associated stakeholders. Business has made considerable progress in promoting corporate diversity and introducing atypical forms of work. Moreover, difficult issues such as increasing local investment or fighting corruption and bribery are on the table. Companies are increasingly expanding their responsibility and sustainability activities through the whole value chain via engaging with suppliers or other stakeholders.

When responding to mostly negative impacts, leaders need to become fast and flexible and learn to deal professionally with uncertainty.

DRIVERS

- turning sustainable solutions to competitive advantage
- commitment and engagement of leaders and managers
- global and local agreements and guidelines
- stakeholder' expectations
- natural and social disasters

OBSTACLES

- unpredictable and uncertain operating environment and legislation
- increasing expectations about turnover and profit
- decreasing availability of resources
- unethical and unsustainable organizations and stakeholders

Survey respondents emphasize the importance of the seven recommendations and note the lack of focus and effort of the Hungarian business sector in these key fields. The biggest gap is seen with the areas of **Transparent operations** and **Ethical Operations** and creating a **Strategic approach** – these are the topics in which local companies should take steps as soon possible and develop the most if they are to support sustainable development.

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The negative global trends detailed in the KPMG study entitled 'Expect the Unexpected' are occurring almost uncontrollably, no positive changes are perceptible. Some efforts are appearing on the regulatory side (e.g. UN, EU, GRI, IIRC) which are motivating or forcing governments and companies to take real action towards promoting sustainable development. Aside from some leading companies, the majority are still concentrating on short-term business survival.

István Szabó
Sustainability Officer,
KPMG Hungary

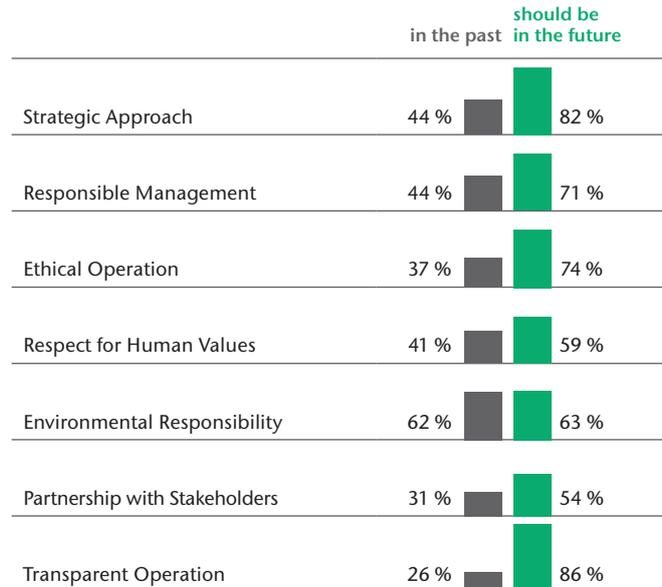
Western European consumers are more and more conscious about selecting among products and services. The segment of buyers who tend to choose environmentally friendly products, even with a price difference of 15%, is increasing continuously. Hungarians, like the inhabitants of Central and Eastern Europe in general, are highly price sensitive. By selecting among products they welcome environmentally friendly alternatives but this alone does not influence their purchasing decisions: they are unwilling to pay more for them.

Dávid Tibor
CEO, Masterplast Group

The slowdown in business caused by the economic and financial crisis continues to have a significant impact. I think that whether the dimensions of sustainable development are expanded depends on the industry and sector.

Zsolt Jamniczky
Deputy CEO,
E.ON Hungary

Focus of Hungarian business entities



Respondents' performance

Self-evaluation of the participating companies shows that (taken altogether) they have improved their performance in all seven areas since becoming signatories to the **Recommendations** in November 2012. Only 10 companies stated that they had not been able to develop (these companies had focused on stabilizing their results and operations). All the other companies reported to making small-scale progress.

Focus of respondents based on self-evaluation



Ethical operation was a priority issue for respondents, not only one year ago (when 89% of them had this issue on their agenda) but also in October 2013 when 100% of companies did. One major development was with how companies partner with stakeholders. Although this field of activity was at the end of the priority list for companies, 79% of respondents stated that they had put high emphasis on this issue last year (while only 50% reported the same when signing the **Recommendations**).

A significant indicator that companies are becoming conscious and dealing strategically with sustainability is that almost all of them now measure their sustainability performance. Not only resources and emissions are quantified in business reports but also environmental and social outputs and, partly, impacts. It is of great consequence for sustainability that some of the companies were experiencing some sustainability-related practices as sources of competitive advantage.

The focus on the environment had not changed, as companies already considered it to be of great importance one year ago. This may not change in future.



87% of Nestlé employees think that Nestlé Hungary is ethical in its business dealings, according to this year's internal survey. This is a 10 basis point rise in the number of people who think we are socially and environmentally responsible, compared to 2008 (the last time we conducted the same survey). According to the TNS Hoffmann Representative annual survey about the image of Nestlé (Brand Equity Monitor), the dimension of »trust« in the company has increased among consumers and the company is far above the industry average in this respect. So consumers feel that Nestlé is a company they can trust.

Michael Nixon
CEO, Nestlé Hungary

Thoughts concerning the importance of sustainability can fortunately be considered more of a rule than an exception. Reconciling them with the global economic reality is moving companies toward innovative solutions. Breakthroughs are always born through innovation so my ultimate opinion is that we can hope for an acceleration of striving for solutions that promote global sustainability.

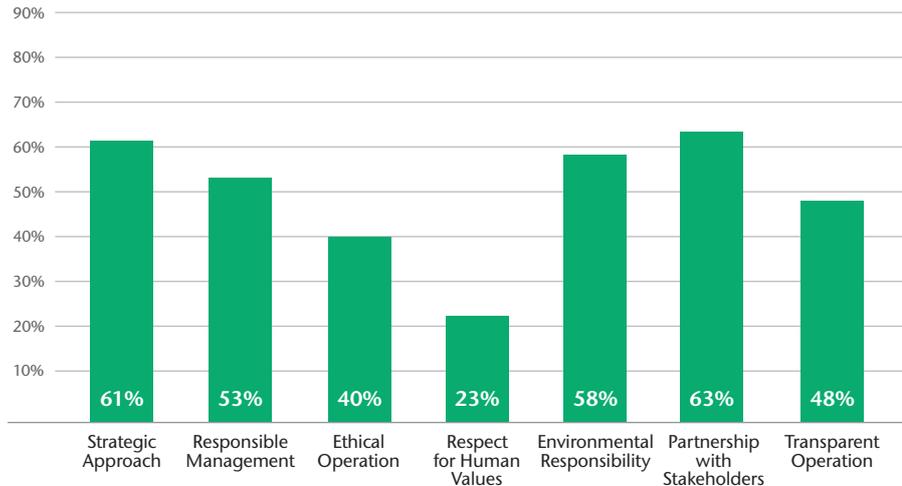
Gábor Kuntner
CEO, Energy Hungary

Future plans of respondents

The biggest gap was identified with 'cooperation with stakeholders' and companies have already decided to improve in this area in the near future. 63% of all respondents stated that stakeholder engagement was a high priority. More than half of all companies still need to strengthen their strategic approach, responsible management and environmental responsibility in

the future. Since ethical and transparent operation was a priority in the past, these areas may become less important for respondents in the future but 40% of them still plan to develop in these fields. Promoting respect for human values will only be in the spotlight at 23% of the companies surveyed as it is already one of the most-developed areas of the recommendations.

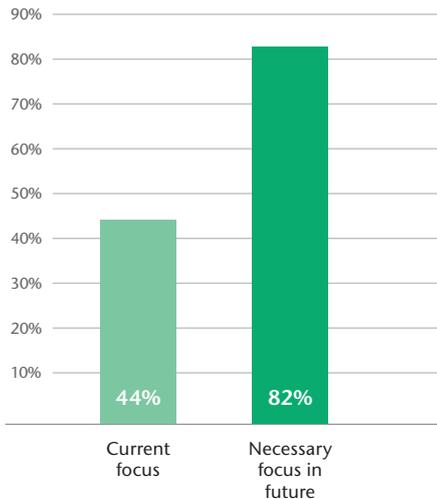
Focus of respondents in the future



Strategic approach

The management of a company that interprets sustainability in a complex way should draw up its business strategy by integrating long-term, value-creating economic, environmental and social aspects and should provide the resources necessary for implementing such strategy.

Strategic approach among local companies based on the opinion of respondents



The opinion of respondents is diverse when it comes to evaluating the performance and efforts of the Hungarian business sector concerning their strategic approach. However, respondents agree that this is something that needs to be developed in the future: 85% say that having a Strategic approach needs to be top priority for companies in Hungary.

The survey shows that we have arrived at a milestone in sustainable development. The time for individual, ad hoc programmes is over: either a company will need to be able to transform sustainability action into strategic management (even if it needs to review its entire business model), or sustainability may disappear from the agenda. This is the reason that 82% of respondents were working last year on stabilizing sustainability in their strategies.

This effort has resulted in that some companies are now dealing with issues such as analysing business opportunities and risks according to their sustainability content, renewing product portfolios, harmonizing shareholder expectations with sustainability principles, moving from a shareholder value to a shared value model and are turning donations into social investment.



EXAMPLES

- introducing sustainable products (Siemens)
- undertaking regional-level organizational restructuring which takes into account footprint targets (Holcim)
- founding a company on a sustainability strategy (Alteo)
- articulating a formal sustainability or CSR strategy (Budapest Airport, Denso, Grundfos, Nestlé, Richter, Vodafone)
- giving sustainability managers regional responsibilities (Holcim, Denso, MOL)



Sustainability has to be the basis of business strategy. Only companies that operate sustainably in an economic, social and environmental sense can be successful in the long run – even after 160 years, like Siemens. Research & Development and business development must follow this path too. The so-called »environmental portfolio« of Siemens is a cross-sector, commercially-successful development which now accounts for as much as 42% of the global income of

the company. The CO₂-emissions saved by the portfolio equal the overall yearly emissions of 8 major cities.

Dale A. Martin
CEO, Siemens Hungary

In a period when the economy is stagnating and available resources are diminishing, the topic of sustainability takes on real meaning. In the current economic environment, using resources as effectively and rationally as possible is indispensable for successful operations. In order to achieve this goal, drastic and rapid changes often have to be made. Circumstances force economic operators to act in a focused way and put in concentrated effort, in addition to developing their organizations. Innovative, creative and cost-effective solutions come more and more into the foreground, together with some in-kind types of solutions, like transmission of know-how or pro bono work. Consciousness, attention and transparency become key factors as part of successful profit oriented operations and are pledges of trust to the customer.

György Beck dr.
President, Vodafone Hungary

We are committed to operating according to our Creating Shared Value strategic approach. CSV is based on the principle that the long-term success of our company can only be delivered if our operations also create value for society. In Hungary we have four factories and employ 2000 people. Our products can be found in 99% of households. As a leading Food company this infers not only an opportunity but also the responsibility to create value for the communities in which we operate.

Michael Nixon
CEO, Nestlé Hungary

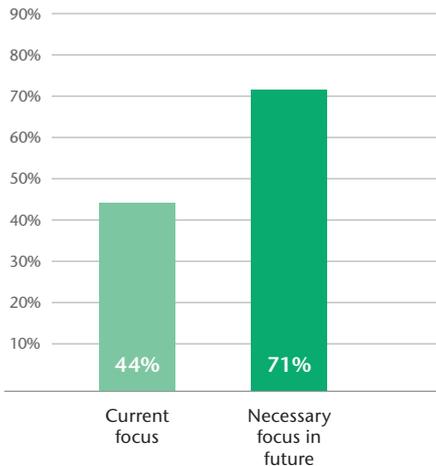
The economic perspective of sustainability was embedded into the founding of ALTEO as we planned to secure negotiable investments which would secure stable profitability for the owners. The company profile (mainly renewable-based energy generation from power plants which use auxiliary gas) ensured in itself to harmonize with environmental sustainability. Making our colleagues aware of this strategy involved promoting knowledge about the basics of sustainability: as an element of our social target system we designed an operating model in which every employee is able to create value.

Attila Chikán Jr.
CEO, ALTEO Energy Services Plc.

Responsible management

An executive from the top management level of the company should be appointed to be responsible for its sustainability performance. Each member of management, at every level, should be individually responsible for promoting the sustainable operation of the company. The executive incentive scheme should include environmental and social goals as well as economic ones.

Responsible management among local companies based on the opinion of respondents



Last year 82% of respondent companies focused on implementing sustainability values and principles into their business operations and governance. Responsible management will still be a priority at 53% in the near future.

The main challenge and key driver in the area of responsible management is getting the commitment of business executives. It is still rare that sustainable development targets are integrated into the performance and reward systems of business managers although this occurs at some companies. As this is a new phenomenon its impact is diverse, perhaps because some functional areas are indirectly affected by such new systems and without complex analysis it is hard to understand the system as a whole.

Proof that sustainability is becoming taken more seriously is that the issue itself is increasingly being delegated to the top management at the company who are given direct responsibility; moreover, sustainability or CSR managers are also appointed (or departments are created) to manage the process more effectively within the company.



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Among the yearly goals of bank managers, beyond meeting financial targets, goals related to operational risks concerning operating ethically and employee satisfaction are also represented.

István Salgó
CEO, ING Bank Hungary



EXAMPLES

- embedding sustainability targets in performance management systems (Grundfos, ING, MOL)
- integrating sustainability with other management systems (LEAN at E.ON or Nestlé)
- using guidelines and codes (codes of conduct at many companies)
- creating special committees (MOL: Equal Opportunities Committee)
- integrating measurement and management systems into core business processes (Denso)
- reorganizing social investment systems into more accountable governance solutions (Holcim, Vodafone: corporate foundations)
- using sustainability reporting cycles as a management tool (Grundfos, MOL, Holcim, Vodafone)

Last year we drew up a long-term strategic plan both on a Hungarian and a European level. We formed a CSR group at our company and strengthened its role on the basis of sustainability values. The CSR formation in Hungary was accepted as a pattern for the European system and the European CSR coordinator was selected from the Hungarian plant. The toolbox of responsible governance was also enlarged: we evolved a Code of Conduct.

Szilvia Gärtner
Environmental and CSR Coordinator,
Denso Manufacturing Hungary

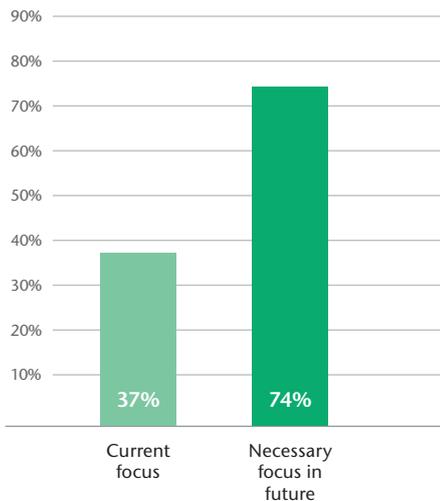
At the beginning of the year 2012 we established the basis of a long-term CSR strategy. For the implementation we founded a separate operational system. The CSR team regularly reports on the results of individual sustainability topics. By keeping topics related to sustainability continuously on the agenda we managed to maintain or increase our results and deepen our relationships with stakeholders. The organizational unit coordinates the realization of new programs and endeavours to involve colleagues.

Gábor Szarvas
EHS Director, Budapest Airport

Ethical operation

The company should operate in a way that respects the law and is ethical (for example, endeavour to be free from corruption and provide fair employment). The behaviour expected should be recorded in writing, resources should be provided for implementation and enforcement and the policy should extend to all stakeholders.

Ethical operation among local companies based on the opinion of respondents



Ethics is one of the most sensitive issues in relation to sustainable development, especially in Hungary. At the same time, they are becoming more and more important in business when operating environments become unpredictable and uncertain. This is because being able to count on the ethical behaviour of partners, employees and authorities may help to balance out negative economic effects caused by rapid changes in the operating environment.

Companies who signed the Recommendations treated ethics as top priority last year and they evaluated their performance very positively – they reported to putting great effort into and creating good results with ethical operations. Ethical behaviour usually creates a competitive disadvantage (e.g. in the construction industry) but the companies that signed the Recommendations

believe in the ultimate value of ethics. The good news is that we can find examples where ethics may be turned into competitive advantage (e.g. in consultation services).

Fair employment practices are unquestionably evident at the respondent companies but last year some companies struggled to protect “rights to work” because of difficult times due to the crisis. Moreover, rapid and unpredictable changes in legislation make it more and more difficult to secure legal compliance.

Several respondents have extended their ethical views and operations through the whole value chain by engaging with suppliers and contractors (e.g. by auditing them, or requiring them to follow their practices). This is a resource-intensive task which involves overcoming a lot of difficul-

ties: we know of a case where a company wanted to increase the number of local suppliers in Hungary but, because the suppliers could not comply with sustainability and ethical principles, they had to be omitted from the selection process.

EXAMPLES

- having codes of conduct or ethical codes (several companies)
- offering training in ethics and education programmes to employees (Alcoa, ING, Telenor)
- having an Ethical Committee with an external president (MOL)
- informing and shaping consumer and customer preferences (E.ON)
- having an Ethical Corporate Award (Telenor)
- undertaking ethical audits and certification in partnership with NGOs (Nestlé with the Fair Labour Association and The Forest Trust)
- starting an ethical social campaign with an NGO partner (Telenor and Transparency)
- cooperating with media in social campaigns about ethical behaviour (Telenor and Figyelő »Átláccó Labirinth«)

The Ethical Corporation Award (founded by Telenor Hungary) is a good example of how the ethical operations of others can be acknowledged and the principles of operating ethically can be disseminated among business entities. The prize is awarded yearly in two categories: small and medium sized enterprises and large companies.

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Effect of the new wave of the economic crisis, operating ethically and predictably is coming more and more into the foreground of the economy and business. Customers are keeping an eye on who is responsibly operating, besides numerical results.

Renaud Capris
President, CEO, Dalkia Energy

In order to operate more ethically we organized an internal training event with the title of »Legal but ruinous« this year. In the framework of this event, through discussing specific examples, each employee received clear guidance about how to fulfil the long-term expectations of customers and other social requirements.

István Salgó
CEO, ING Bank Hungary

Ethical corporate operation: sensitive and risky issue, which should only be communicated if commitment is strong and real. We put ourselves in the spotlight, our mistakes will be viewed intensively, sometimes we have to take competitive disadvantage. Unvisibility in the background of corruption, so results are difficult to measure. It is not enough to introduce ethical operation within the company, but expand it through the whole supplier chain. Our strategy is to deepen ethical behaviour in Hungary, our results in the last years proof our commitment: c150 employees training during workshops, three supplier workshops with 200 participants, special focus on management and legal issues. Beyond our own back-yard small and medium sized enterprises are supported by our programs: we developed training material for them which was conducted by 90 companies, send electronic Newsletter about ethics to 110 supplier and 100 partner of ourselves; 1761 visitors participated in our "Átláccó" (Transparent) Labyrinth and more than 150 non payed media presence helped to shape public opinion.

III. Ferenc Klausz
Deputy vice presidents, Telenor Hungary

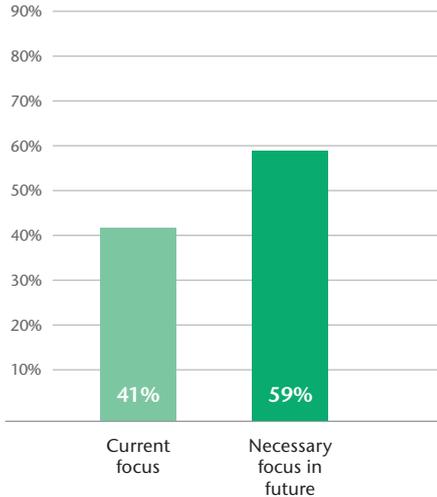
We may state that an ethical attitude set off our company among competitors who were offering similar services, thus we gained an advantage.

Attila Kelemen
CEO, Ben & Loch Lomond International
Consulting

Respect for human values

The company should consider the protection of human life and safety, equality and the right to a healthy environment to be basic values and should take them into consideration when business decisions are made.

Respect of Human Rights among local companies based on the opinion of respondents



Respect for human values took high priority this year (89% of respondents) and last (82% in 2012) but will drop in priority in future. On the priority list of companies only 23% reported that they would focus on this in the future. Signing the Recommendation was, in a way, a value declaration by signatory companies. The first step after signing up to the principles was to stabilize respect for human values at the respective companies. We do not believe this focus will disappear from the agenda of the signatory companies in the future but this focal area may be transformed into corporate governance solutions, partnerships and everyday practice.

The most difficult conflict of interest to solve at companies which were forced to cutback was ensuring that employees kept their workplaces; this is naturally a basic priority. Different case studies were

found where ways were found to secure workplaces (Budapest Power Plant – EDF Group), take back employees step-by-step after earlier outsourcing (Denso Manufacturing Hungary) or to help with outplacement (Holcim Hungary).

Companies signing the Recommendations not only work on respect for human values in their own backyards but they also articulate them in the form of expectations for suppliers. They also organize internal or external training events about them and use information channels to disseminate the principles throughout the whole value chain.

The greatest challenges in this field are to deal through employment practices with the increasing social gap and to manage the expectations and motivations of different generations of employees.

EXAMPLES

- health and safety developments (Alstom)
- promoting organizational diversity, equal opportunities for minors and women (Denso, French Chamber of Commerce in Hungary, MOL, Nestlé, Vodafone)
- assuring flexible working arrangements, home offices (Dandelion, Siemens)
- offering training and development programmes to employees (Accor, Alcoa, Grundfos, Legrand)
- addressing social taboos (Vodafone: violence within the family)
- ensuring equal opportunities through the development of services (Budapest Airport: mother-child terminal)
- providing an excellent working environment (ING)

“*Accident prevention is of high importance at our company as our employees work in a very dangerous working environment (e.g. plant and metro depots) so one of our most important goals is to avoid accidents. We achieved our objective this last year as we had no accidents.*

László Deák
CEO, Alstom Hungary.

I am very proud that ethical operation, respecting sustainability values and responsible operation are key elements of our corporate culture. It is important, that all our employees get know these values and our managers and leaders play a role model in that. One important feedback to our efforts is, that HR team experienced that 8 out of 10 new applicants mention ethical commitment as an important factor when choosing to apply to this company.

III. Ferenc Kalusz
Deputy vice president, Telenor Hungary

Recently, the employees' representation organisations and the Company – as the employer – signed the MOL Plc. II. Equal Opportunity Plan for the next 2 years. We established an Equal Opportunity Committee, identified employee groups with special needs and launched a – so-called – »Layette benefit« contribution. Besides this, we not only keep in contact with employees who are on maternity leave, but as far as possible after they return to work we offer them flexible working conditions and occasionally give them the opportunity to work from home. Regarding employees whose ability to work has changed, we assess the positions at our company which could be suitable alternatives for them. We also try to provide work for students whose ability to work has changed, or who are handicapped, if they have the relevant qualification and competencies. We have twice employed visually impaired students at our HR and Legal departments.

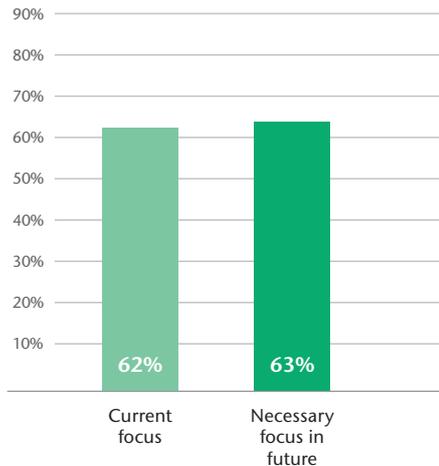
László Fekete
HR Director, MOL Hungary



Environmental responsibility

The life cycle approach, as well as both economic profit and environmental impact, should inform decisions made by the company. The company should be committed to environmental sustainability and should extend this responsibility to the entire supply chain (suppliers, partners and customers).

Environmental responsibility among local companies based on the opinion of respondents



Environmental responsibility has become an unquestionable part of core business. This area was already the most developed (supported by 86% of companies at the time of signing the Recommendation) but now 90% claim to focus on it.

Taking into account environmental considerations when planning new investments and managing negative emissions are general aims of companies. Moreover, they are increasingly able to quantify their impacts in this field. The next steps are setting long term targets, making green investments, developing green products and holding environmental campaigns to raise awareness in society. We can already find good examples of these initiatives among respondents' practices.

Greening does not end with factories and offices but customers, partners and suppliers also are informed and, moreover, sometimes invited to participate at training events and to join programs. Several employee volunteering programs focus on environment protection (e.g.: Legrand, Accor). Alcoa Hungary has started cooperating with the city hall to improve environmental education at primary schools in the city of Székesfehérvár.

The greatest challenges in the near future (especially in resource-intensive industries) are to quantify the value and prices of natural resources in an era of resource scarcity. The focus will remain on emission management which means not only decreasing negative emissions but also naturalizing them and investing in green technologies.

EXAMPLES

- introducing environmental friendly products (Alteo, Dalkia, Dandelion, HVG, MOL, Pannonia Ethanol, Siemens)
- keeping environmental impacts at the level of 2010 based on a long term strategy with targets until 2020 while increasing company turnover (Unilever)
- decreasing CO₂ emissions (Dalkia, Denso, GDF Suez, Grundfos, Legrand, Unilever)
- decreasing waste radically (Alcoa, Unilever)
- reusing and recycling nearly 100% of waste (99,8%) (Legrand)
- making 15% savings on energy (Lapker)
- decreasing the use of office paper and materials by 30% (Alteo, KPMG)
- making 38% savings on water (Legrand)
- naturalizing CO₂ emissions by buying quotas (Masterplast)
- installing an environmentally-friendly technology based production line (Lapker)
- building and operating a green office (Budapest Airport, ING, KPMG, Telenor)



The Dunamenti Erőmű (Danube Region Power Station), a member of the group, minimizes greenhouse gas emissions using the most advanced technologies. Furthermore, the plant places strong emphasis on sparing natural resources and taking care of environmental values. Besides the other environmentally conscious activities of the company, we regularly release fish into the Danube which contributes to sustaining the balance of biodiversity and preserving the living resources of the Danube region. The group has sponsored some programs aimed at protecting the environment and sustaining and developing green habitats. We promote an initiative entitled »For our Environment« every year with the aim of supporting projects that focus on establishing or tidying up green areas on our premises. Furthermore, we have been the primary sponsors of »The Nature Photographer of the Year« award for four years, the aim of which is to call attention to the beauties of our environs and habitats and is a reminder of the importance of environmental protection.

Péter Csiba

Deputy CEO, GDF SUEZ Hungary

We were able to reduce our CO₂-emissions by 3.3% in spite of increasing our production.

Antal Vizy

Head of SHE, Denso Manufacturing Hungary

In our Hungarian factories we reduced CO₂ emissions by 7% per tonne in 2012 and by 72% compared to 2008. The waste from manufacturing has been reduced by 54% in a year (a 77% reduction compared to 2008). The realignment of the whole European logistics network has begun; it will reduce the distance trucks drive by approximately 7.4 million kilometres annually on primary delivery routes (between factories and warehouses) in Hungary by the end of 2014.

András Gyenes

CEO, Unilever Hungary

In 2012 we replaced 10000 light sources with energy saving LEDs in public places in our hotels; as a result of our active environmental protection activities our yearly water consumption was 24000 m³ less, our electricity consumption was 2.4 Million KWh less and our gas consumption was 131000 m³ less than 5 years ago. We are proud of our global sustainability program Accor (Planet 21) on the basis of which 69% of our 20 hotels achieved the bronze level, 26% silver and 5% gold. We organized some events too. On Earth Day we planted 1600 trees with the participation of 200 employees and their family members. I was happy to watch the children listen to their parents explaining about the life of trees and the fact that they create new life as well.

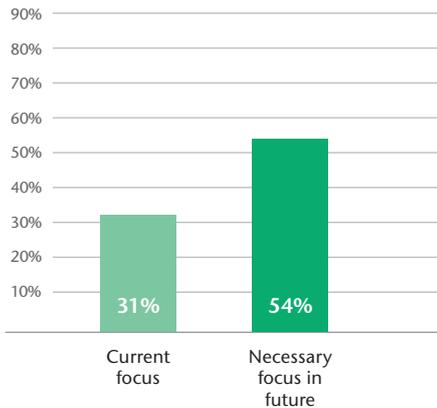
Antoine Guego

CEO, Accor Pannonia Hotels

Partnership with stakeholders

The company should cooperate with its stakeholders and maintain open and bilateral communication with them. When stakeholders are impacted by its operations, the company should aim to create mutual satisfaction and long-term cooperation and partnerships. It should set an example by taking advantage of its size and position. When selecting its business partners, it should consider and prioritise sustainability factors. Through professional organisations and extensive cooperation the company should endeavour to integrate into its operations the sustainability principles of regulatory processes and policies.

Partnership with stakeholders among local companies based on the opinion of respondents



The biggest gap between expectations and targets is connected with stakeholders, according to the self-evaluations of respondents. At the time of signing the Recommendations 50% of companies were working on partnering, while now 79% are treating them as important. To develop further, 63% declared their intention to put further emphasis on this factor in the future.

Lagging behind companies' own expectations in this field might be a result of the autonomy-focused nature of Hungarian culture and also reflect a lack of understanding about the real meaning of partnership. Neither companies nor stakeholders always treat each other equally

during their communications. Examples of responsible lobbying are rarely found at an international policymaking level. However, a few good examples can be found in Hungary.

To enhance partnering more platforms need to be made available where partners can get to meet each other. Such occasions should not only be about companies getting to know stakeholders, but also to ensure that companies have the opportunity to get to know themselves – fundamental to this happening is that both parties treat each other fairly.

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Initiating and nurturing open dialogue with communities is crucially important to keeping the public's trust. We have held national meetings in which we dealt with about 80 organizations that are important opinion leaders in their communities. These dialogues gave rise to specific programs and cooperative efforts. [...] In CSR Europe's first ever international competition, E.ON's Net Program received an award in the category of domestic large company for its innovative, comprehensive debt settlement program. The program's goal is to develop household management information for poor families and show them how to manage their finances in a sustainable way.

Zsolt Jamniczky
Deputy CEO, E.ON Hungary

Our company is the only European bioethanol project which conforms to the environmental and social criteria system of the International Financial Corporation. In 2013 our specific goal was to comply with the Hungarian National Sustainability Criteria System (BÜHG) related to biofuels for the 28 EU member states. We have already succeeded in some Western states. We consider it a success that we can contribute to numerous debates with decision makers during our professional activities in Brussels and Budapest.

Zoltán Reng, CEO, Pannonia Ethanol

On the basis of a feedback on Business Excellence evaluation (which took place simultaneously with the successful CSR Excellence Program) Grundfos Manufacturing Hungary established its Supplier Excellence Program. In the framework of this, the company cooperates with some of its suppliers to our mutual benefit. The aim of the program is to develop a culture of excellence. Ten Hungarian suppliers are participating in the one-year program during which 30 unique projects have already been implemented. Products from the suppliers that participate in the program comprise 45% of the yearly domestic supply volume of Grundfos Manufacturing Hungary. The success of the program has been proven and acknowledged by the fact that several other organizations (and even municipalities) have also adopted it.

László Török
General Manager,
Grundfos Manufacturing Hungary

In the category of female doctors, Dr. Edit Kelemen won the »Aranyanyu« (Golden Mother) Prize from Richter. The chief resident doctor manages a department for new-borns and infant medicine in the Kecskemét Hospital, the walls of which are covered in thank you letters, drawings and photos. Local media learnt about the prize winner and published an article in which the doctor said the department is in need of impor-

tant neonatal equipment. Readers surprisingly volunteered to collect the necessary amount of money and bought the equipment for the department. I think this is an excellent example of a company social program having a real impact.

Erik Bogsch, CEO, Gedeon Richter Plc

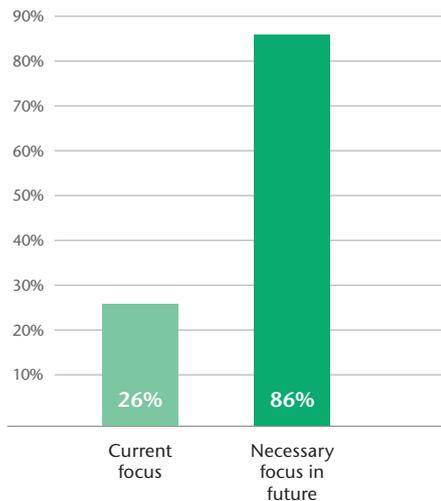
EXAMPLES

- creating supplier programs (Grundfos, Siemens)
- maintaining stakeholder dialogue (Budapest Airport, E.ON, Richter, Vodafone)
- partnering with an NGO to raise awareness of ethics (Telenor and Transparency)
- creating a joint program for customers and consumers (E.ON: complex indebtedness management program)
- cooperating in R&D with universities, supporting young researchers (Grundfos, Siemens)
- lobbying responsibly at a European policy-making level (Pannonia Ethanol)
- partnering with NGOs to promote rural development (Holcim)
- creating opportunities to sell goods created by people with disabilities (Budapesti Power Plant)

Transparent operation

The company should collect reliable data and information about its activities, economic, environmental and social impact and performance on an ongoing basis. The information should be made available and the company should inform its partners in a regular and credible way.

Transparent operation among local companies based on the opinion of respondents



Respondents say that the Hungarian business sector needs to develop in this area the most. Only 26% think that there was enough of a focus on transparency in Hungary in the past, and 86% think this needs to be top priority in the near future. Respondents not only criticize others but set examples through their own practices: 96% claim to be putting enough emphasis on transparency at their own companies (79% claimed to be doing so at the time of signing the **Recommendations**).

There is still a long way to go until companies consider environmental and social data as important as financial data but more and more companies are publishing sustainability or integrated reports, or are making information available on their web pages.

External accountability has significantly progressed through clarifying and restructuring community investment programs in accordance with strategy. A few years ago, most community programs were ad hoc and were driven by personal agendas or coincidences. Now it is hard to find a company that cannot exactly specify their focus and quantify the results they have created. This is the way that donation becomes social investment.



EXAMPLES

- publishing regular sustainability or CSR reports (Grundfos, Holcim, MOL, Nestlé, Richter, Vodafone)
- improving the transparency of internal reporting processes (ING)
- introducing environmental accounting systems (Budapest Airport, Denso, Legrand)
- having a corporate foundation for accountable community investments (Holcim, Vodafone)
- communicating about significant sustainability issues internally (Grundfos, KPMG, Legrand)
- introducing BREAM, a 'very good energy' certificate for office-buildings (Budapest Airport, KPMG)
- obtaining LEED office verification (ING)
- introducing PEFC certification for environmentally-friendly paper use of products (HVG)

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Our integrated sustainability report is a perfect tool for regularly assessing our performance from a stakeholder point of view. Its credibility is guaranteed by the internal systems which provide the data, our critical readers, our 2000 employees, our suppliers and the local community.

László Török

General Manager,
Grundfos Manufacturing Hungary

Being transparent is a fundamentally important principle for a publicly-listed company. Moreover, every year an increasing number of sustainability analysts evaluate MOL Group. In line with the above, since 2008 our company has been publishing so-called »integrated« annual reports which disclose its economic, environmental and social results in one single document. With regards to the sustainability content of the report, we follow GRI guidelines to the highest level (A+) and non-financial data is verified through an assurance process following the ISAE3000 standard. In addition, from 2013 we have applied the integration principle to quarterly reports as well and we are disclosing sustainability information on a more frequent basis.

Pál Kapusy

Head of Environment and Sustainability,
MOL Group



With the tender for the Foundation for the Development of Micro-regions of the Cement Industry, Holcim Hungary supports the efforts of municipalities and civil organizations of nine settlements in terms of value preservation and development. The municipalities of Bajót, Lábatlan, Mogyorósbánya and Sütő won six tenders this year and the plans of further 21 civil organizations in the region were brought to life. With the activity of the Foundation a transparent tendering system, professional management and preliminary monitoring can be established.

Irén Márta

Head of Communication,
Holcim Hungary

The Regional WBCSD network

NORTH AMERICA

Canada
United States of America

SOUTH AMERICA

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Brazil
Chile
Costa Rica
Curacao
Ecuador
Guatemala
Honduras
Kolumbia
Mexico
Nicaragua
Panama
Paraguay
Peru
Uruguay

EUROPE

Austria
Belgium
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Czech Republic
Denmark
France
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Greece
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Netherlands
Norway
Poland
Portugal
Spain
Switzerland
Turkey
Ukraine
United Kingdom

AFRICA

Algeria
Egypt
Mozambique
South Africa

ASIA

China
Hongkong
India
Indonesia
Israel
Japan
Kazakhstan
Malaysia
Mongolia
Pakistan
Philippines
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam
United Arab Emirates

OCEANIA

Australia
New-Zealand

List of respondents

Accor-Pannonia Hotels
Alcoa Hungary
ALSTOM Hungary
Alteo Energy Services Plc.
Ben & Loch Lomond International Consulting
Budapest Airport
Budapest Power Plant – EDF Group
Dalkia Energy
Dandelion Environmental Consulting and Service Ltf.
Denso Manufacturing Hungary
E.ON Hungary
Energy Hungary
French Chamber of Commerce in Hungary
GDF SUEZ Hungary
Grundfos Manufacturing Hungary
Holcim Hungary
HVG Publisher

ING Bank Hungary
Kékkúti Ásványvíz (Nestlé Waters)
KPMG Hungary
Lapker Press Distribution Company
Legrand
Masterplast Group
Media Service Support and Asset Management Fund
Nestlé Hungary
Pannonia Ethanol
Porsche Hungaria
Gedeon Richter Plc.
Siemens
Swisscham Hungary
Telenor Hungary
Unilever Hungary
Vodafone Hungary

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