

BASELINE STUDY ON CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN HUNGARY 2007

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PROLOGUE



Dear Reader,

It is a great pleasure to present for your judgement and use the very first baseline analysis on the situation of Corporate Social Responsibility (CSR) in Hungary. The study was carried out under a regional CSR Project “Accelerating CSR practices in the new EU member states and candidate countries as a vehicle for harmonisation, competitiveness and social cohesion in the EU”¹ funded by the European Commission and the United Nations Development Programme. The methodology for the analysis was developed by international experts, Messrs. Mark Line and Róbert Braun, whose synthesis report on all the eight countries of the Regional Project are available for you to read as a separate publication². The study is built upon the work, input of CSR experts, academic people, business leaders, stakeholders from NGOs, trade unions, officials from the government and international organisations, who all are confident that CSR can make business sustainable and more engaged in environmentally and socially sustainable development. A national

conference and press conference was held on 5 June 2007 in the Ministry of Economy and Transport to present and discuss the draft report with local stakeholders. Their comments were incorporated in the report. I call your attention to its findings and recommendations that can be of use and interest to you and you may find inspiring to follow. UNDP has been actively engaged with promoting CSR through the United Nations Global Compact initiative since mid 2004.

The report represents an important milestone in the further development of Hungary, as CSR is one of the most progressive incremental business activity expected to substantially contribute to, inter alias, social inclusion of the disadvantaged, fight against corruption, for transparency and accountability. Whether you are a businessperson, government official, or representative of a civil society organisation, our hope is that you will find this publication useful for your professional day-to-day life. Businesses need to integrate their CSR strategies into their corporate governance. The study presents a list of relevant organisations, networks and initiatives, it is your choice which one,

¹ For more information on the Project, please refer to: www.acceleratingCSR.eu

² All the reports can be downloaded from the above web site.

or what CSR activity you want to be part of; it is also an analytical snapshot of current CSR situation among businesses and NGOs operating in Hungary. Everything can be improved, only with our collective cross-sector initiatives and joint efforts of individuals as well as businesses, can we mobilize the society; make a change for the better for all of us. I invite you to join the growing circle of sustainable practitioners in the country. To be engaged in CSR is a win-win-win solution for all in the long term, as the examples of many developed countries, like Great Britain, Germany and Spain show us.

Why CSR is such an important topic to spend time on; why do we encourage you to take on this journey, even if the steps that end up in a positive impact towards sustainability, social cohesion seem to be small? At least because CSR unleashes a huge potential for innovation at all levels. It provides for a systematic framework to manage your organisation taking into account financial, environmental and social, governance and ethical issues. It helps to reduce energy and waste, thus cut costs; to differentiate your business, sidestep future regulations, create innovative new products and processes, open new markets, attract and retain appropriate employees of all ethnic groups, minorities, improve your image with the shareholders and the public; reduce legal risks, insurance cost, as well as improve the quality of life³. Sustainability is now a strategic issue of any forward-looking organisation as a response to a vast number of environmental problems that entangle with social and economic factors and create high level of instability that no one is safely protected from. Embedding sustainability strategically into day-to-day business operations is not a burden; it is an exciting opportunity to engage into innovative processes that are guiding the world now and in the future. Sustainability could become ethos of any

smart organisation that views people, planet and profits as one.

I sincerely hope that you will find this publication useful and invite you to embark on this journey for sustainability.

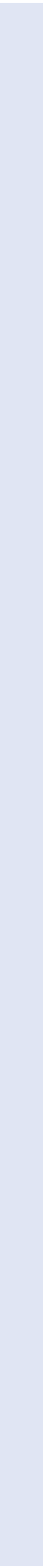
Krisztina Kiss
UNDP Liaison Officer for Hungary

July 2007, Budapest

³ *The Business Guide to Sustainability: Practical Strategies and Tools for Organisations* by Darcy Hitchcock and Marsha Willard, 2007 p. 3-5.

GLOSSARY OF ACRONYMS

CSR	-	Corporate Social Responsibility
EFQM	-	European Foundation for Quality Management
EMAS	-	Eco-management and Audit Scheme
ILO SRO-Budapest	-	International Labour Organisation Subregional Office in Budapest
NGO	-	Non-governmental Organisation
SMEs	-	Small- and Medium-sized Enterprises
PR	-	Public relations
UN	-	United Nations
UNDP	-	United Nations Development Programme



EXECUTIVE SUMMARY

Corporate Social Responsibility (CSR) is a relatively new phenomenon in Hungary. Its history – like that of every economic phenomenon – has been strongly influenced by the socialist system between 1948 and 1989 and the years following the transition in 1989. During the socialist period, the state and large state-owned companies together provided social services out of state revenue.

Since the 1989 transition, the country has learned a lot about the market economy. In the early days, companies had no experience of corporate governance with a 'triple bottom line', and so there was a lack of knowledge, instruments and tools. Privatization and the new economic agenda resulted in 'wild capitalism', and the profit motive assumed excessive importance in Hungary.

There is little trust in company leaders; this naturally hampers the spread and dissemination of CSR. Since the transition, Hungarian society has become too individualistic, civil society is underdeveloped and the scope for cooperation is at a very low level.

Fundamentally, business and social actors in Hungary are typically not sufficiently aware of the role companies could play in achieving environmental and social goals, while at the same time remaining profitable. CSR is not an integral part of business strategy, appearing instead merely as a PR tool. Possibly that is why Hungarian stakeholders are suspicious of companies that communicate positive things about themselves. Sponsorship is still the main CSR tool in Hungary today.

Nevertheless, we can say that talking about CSR is quite the fashion in Hungary today: medium-sized and large companies know the concept and understand the advantages. In 2006, there were some 14 conferences on the topic – a record for Hungary. One outcome is, for example, that recently consumer awareness has risen. Consumer consciousness appears to be on the rise, and price is no longer the only factor governing consumer choice. This could prove very important in spreading the CSR issue in Hungary.

We examine the special position of small and medium-sized enterprises (SMEs) as it relates to CSR, as well as the crucial role of multinational companies. They lead when it comes to providing sponsorship, organizing voluntary activities or communicating CSR reports, but their motivation is dubious. Hungarian CSR experts generally applaud their actions at conferences and in the press, but some of them are suspicious of the companies' credibility.

In Hungary, improving a company's image and reputation is still the main incentive for demonstrating responsibility. This should not impugn, however, the motives behind some good practices that we mention in this paper. In the case of environmental protection, cost saving is another important motivation. The acceptance of other incentives would provide fresh impetus to CSR in Hungary.

We have reviewed the main actors involved in promoting CSR and their contributions – namely trade unions, employees, the government, the media, some significant NGOs, the local offices of international organizations and consultancy firms.

The promotion of ethical business practices and CSR is the joint responsibility of companies and their stakeholders. The involvement of Hungarian enterprises in CSR can be fostered through training and assistance from business

associations. From policy makers, companies would welcome not only financial support, but also awareness-raising activities.

The media, NGOs and the government have a particular role to play in this field: to raise the awareness of consumers and society. Although other motivations should not be discounted, companies only become responsible if that is what their stakeholders want. A stronger environment for the promotion of CSR requires several interconnected activities and partnerships. Achieving results will necessitate a process of learning, dialogue and agreement on incremental improvements, rather than just legal or legislative measures.

There is no consensus as to the necessary degree of state intervention. Some respondents would like tax breaks and other direct means; others only want an indirect, mediator role. Some actors propose that the state should provide more assistance to NGOs – in both the financial and the legal sense. That is because, in the opinion of society, NGOs are the most credible actors: if stakeholders are to be convinced of its genuineness, the development of CSR should be driven by NGOs. A tripartite and continuous dialogue and cooperation among the state, the market actors and the NGOs would be credible and would be strong enough to develop CSR practices in Hungary.

In order to ascertain the present state of CSR issues in Hungary, we interviewed the representatives of 40 companies (nine of them as examples of good practice) and 15 governmental and non-governmental organizations. The best-practice companies and the organizations were selected based on expert opinion; the remaining 31 companies were part of a random sample selection process that took account of regional and sectoral specialities in the Hungarian economy.

We have made case studies of four of the best-practice companies. They share some common

features. Employee participation and/or openness to stakeholder dialogue are indispensable parts of CSR in practice. Professional institutionalization, the creation of ethical codes, reports and the establishment of committees are also necessary. These ensure accountability, transparency and credibility, even though some of our companies that had the best practices do not believe much in the importance of assurance and strict formalization of CSR.

The CSR strategy should be complex, manifest in every action that relates to every important stakeholder. The convergence of core competences and CSR tools ensures that CSR becomes an integral element of business strategy. That is why using core competences for responsible activities ensures credibility. This is true even if the avowed principal goal is to boost the company's reputation through CSR.

Opinions are divided on the problems that are the most burning in Hungary. Some companies and organizations emphasize the environment; other social issues such as discrimination. Nevertheless, they all agree that the formation of a civil society and democratic dialogue among business and social actors is important in tackling all the problems.

This, however, is possible only if there is an increase in the overall quality of conferences and other discussion forums. Most of our respondents complained that, regrettably, CSR conferences tend to get stuck on the basic issues of CSR, with lecturers constantly harping on the importance of ethical institutions and the difference between PR, cause-related marketing and CSR. There is a lack of more profound discourse, and nobody explains how CSR tools could be used in the Hungarian context. Most of the people we interviewed from NGOs emphasized that CSR communication is sometimes more important than CSR activities themselves. Because the CSR movement in Hungary was

started by companies – not, as in Western countries, by consumers – the PR aspects of it seem to have undue significance.

Everybody believes that the relatively bad economic environment and the lack of financial resources are the main factors constraining the spread of CSR. This highlights the widespread misapprehension that CSR is against profit and is costly for companies (since business actors often mistake it for sponsorship or PR). Though the awareness of stakeholders is improving, the Hungarian market still does not fully appreciate the fact that CSR is not something rather remote from everyday operation: it should be at the very heart of strategy and operations. The motto of this paper suggests the same. CSR is not about additional costs; it is more about self-examination, humanity, attention and respect for others (stakeholders).

Motto:

'In connection with the dissemination of the social responsibility of an enterprise, the decisive issue is whether or not social actors recognize that certain forms of commitments are in (or can be brought into) harmony with business interests.'

(Stephen Bevan, at the 'More than Business' conference of DEMOS Hungary, 20 May 2006, www.demos.hu)

1. INTRODUCTION

BACKGROUND ON THE HUNGARIAN ECONOMY

Hungary is home to 10.063 million people, the vast majority of whom are ethnic Hungarians. Minorities – only 3% of the entire population – include Germans, Romanians and Slovaks. Hungary is also home to many Roma and Jewish people. Some 20% of the entire population lives in Budapest, the capital, while the next largest city has a population of only about one-fifth of Budapest. According to the latest figures, in 2006 Hungary had a GDP of 89.2 billion euro, 8,864 euro per capita, or, in Purchase Power Standards (PPS), \$15,600 per capita (Hungarian Central Statistics Office, 2007b). This is near the mean of new EU member states. The rate of GDP growth was 3.9% in 2006, and this seems to be sustainable for the coming years. The unemployment rate is 7.7% (31 December 2006).

There were 1,276,076 companies registered in Hungary on 31 December 2006 (Hungarian Central Statistics Office, 2007a). As is usual in the EU, the majority of Hungarian firms are small and medium-sized enterprises (SMEs) (about 97%).

In terms of size, the breakdown of companies is as follows:

- Micro companies (0 or unknown number of employees): 28.9%
- Small companies (1–9 employees): 67.8%
- Medium companies (10–49 employees): 2.7%
- Large companies (50 or more employees): 0.5%.

The distribution of business by sector is as follows:

- Service: 37.5%
- Commerce: 17.9%
- Industry: 14.9%
- Other sectors: under 7% each.

MAIN AIM OF THE RESEARCH, METHODOLOGY

Corporate Social Responsibility (CSR) is a relatively new phenomenon in Hungary. Its history – like that of every economic phenomenon – has been strongly influenced by the socialist system between 1948 and 1989 and the years following the transition in 1989. During the socialist period, the state and large state-owned companies together provided the social services out of state revenue.

Since the 1989 transition, the country has learned a lot about the market economy. The general level of trust in Hungary is very low, and this naturally hampers the spread and dissemination of CSR. However, as the market economy improves, so speaking about CSR is also becoming fashionable in Hungary.

The aim of this UNDP project was to map the chief actors and activities, and the main drivers of, and obstacles to, the spread of CSR in Hungary. We hope this will help speed up implementation of CSR practices in this country, as CSR is viewed as a vehicle for EU harmonization, improved competitiveness and social cohesion. We have tried to identify shortcomings and areas where support for both business and government is needed. As a positive plus-point, the interviews – and indeed the whole of the research – provided an opportunity for the exchange of experience and good practice, for raising awareness and supporting national stakeholders.

We interviewed the representatives of 40 companies (nine of them as examples of good

practice) and 15 governmental and non-governmental organizations (stakeholders) to ascertain the present state of CSR issues in Hungary. Companies were selected at random, with account being taken of the most significant industrial sectors in Hungary. Examples of good practice were singled out based on companies' prominent CSR activities now and in the past. The composition of the stakeholder interview sample reflects the broad structure of stakeholder groups in the country.

Questions were divided into six categories: Strategy, Stakeholder Engagement, Governance, Performance Management, Public Disclosure and Assurance. We also asked whether the company used any international standards or guidelines relating to CSR. The survey took the form of personal, oral interviews with the CEO, deputy CEO or, in some cases, the CSR executive of the companies and organizations.

THE HISTORY OF CSR IN HUNGARY

The concept of CSR originates with the large-scale publicly held business corporations of the USA, but its original meaning has changed considerably since Europe started to apply the concept. The EU's CSR strategy emphasizes that CSR should be applied by SMEs as well (EC, 2001). Without this shift, CSR could be employed in Hungary only with difficulty, as SMEs predominate among Hungarian companies and 'there are still very few Hungarian enterprises that can rightly be called large-scale public corporations' (Fekete, 2005). During privatization, strategic investors bought large Hungarian state-owned firms, which did nothing to foster the rise of shareholder capitalism. The stock market capitalization is very low and most corporations are not listed.

Corporate Social Responsibility is a relatively new phenomenon in Hungary. Its history – like that of every economic phenomenon – has been strongly influenced by the socialist system between 1948 and 1989 and the years following the transition in 1989.

During the socialist period, the state and large state-owned companies together provided social services from state revenue. Large companies therefore had experience of social and environmental sustainable governance, but they had no obligation to pay attention to economic sustainability. The economy was part of the political system, and so there was no need for companies to be profitable; their roles lay elsewhere – for example, in ensuring full employment.

One of the main objectives of the economic transformation was to separate out the economic and the social roles of companies, and to make a clear distinction between the public welfare responsibilities of employers and their human resource policies (Segal et al., 2003).

Since the 1989 transition, the country has learned a lot about the market economy. Economic sustainability has been a continuous challenge for entrepreneurs, and there has hardly been any time to think about social or environmental responsibility. Companies had no experience of corporate governance with a 'triple bottom line', and so there was a lack of knowledge, instruments and tools. Nobody knew how to be simultaneously efficient, profitable and socially and environmentally responsible. Privatization and the new economic agenda resulted in 'wild capitalism', and the profit motive in Hungary assumed an excessive importance.

The serious economic crisis that accompanied the transformation in the CEE countries during the early 90s was not favourable to social, community or human investments on company

level. The transformation from a centrally planned 'socialist' economy to a market economy offered the possibilities to the firms' management to get rid of excessive social spending obligatory in the former planning system of the so called 'socialist firms'. At the same time, foreign investors and privatising actors who were seeking low cost economies were also less committed to the corporate social responsibility approach. (Segal et al., 2003)

However, the general acceptance of the market economy did not mean an uncritical attitude toward the practice of capitalism. This era had many losers; nor did the winners think long term. It was at this time that a negative image of corporate leaders started to take shape. They are little trusted, and the notion of profit is still dubious in the eyes of many citizens (Deák et al., 2006). According to a survey carried out in 2003 (Szonda Ipsos, www.nonprofit.hu), 44% of respondents distrust large domestic companies and their leaders, and 54% distrust multinationals. Unsurprisingly, this attitude hampers the spread and dissemination of CSR. According to the same survey, 83% of respondents believe corporations just talk about CSR, and make no substantive effort to be responsible.

Thanks to a stabilization of the economy and an improvement in the legal framework governing employment and the environmental impact of economic actors, since the mid-90s companies have slowly come to take more account of their social responsibility. It was around this time that foreign companies with a long-term commitment to the Hungarian economy started to import their models of CSR and to adopt their management tools and human resource patterns in their Hungarian subsidiaries. Fortunately, then, they provided a good example for local firms as well.

This has been the main incentive for the promotion of CSR in Hungary; strangely, the demand

by stakeholders for responsible companies and products has not grown as fast as we would have expected. While in developed consumer societies, customers force business actors to reduce the negative impact of their activity – or to compensate for it – in Hungary it is business that leads the CSR process, as the civil society and especially its consumers are still not particularly interested in the CSR activities of companies. Although, in a recent survey, 53% of respondents claimed that they would have chosen a more expensive but responsible product instead of a cheaper one (AmCham, 2006), nevertheless in real consumer choices people tend to consider the price above all else.

Hungarian society has become overly individualistic in the years since transition. The reason for this may be that the relative indifference of civil society lies in a reaction to the community action that was all too frequent under socialism. Another vestige of socialism is the pessimistic sense that we do not have the power to bring change and must accept the current situation; this makes civil society weak.

The general technological and economic position of civil organizations is also unfavourable. Most of them do not have a strategic plan or a programme identifying core values, main strengths and opportunities, goals and expectations. Foundations and associations often define their aims and missions with an eye to possible donors, and this influences their communication, too (Ligeti, 2006). NGOs that share the same objectives do not coordinate their activities and so are unable to advance their common interests; this destroys the efficacy of their communication.

The situation is improving, but the lack of stakeholder interest is still a major constraint on the propagation of CSR.

Opinion formers in the business society are under-informed and uninterested in the topic.

Consumers usually make their choice based on price, so companies – especially SMEs – think that CSR and CSR reporting is a marketing tool of the multinationals, and claim not to have the resources to employ it.

There are several other misapprehensions concerning CSR in Hungary. Because of the socialist heritage, people think social responsibility, social caring, is primarily down to the government. Some companies consider CSR to equate only to compliance with the law.

Fundamentally, business and social actors in Hungary are typically not sufficiently aware of the role companies could play in achieving environmental and social goals, while at the same time remaining profitable. CSR is not an integral part of business strategy, appearing instead merely as a PR tool. Possibly that is why Hungarian stakeholders are suspicious of companies that communicate positive things about themselves.

In Hungary, there is little trust in companies – the legacy of the socialist ‘soft dictatorship’ and the ‘wild capitalism’ that followed the transition. Suspicion is enhanced by the fact that generally PR or communication departments are responsible for CSR issues. Therefore, it is difficult to build stakeholder dialogue and partnership in the Western sense, and companies have to be cautious in communicating CSR, as customers sometimes misunderstand it.

This could go some way to explaining the small number of social reports published in Hungary (131 reports by 44 companies between 2000 and 2005, www.kovet.hu). Another reason is that, beyond their legal obligations, Hungarian corporations did not traditionally share much information with society or with local and national government (East–West Management Institute, 2004).

The regulations of the Media Act raise another issue regarding the communication of CSR. In Western European countries, it is common to find announcements of CSR activities in the press and on television – consumers receive information about them this way. In Hungary, the National Radio and Television Commission treats regular CSR information as advertisement. A case a few years ago raised quite a storm: the commission pilloried a television channel for broadcasting the fact that a telecommunications company was the main sponsor of a foundation, which is concerned with promoting minorities and disabled people in the media. Experts agree that the public announcement of CSR activities is not as important as the activities themselves (Radácsi, 2005), however, unfortunately, companies are otherwise not sufficiently motivated to take responsibility.

CSR-related communication surveys identify some factors, first and foremost the role of foreign investors. If the parent company has a clear view of CSR and public disclosure, the Hungarian company is more likely to be publicly forthcoming, too. Another important factor is that stakeholders do not need or press for various pieces of information. In most of the negative cases, it was lack of manifested public interest, rather than a negative attitude on the part of the company, that was the main obstacle. Although certain information may not 'automatically' be made public (i.e. on the Internet or in the company's annual report), whenever it is requested, it is provided to anyone who is interested, e.g. the press (East–West Management Institute, 2004, 2006).

Sponsorship is still the main CSR tool in Hungary.

According to a recent survey, the dominant role of sponsorship does not accord with the expectations of society (AmCham, 2006). In the opinion of the survey's respondents, a company's most important social responsibility is to take care of its employees and respect their needs and rights.

The second most important is to protect the environment. To provide sponsorship comes only third. Moreover, CSR also includes the provision of a safe and pleasant workplace, respect for human rights, partnership with civil organizations and responsible marketing, but these issues are not on the CSR agenda of the average Hungarian company.

As employees tend to be the most important stakeholders, programmes that involve them can prove to be very useful tools. Employees are regarded as a crucial resource in companies, especially in SMEs, and an increasing number of companies are organizing voluntary activities for employees. This is a fairly new CSR tool in Hungary, and multinationals that use this tool are also very cautious – memories of the communist 'days of voluntary labour' are still vivid, especially in the minds of the older generations. Younger employees are easier to persuade of the usefulness of voluntary work and other communal activities.

We can say that talking about CSR is today quite the fashion in Hungary: medium-sized and large companies know the concept and understand the advantages. In 2006, there were some 14 conferences on the topic – a record for Hungary. However, it is only multinationals and some domestic companies that emulate them that properly use CSR in their everyday business practices.

A representative of United Way Hungary, a well-known NGO that promotes CSR in Hungary, emphasizes that conferences in Hungary still seek to explain the basics of the CSR concept, although this should be the role of higher education. Conferences should deal with concrete tools and policies for conducting CSR in practice (Sánta and Sőregi, 2006).

At the same time, the International Federation for Human Rights (International Federation for Human Rights, 2006) claims that awareness of

CSR is still low in Hungary. Interestingly, surveys carried out by foreign specialists are generally rather less rosy when it comes to the development of CSR in Hungary than those conducted by Hungarian researchers.

Advocates of CSR in Hungary emphasize the advantages of using CSR as an integral part of business strategy and business philosophy, with the question of a company's reputation and image uppermost. A positive image will attract consumers, investors, potential business partners and the best potential employees as well. In an environment of trust, every employee becomes more creative, more productive and more loyal. A company that projects an image of trust has a better relationship with every stakeholder. Given that Hungarian companies have competitors in more developed countries, CSR can be as much a constraint on business as it is an opportunity.

We should mention here the special position of SMEs on CSR. As we mentioned earlier, the proportion of SMEs in Hungarian business society is huge, and so their activities greatly influence the opportunities to spread CSR issues.

In the case of SMEs, what we usually find is unexpressed or 'implicit' CSR operating in the company. SMEs tend not to use the terms and the vocabulary of CSR, but they behave as responsible members of the local community and the environment. For small companies, their engagement with business partners and other stakeholders is clear: their credibility and reputation are a matter of survival, not just of competitiveness.

SMEs, even those that are committed to CSR, know and apply relatively few CSR instruments, and they do not plan to implement any more in the near future (Szlávik et al., 2006). Accordingly, surveys examining CSR that include SMEs as well are always more pessimistic than those that include

only large companies. This is, however, probably true of every country. SMEs have less capacity to implement company-specific instruments, and therefore non-specific instruments – such as international standards – are more important to them than to large enterprises.

According to the proposal of a Communication of the Commission: 'In the future, the most significant pressure on SMEs to adopt CSR practices is likely to come from their large business customers, which in return could help SMEs cope with these challenges through the provision of training, mentoring schemes and other initiatives' (EC, 2002).

Thus, in a sense, SMEs are under pressure to use international standards, like ISO or other CSR tools, without any real commitment – just to become a supplier to multinational companies. It may be good from the perspective of promoting CSR practices, but it harms the voluntary principle of CSR and makes CSR a constraint rather than an opportunity for SMEs. One way or another, Hungarian companies are highly motivated to go along with the expectations of their business partners, and this is a defining factor in the propagation of CSR.

The role of multinational companies is also worth a mention. For them, enhancement of their reputation is a very relevant goal. As they operate in other countries as well, and the global flow of information is unlimited, they must consider the opinions of Western consumers, even if consumers in Hungary generally do not exercise their ethical convictions. Since their policies at headquarters level generally involve ethical principles, these provide practical examples to be adapted to the Hungarian situation.

More than 40 of the 50 largest multinational companies operate in Hungary, either directly or via subsidiaries. Their impact is huge in promoting

CSR in Hungary. They provide half of the Hungarian GDP, so the power they wield provides an opportunity and a responsibility to improve Hungarian business practice in this field as well. There are two opposing views on whether they should shoulder this responsibility.

They take the lead when it comes to providing sponsorship, organizing voluntary activities or communicating CSR reports, but their motivation is doubtful. Hungarian CSR experts generally applaud their actions at conferences and in the press, but some of them are suspicious of how wholehearted they are.

Hungary provides multinational corporations with a qualified workforce, increasingly safe investment opportunities and proximity to the eastern and the western markets. After all, 'multinational corporations usually do not bear the burden of publishing and popularizing their social responsibility policies, social and environmental reports in Hungarian' (Fekete, 2005). How can a company communicate with its stakeholders when it does not speak of its commitment and engagement in their native language? English may be the language of business, but given the general language skills of Hungarian stakeholders – especially local communities and SMEs – communication in Hungarian is necessary and is to be expected.

Anyway, thanks to their strength and their relatively plentiful financial and human resource capacity, multinational companies are playing, and will continue to play, a crucial role in promoting CSR in Hungary.

2. THE MAIN ACTORS PROMOTING CSR IN HUNGARY

Hungarian corporations consider their three main stakeholders to be their employees, their customers and their shareholders. Generally, the employees tend to be the most important.

According to recent surveys (Mazurkiewicz et al., 2005; Braun & Partners, 2006), Hungarian corporations consider their three main stakeholders to be their employees, their customers and their shareholders. Generally, their employees tend to be the most important.

EMPLOYEES, TRADE UNIONS

Though the employees are the most relevant stakeholders of corporations, trade unions are not much concerned with CSR issues (International Federation for Human Rights, 2006). Rather, they try to force companies to comply with the law; they negotiate personal allowances or lobby for legislation to benefit employees.

The role of trade unions is significant only in some sectors of the economy; about 85% of employees are not members of any trade union (www.noc.mtapti.hu/2005ar.pdf). Therefore, companies look after their employees because it is

in their own interests, and not because of pressure from trade unions. The main employee-related issues include:

- Training, learning & development
- Core labour standards
- Work-life balance
- Internal communications
- Equal opportunity, social inclusion.

GOVERNMENT

The role of government in spreading CSR is not sufficiently emphasized in Hungary, but as we can see from Western European examples, governments, as well as civil society, can have a huge impact. Since CSR as a concept and as a practice is based on the voluntary activities of companies, and since one of the main principles of the EU is subsidiarity, it is the role of government to provide a conducive environment for CSR, not to make direct interventions. Providing incentives – tax breaks, grants or support for national CSR research projects – would meet the needs of companies on this score. As many of the NGO representatives we interviewed mentioned, a predictable legal environment would already be half the battle.

There are several laws dealing with aspects of CSR, although none of them mentions the term

specifically. The rights of employees are described in the Law of Work Protection (Act No. XCIII of 1993). This law covers work safety regulations, the training of employees and working conditions. Act No. XXIV of 1998 on the Provision of the Rights of Persons Living with Disability and their Equal Opportunity Protection protects disabled people.

Equal opportunity is a crucial aspect of the role of government. The business case is clear for companies to heed the needs of consumers – assuming a strong enough consumer consciousness – or to pay attention to the environment; but employment of disabled people depends seriously on government measures. Without the creation of an integrated qualification and training opportunity for them, these people will never be able to represent themselves on the labour market.

Article 70/A of the Hungarian Constitution contains a clause on non-discrimination. One of the priorities of the Hungarian government is to ensure equal opportunities for all members of society. To help realize this overarching goal, and also to express the commitment of the government, a special governmental body was set up in May 2003 – the so-called Government Office for Equal Opportunities. It is run under the auspices of a minister without portfolio in charge of equal opportunities (www.eselyegyenloseg.hu). The CSR executive of the Ministry of Economy and Transport claimed that today the main CSR issue in Hungary is the inclusion of Roma people in society and work. Regrettably, in practice, discrimination against minorities, women and disabled people is still a problem.

Act CLXIV of 2005 on trading also contains a number of unexpressed CSR provisions. For example, business leaders cannot infringe the lifestyle rights or equal treatment requirements of their employees, and significant market force cannot be misused against suppliers.

The Hungarian Government published the first CSR Decree in March 2006 (Government Resolution No. 1025 on reinforcement of the social responsibility of employers and on measures to stimulate it). The news was announced by the Hungarian Ministry of Employment and Labour. The resolution complies with the obligations of the EU, and it demonstrates the government's commitment to participate in developing CSR.

Hungarian Government Resolution 1025 was an extension of the Guidelines on Companies' Social Responsibility. It was published by the Ministry of Employment and Labour in 2006 and dealt with ways of enhancing the value, reputation and security of labour.

In it, the Hungarian government undertook to establish the so-called 'social badge', with which a multi-stakeholder working group would award socially responsible companies. It is the job of the working group to develop tools to promote and communicate responsible company activities, and to draw up ways of measuring and evaluating corporate responsibility. This is extremely important, since the measurement of social and environmental performance is not widespread among Hungarian companies.

Hungarian laws, in general, respect and meet ILO standards on human rights and working conditions. The 2005 adaptation of Directive 2003/51/EK (EC, 2003) to the Hungarian Accountancy Act (No. C of 2000) just opens the way for companies to publish CSR reports – it is still not obligatory.

Several acts and regulations encourage companies to undertake environmental protection. Among the most important are Act No. LXXXIX of 2003 on the fees on emissions and Act No. LVI of 1995 on environmental product fees. If a company

cuts down on its emissions or tackles the recycling or reuse of materials, then, under these acts, the fee payable is reduced.

CSR is mentioned and promoted in the action plan (2007–10) of the government's third Consumer Protection Strategy (2007–13). Last year, the Hungarian government started to move from its passive stance on CSR. Government now has the option for the future of being engaged in the process, mainly through partnering, endorsing and providing an environment that is conducive to improvement.

MEDIA – RADIO AND TELEVISION

The first CSR Day was held in Hungary on 1 June 2006. A telecommunication company announced it a few days in advance, at a conference, after the Hungarian Radio and Television Association punished one of the main broadcasting companies for hidden advertising while reporting on a CSR event. On the CSR Day, the media published CSR-related topics in their 'news' sections, thereby risking punishment by the Hungarian Radio and Television Association. They did this to draw the attention of society to the importance of CSR and its communication.

As well as providing a platform to announce the upcoming CSR Day, the conference had enabled discussion of the relationship between CSR and the media. According to the delegates, the main purpose of communicating CSR is to motivate other business actors to behave likewise. Moreover, companies have an obligation to inform the wider society about their activities. It is also true that some people gave voice to the customary sceptical opinion that CSR is little more than PR or marketing.

The present interpretation of the Media Act (Act No. 1 of 1996) is that every mention of a company's name in the media is advertisement and is forbidden outside advertising time. This impedes CSR activities and the partnership between civil and business society.

The players in the Hungarian economy need an opportunity to publish their socially responsible activities. To this end, there has to be some modification of the Media Act to differentiate between advertisement and public announcement, and the media will have to assume some responsibility, too. As matters stand, TV channels and newspapers usually shift CSR announcements from their news sections to an advertising slot. One reason for this is the regulation of the Media Act, but another is that they can thereby boost their advertising revenue.

Of course, some specialist newspapers and radio broadcasts take on the task of informing people of CSR activities. However, we do not usually hear about such activities in the mass media. Therefore, anybody who is interested in the topic can find information, but society is not well informed.

CIVIL ORGANIZATIONS

The voice of civil organizations is getting stronger and stronger on CSR. Significant actors include business associations, different 'green' organizations and the consumer organizations, which emphasize the rights of consumers and the importance of conscious consumption.

These organizations currently have a relatively weak impact on society, where knowledge of CSR

and responsible consumerism is still limited. Society is generally sympathetic to social issues, but active support is not a typical feature. Even though people know the essence of CSR and have already formulated their expectations of companies (Gulyás et al., 2006), our interviewees maintained that consumers did not appreciate CSR in real consumer choices, where their prime consideration remains price.

Under Act No. CXXVI of 1996 (on donations from income tax for public purposes), 1% of income tax can be donated to NGOs, theatres, foundations, museums or official cultural or scientific organizations or programmes. Another 1% can be donated to Churches.

The '1% Act' has its advantages and its disadvantages. It is a tool for raising awareness, and it allows us to make a donation to a part of our lives we consider important; but regrettably, most Hungarian people think they discharge their responsibility by donating their 1%. This is true of companies as well. If they donate some money, they think they are already responsible. The selection of recipient NGOs is rather ad hoc, largely because NGOs have no strategic plan of campaign: each year, shortly before people's income tax returns are due back, when they all consider how to disburse their 1%, the organizations are highly communicative, but society hears little of them during the rest of the year.

As a consequence, the lack of both interest and means of action, civil society plays a marginal role in the CSR dynamic. Even in the case of sponsorship, NGOs do not have the ability to attract companies.

BUSINESS ASSOCIATIONS

The following organizations play a crucial role in promoting CSR, as they lead educational and

awareness-raising programmes to explain the benefits of CSR for employees, consumers, the environment and other stakeholders.

Hungarian Association for Environmentally Aware Management (KÖVET-INEM Hungary)

According to its mission statement 'the main objective of KÖVET is to assist organizations on the road to sustainable development'. The association was established in October 1995 to promote environmentally aware business management among enterprises. KÖVET's main activity lies in advancing preventive environmental solutions and in ensuring information exchange, primarily in the business sector. The organization acts as a platform for ongoing information exchange, with the aim of promoting environmentally aware business management, of finding new ways for industry to reduce its environmental impact, and of helping it use this as a basis for competitive advantage.

KÖVET is the Hungarian member organization of INEM, the International Network for Environmental Management, through which it is linked to international sustainable business initiatives and projects. KÖVET is an institution that exists to raise awareness, spread the idea and tools of environmental management and corporate social responsibility. It offers services and organizes practical programmes to spread the ideas and tools that will allow companies to operate with fewer burdens on the environment. Its main activities are training sessions, demonstration projects and the publication of guidelines, but KÖVET also organizes events, collects and distributes environmental management literature, deals with public and media work, provides ongoing information exchange and expert advice, and implements local and international programmes. It is an organization experienced in carrying through small- and large-scale EU and other publicly financed projects.

KÖVET is a non-profit, non-governmental organization, free of lobby interest, with a special public-benefit status. KÖVET is neutral in political

debates. Its members are not 'green' firms but companies that have a sense of responsibility for their environment, that are trying to realign their activities on this basis and to spread their knowledge about environmental management.

KÖVET deals with ISO 14001 and offers an Eco-Management and Audit Scheme (EMAS) registration consultancy as well. KÖVET won the EMAS Award of the European Union for promoting EMAS and for introducing the system in three companies in 2006. Hungary also received an award for getting the most (five) EMAS registrations of all the new member states. From 2007, KÖVET has been the Hungarian member of the CSR Europe network.

Hungarian Business Leaders Forum (HBLF)

The Hungarian Business Leaders Forum was established in 1992. HBLF is a non-profit association and a representative body for local business executives, local representatives of international joint ventures, and other influential business people in Hungary. It is committed to promoting responsible business practices that benefit business and society and that help to achieve social, economic and environmentally sustainable development in Hungary.

HBLF's mission is to encourage companies to integrate corporate social responsibility and the principles of sustainable development into everyday business practice. Members of the organization promote responsible leadership for the long-term prosperity of their businesses and the whole of society by increasing awareness of the CSR philosophy.

Today HBLF has close to 100 members – local and international companies, small and medium-sizes enterprises, non-profit organizations and individuals. As a member of the International Business Leaders Forum network, the HBLF is in active cooperation with more than 50 partner organizations. This partnership offers opportunities

for capacity-building and dissemination of international policy and good practice. Representatives of member companies are actively participating in HBLF's efforts and projects through different working groups.

To implement its goals, the forum promotes:

- Partnerships with members to implement CSR projects and achieve their goals
- Opportunities for development, the sharing of best practice and the measurement of results in the business sector
- Awareness of improved business results in corporate social responsibility practice and their impact on the economy
- Sustainable development practice, in order to establish healthier and improved conditions for future generations.

Business Council for Sustainable Development in Hungary (BCSDH)

In May 2005, seven companies set up the Business Council for Sustainable Development in Hungary, as the local chapter of the World Business Council for Sustainable Development, the acknowledged and influential international business organization. These seven corporations proceeded from the growing conviction that there should be an organization in Hungary that championed the business perspective of sustainable development and provided a forum for companies from any sector of the economy that have resolved to take account of and to apply – beyond compliance with the legal framework – environmental and social aspects in their everyday business operations.

The mission of BCSDH is to promote application of the principles of sustainable development – not just among its own members, but also among other players in the Hungarian economy, thus generating new and innovative thinking that will boost their competitiveness. This, in turn, should eventually contribute to the sustainable development

of the economy, an improvement in the quality of life for society, and preservation of the environmental and natural treasures of the country.

To implement its mission, BCSDH participates actively and constructively in dialogue and cooperation with other business, civic and governmental organizations on issues relating to Hungary's sustainable development, and provides a forum for the introduction and exchange of experiences in the field of business sustainability results and best practices. The forum regards the communication of CSR as very significant in raising awareness of corporate responsibility and sustainability. That is why it undertakes to communicate its members' voluntary environmental or social projects, actions and success stories to key decision makers, the business community and the public.

AN ENVIRONMENTALIST ORGANIZATION – CLEAN AIR ACTION GROUP

The Clean Air Action Group (CAAG) is one of the best-known environmental NGOs in Hungary. Founded in 1988 by three local 'green' groups, it is now a national federation of 126 NGOs. Its Board of Experts consists of more than 100 specialists from various professions. It is open to anyone who wants to help clean up the environment. The activities of the group include public awareness campaigns, consultancy, publishing and advocacy at the local and national levels. The group deals with problems such as greening the state budget, sustainable transport, sustainable energy policy and sustainable urban development.

Some examples of its activities include:

- CAAG prepared a number of important studies on transport and the environment, energy issues and economic policy, all designed to influence decision makers and to inform the public.
- CAAG is the most frequently cited environmental NGO in the national press. In 2003, more than 400 newspaper articles, television and radio reports appeared about its activities.
- CAAG has organized many nationwide and local public awareness campaigns. For example, it collected 20,000 signatures petitioning for better transport in Budapest and handed them to the local government; this helped to prevent any further deterioration in public transport.
- Since 1992, CAAG has each year worked out proposals for greening the state budget and has campaigned to get them accepted by the government. A number of their proposals (e.g. the introduction of green taxes on several products) have been accepted by Parliament.
- CAAG played an important role in making the transport policy of the World Bank much more environmentally friendly.
- CAAG's Information Office has helped many citizens solve local environmental problems.
- Every year, on Earth Day, CAAG has awareness-raising programmes and participates in the organization of the Critical Mass bicycle procession.

Representatives from the member organizations, experts and the elected officials of CAAG meet every second week to discuss current issues, elaborate viewpoints on environmental protection, and take action. The group publishes a monthly environmental magazine entitled *Breath (Lélegzet)*, with a print run of 3,500 copies.

CAAG is a member of the European Environmental Bureau, the European Federation for Transport and Environment, and Climate Action Network Europe. The group cooperates with other international environmental organizations, like the World Wide Fund for Nature (WWF) Greenpeace, the CEE Bankwatch Network and the World

Carfree Network, as well as with a number of national NGOs in various countries.

The leadership of CAAG often presents its opinions to the European Parliament and committees. Sometimes, through the EU, it pressurizes the Hungarian government to comply with regulations. For example, the government was supposed to have designated the Natura 2000 conservation areas before accession to the EU, but the process was delayed. On CAAG's initiative, the EU issued a warning to Hungary over designation. Some 21% of the territory of Hungary became a Natura 2000 site.

A CONSUMER ORGANIZATION – ASSOCIATION OF CONSCIOUS CONSUMERS

The Association of Conscious Consumers was established in 2002. Its aim is to promote and advocate environmentally aware consumerism, ethical, socially and environmentally responsible purchase and corporate activity, sustainable production patterns, and an awareness of the rights and obligations of consumers.

The association does not deal directly with companies; but, as it promotes the principles of responsible consumerism among consumers, it does have an impact on companies. In order to safeguard its independence, the association does not accept any company donations.

The association has several domestic and foreign partners – mainly environmentalist and consumer NGOs, ministries and official consumer protection organizations. It participates in UN workgroups and cooperates with Consumers International on international research. It has created a homepage (www.tudatosvasarlo.hu) to draw attention to the significance of ethically and

environmentally aware shopping. By and large it seeks to raise questions, but it also tries to find answers. It emphasizes that the basic premise must be that our money is a vote – either we use it or we do not.

The association would like more and more people to get involved in thinking together with it, and it tries to put useful information and facts on its homepage. It is also working on a company database for conscious consumers. It invites everybody to submit ideas, suggestions and comments on opportunities for conscious consumption.

The organization believes that today's economy should change fundamentally and become socially and ecologically sustainable. There is an opportunity for every economic and social actor to contribute to this change:

- In Hungary, approximately 9 million people make decisions of consumptions of some kind every day, or at least weekly. This is a huge power. If only part of these decisions – hopefully, a growing part of them – are ethically and environmentally conscious, that already means a lot.

And elsewhere on the homepage:

- We can change. What can be more promising in a consumer society than the fact that our decisions on consumption can change the way things go? Sometimes it happens fast and in a visible way, see the example of some successful consumer boycotts. Sometimes it goes slower, but hopefully deeper as well, such as organic agriculture or the growing utilization of solar energy and wind power.
- We should not think we are helpless! The ancient truth still stands: we might not achieve much alone, but if our will and

actions are added to those of others, we can go farther. It might also be that it is simply a good feeling to do the right thing... as Spinoza said: happiness is not the reward for virtue, but it is virtue itself.

(www.tudatosvasarlo.hu/english/about)

The Conscious Consumer organization undertakes research in the field of sustainable purchase and consumer protection. It regularly voices its opinion on related strategies and draft regulations. It publishes educational brochures for students and teachers, and its experts often deliver lectures in colleges and universities.

It participates in international conferences in order to have access to the most up-to-date knowledge about sustainability and the theory and practice of conscious consumerism.

In 2005 the association conducted a survey about attitudes to sustainable consumption and consumer expectations of companies, and it also examined some aspects of CSR.

It has brought out several publications to inform the wider society about sustainable purchase: there is a quarterly magazine, a book about how to organize consumer boycotts, and it has published Hungarian translations of international bestsellers like *No Logo*, by Naomi Klein.

INTERNATIONAL ORGANIZATIONS

THE UN GLOBAL COMPACT HUNGARY NETWORK

The UN Global Compact Hungary Network was launched in Budapest on 9 December 2005, with the support of the ministers of economy and

social affairs, some prominent companies and UNDP. The Focal Point for the Hungary Network is the UNDP Liaison Officer for Hungary.

Currently, the Hungary Network has 15 members, of which, four are large enterprises, nine small or medium size enterprises, one NGO, and the Municipality of Budapest as a sub-national government member. Several further entities support the network, such as the National Development Agency, the Ministry of Transport and Economics, the Ministry of Environment and Water, and NGOs, like KÖVET.

Governance issues have been raised at the 11 January 2007 Global Compact Hungary Network meeting held at and co-organized by ILO-CEET Budapest Office. A proposal to establish a Board and the Statutes were presented to promote the establishment of an own network secretariat and financial sustainability.

Members, candidate members and supporters of the Hungary Network created three working groups, which represent their priority CSR areas: Environment and Energy, Equal Opportunities, and Anti-Corruption, Governance. These working groups serve as knowledge sharing and CSR project shaping platforms.

Through the working groups, the network plans to become part of the solution to the current development needs. Most importantly, it is social inclusion of the Roma minority. Sources, such as the UNDP report "Employing the Roma: Insights from Business", reveal that the Roma unemployment is at 25 per cent in Hungary. The Launch of the Hungarian Language publication with a press conference took place on February 13, 2007 with about 50 participants at the Ministry of Social Affairs and Labour including Roma NGOs. The programs leading to the Roma inclusion into the labour market represent the most outstanding challenge to the network.

- Conclusions of the report include: key importance to set common goals, policy based on diversity is necessary, but insufficient condition, lead examples and right values are indispensable and companies can cooperate with new partners to find suitable recruits, tackling prejudice head-on and promoting role models.
- Recommendations for the Government include: education, awareness raising - for all generations, use of positive discrimination in competitive processes, public administration employment policies should support equal opportunities and non-discriminative practices in the private sector, the promotion of closer links between local employment agencies and business require policy of positive discrimination from companies, media and public education campaigns to challenge prejudice, the development of best practice guidance for companies, reform the system of social assistance benefits in order to decrease the elements of dependency and to encourage work and reform the existing subsidy system for long-term unemployed in order to decrease bureaucracy and improve achievement of objectives.

The environmental group through its so far six sessions has been working on various issues around the Kyoto Protocol, environmentally harmful subsidies, flood prevention, energy rationalization, regulations effecting environment, sustainability policies, flood control, energy efficiency, develop greening projects for the City of Budapest, with an average number of about 40 participants from representatives of relevant Government ministries, the National Development Agency, local municipality, GC members, business sector of both large multinational companies and SMEs, as well as NGOs.

In 2007, major tasks involve the promotion and establishment of a Steering Committee and the

secretariat and the development of environmental and CSR projects. Biggest challenge is to gain financial support for the secretariat and concrete projects, as well as the overload of work of the champions and key people, i.e. lack of sufficient capacities.

ILO SUB-REGIONAL OFFICE FOR CENTRAL AND EASTERN EUROPE

The prime strategic objective of the ILO remains the development of international labour standards and their effective application. This includes:

I. The Declaration on Fundamental Principles and Rights at Work, adopted in 1998, reaffirms the commitment of the international community 'to respect, to promote and to realize in good faith' four principles recognized in the eight fundamental ILO Conventions:

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

II. International labour standards taking the form of Conventions – which are international treaties – and Recommendations. Over 180 Conventions have been adopted since 1919. Of these, 70 Conventions are promoted on a priority basis. Several ILO supervisory bodies, in particular the Committee on Freedom of Association and the Committee of Experts on the Application of Conventions and Recommendations, monitor the application of international labour standards.

III. The progressive elimination of child labour. The Minimum Age Convention remains the fundamental international standard on the road to achieving the total abolition of child labour.

The ILO defines CSR as a way for enterprises to consider the impact their operations have on society. Companies affirm the principles and values of CSR both in their internal processes and procedures and in their interaction with other players. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to go beyond compliance with the law. In this respect, the ILO's action in Hungary focuses on complementing legislation or filling gaps in the national legislative sphere. The ILO was active in promoting the Law on equal treatment (2003). It is now helping to draft amendments on the Elimination of Child Labour (under the age of 14), the Elimination of Forced Labour, and the Prevention of Discrimination against the Roma and other minorities, as well as on the grounds of gender and age, and is also assisting in the construction of social dialogue inside the multinationals.

OECD NATIONAL CONTACT POINT

The Hungarian OECD National Contact Point for Co-operation against Fraudulent and Deceptive Commercial Practices is to be found under the Ministry of Economy and Transport. The role of the Contact Point is to promote awareness of the OECD Guidelines for Multinational Enterprises and ensure their effective implementation. It promotes guidelines and initiatives by translating them into Hungarian and by organizing conferences and tripartite forums, and by issuing an annual report on the level of observance of guidelines in the Hungarian economy.

Questions, comments and views about the Guidelines or the Contact Point are welcomed from all interested parties. Any stakeholder can turn to

the Contact Point if they believe the OECD principles have been infringed.

CONSULTANCY FIRMS

Consultancy firms are becoming increasingly active in the business of CSR. Some of them are profit making, but there are also NGOs that offer advice and provide a professional consulting service. Companies regard NGOs as dialogue partners to help them implement CSR practices. CSR is the common language of NGOs and companies, and consultancy firms seek to facilitate communication between them. The most significant consultants are Braun & Partners and DNV Hungary.

Braun & Partners is a strategic consultancy firm that focuses on CSR. It believes in recognizing and realizing social values and the importance of CSR communication. It is a member of such international networks as *csrnetwork* and *AccountAbility*, and in 2006 it set up the *AccountAbility Rating Hungary*. It provides such services as CSR research, strategy, reporting, benchmarking, communication and implementation.

DNV Hungary (Det Norske Veritas) is an international foundation to protect life, property and the environment. It is mainly concerned with risk management and education, and it provides companies in Hungary with SA8000 accreditation.

KÖVET-INEM Hungary provides ongoing information exchange, expert advice and consultancy in the implementation of both local and international programmes.

3. THE GENERAL LEVEL OF CSR AND BEST-PRACTICE EXAMPLES

THE CURRENT GENERAL LEVEL OF AWARENESS AND ENGAGEMENT WITH CSR WITHIN THE BUSINESS COMMUNITY

Corporate ethics is today in its start-up phase in Hungary. This can be demonstrated by examining the incidence of ethical institutions.

It is almost exclusively multinational corporations and their subsidiaries that use vision or mission statements. However, smaller domestic companies, too, could use mission and vision statements to attract qualified employees, build teams and raise overall morale in the company. Such statements must be clear and concise, and easy enough for customers and investors to hear and understand. They would be a good starting

point for Hungarian companies in drawing up their ethical policy and conforming to the expectations of their stakeholders.

A second step toward corporate governance is the creation of other ethical institutions, such as a code of conduct or a social report. The EU and the World Bank together sponsored a survey of CSR in Poland, Slovakia and Hungary (Mazurkiewicz et al., 2005). This survey found that more than 60% of companies in Hungary have a code of conduct. Of the existing codes of conduct, roughly half are written and half are verbal. Most Hungarian respondents believe that having a code of conduct makes it easier to comply with legislation and gives their business a better chance of surviving in the long term.

There are some data on the motivation behind the implementation of ethical institutions: 91% of Hungarian companies believe there is a relationship between codes of conduct and cost savings, and nine out of ten respondents believe codes of conduct have an impact on a company's reputation. Other reported benefits of a code of conduct included better shareholder value, better employee relations, increased competitive advantage, alignment with industry trends, better risk management, access to new markets, better government relations and less pressure from business partners.

The vast majority of companies publish an annual report – it is, after all, a legal obligation. Public companies, very small and very large companies

appear to publish the most. Annual reports that set out environmental performance are issued by 45% of respondents, and 42% currently publish annual reports that set out social performance.

According to our survey, all respondents have heard of CSR, but the employment of special CSR tools is mainly confined to multinational companies. Employees and owners are seen as the important stakeholders; aside from their needs being dealt with, it is mainly donations and sponsorship that are mentioned as CSR issues. It is noticeable that companies tend to equate CSR with PR or cause-related marketing, whereas government organizations mistake it for social provisioning.

Respondents mentioned a lack of financial resources and an insufficiently conscious civil society as the main factors constraining the spread of CSR. There are too many charity foundations in Hungary; many of them deal with the same topic, and there is no objective measurement of their activities. Companies tend, therefore, either to have nothing to do with them at all or to sponsor one of them at random. Only a few multinationals have a sponsorship strategy.

Those NGOs surveyed mentioned the problem of accepting sponsorship from companies. Most of them accept donations without examining the ethical position of the giver; however, once a donation has been accepted, it is very difficult to be independent of a company and to tell the truth about any environmentally or socially harmful activities it may be engaged in.

Some companies exist that demonstrate their responsibility by rewarding NGOs for their activities, and these initiatives are designed to assist in the development of civil society.

A telecommunications company, for example, has a foundation whose mission is to locate and support 'everyday heroes' – that is, ordinary people who

have the courage and strength to go beyond their own interests, to share in the problems of others and to make daily sacrifices for them. The foundation seeks to provide publicity and financial support for these people, to thank them for their efforts and to present them as role models for all Hungarians, and especially young people, to follow. The foundation distributes three awards every quarter year. The recipients each get a statuette, a certificate and 1 million HUF.

CSR STRATEGY

CSR does generally figure in a company's business strategy, though in most cases there is no specially articulated CSR strategy. (Instead, it is something that Matten and Moon (2007) call 'implicit CSR'.) We could identify good practice in 26% of companies. Only a handful of companies said they had a separate budget for CSR issues, and none of them would disclose the amount. Multinationals have a more sophisticated CSR strategy (or business strategy element), since they have more resources and their sheer size necessitates organizational regulations, goals and a definite strategy. Small and medium-sized companies tend not to formulate a CSR strategy, but that does not mean they lack CSR-related intentions or activities.

The state-owned companies surveyed fulfil a special social role, and therefore their mission – their very existence even – encompasses the issue of CSR. They include forestry companies, a public road operator and the Hungarian Mail Company. Some of them employ disabled people and prisoners, so social inclusion and anti-discrimination go right to the heart of their mission. In such cases, CSR is the strategy itself, but CSR communication is not as important as for multinational companies. These companies are at least as socially beneficial as companies that have professional CSR communication means, but they concentrate on

genuine activity, not (just) communication. It is the same with farms specializing in organic agriculture or with renewable energy businesses: they do not talk about CSR – they are CSR. Regrettably, CSR that is communicated is easier to measure and report on than activities that involve real commitment but that are not articulated.

STAKEHOLDER DIALOGUE

Stakeholders are considered very important in business activity, so the general level of stakeholder engagement is quite high.

'We exist because of stakeholders, so fulfilling their needs and meeting their interests is a matter of survival.' (CEO, service company)

Stakeholder dialogue is not a CSR tool that is frequently used – though in the majority of cases (52%) it might be said to be 'on its way', so there is some movement. Respondents generally mentioned conferences and customer satisfaction surveys as elements of stakeholder dialogue, only a telecommunication company is planning the introduction of a special mechanism to manage it. NGOs and companies agreed that stakeholder dialogue is not routine in Hungary: nobody is willing to manage or to measure it, and concrete cooperation depends on personal relationships. Respondents generally could not offer a good example from real life of stakeholder dialogue.

As we mentioned above, employee participation programmes are gaining in importance. Some companies have built playgrounds or nurseries, and one regularly undertakes teambuilding activities in support of a rehabilitation institute for mentally ill children. These programmes are useful for society, but are equally useful for the company. Employees are the most crucial stakeholders of a company, and these voluntary programmes motivate them a lot and help develop their loyalty toward the organization.

CORPORATE GOVERNANCE AND PERFORMANCE MANAGEMENT

We found hardly any good examples of corporate governance (only 10%). CSR is usually related to HR or PR issues, and there are seldom any designated CSR executives. Mainly CEOs that are prepared to concern themselves with CSR topics, and CSR is seldom to be seen in the corporate structure. The same goes for performance management: as CSR issues are based on personal relationships and activities tend to be ad hoc, their usefulness or impact is generally not measured or reported at all. Only a few multinational subsidiaries have taken over good corporate governance practice and performance indicators from their parent companies. Only 3% of companies examined provide examples of good practice in this context.

'We do not need such a corporate governance scheme, because CSR is the task of every employee, and primarily managers. I do not think it is useful to delegate CSR to specific positions – it would mean there are some people who are responsible for CSR and others who are not. That is not the point. The company's mission and goal is for CSR to be generally valid for every employee and participant.' (CEO, service company.)

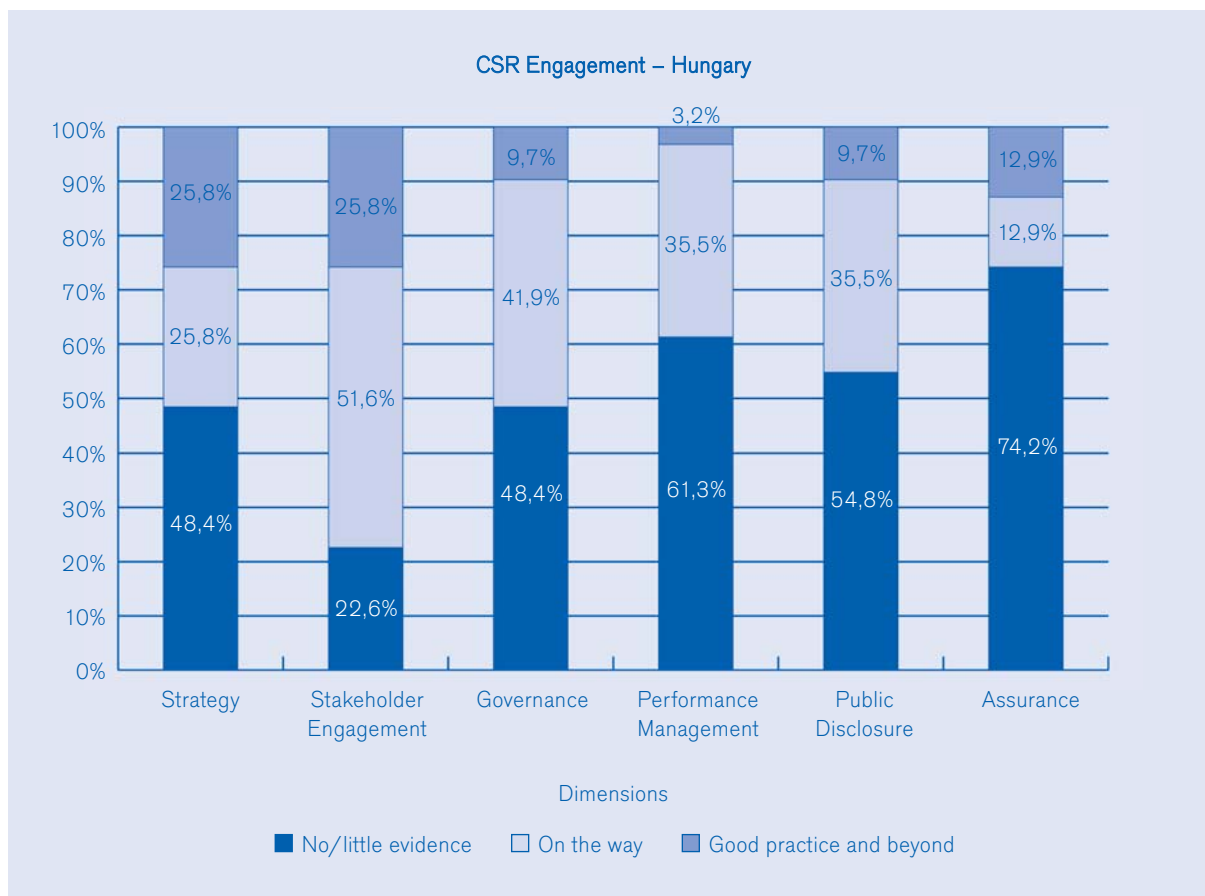
'We cannot measure what is not measurable in money. Moreover, it is not worthwhile working out measure standards – the cost would be greater than the benefit. We do not use CSR for a purpose; we just do it.' (Communications executive, telecommunications company.)

PUBLIC DISCLOSURE AND ASSURANCE

Of the 40 companies reviewed, 14 claimed to publish a CSR/sustainable development report or an environmental report (mainly those whose parent company publishes a global report, though there is no special Hungarian or regional report). Regrettably, only a few of them are available in Hungarian (12%). Assurance services are hardly used: 74% of companies do not use or plan to use any assurance. KÖVET-INEM Hungary has a stakeholder forum to rank environmental reports, and four companies have used that as assurance. Although the GRI Sustainability Reporting Guidelines were translated into Hungarian in 2005, currently only six companies in Hungary use

them. One respondent claimed that the company's sustainability report was very mature and adequate, and that using such guidelines could not add value to it.

The following chart represents our findings on CSR engagement in the 31 companies reviewed (excluding the nine best-practice examples, as they would distort the results).



USE OF INTERNATIONAL STANDARDS

International standards are not commonly used either. ISO 9001 and 14001 certifications are more frequent than others, such as EMAS or SA8000. Smaller enterprises and state-owned companies claimed that achieving and maintaining accreditation is too costly (the certification fee is too high), and the Hungarian market is not concerned with whether a company adheres to such a standard.

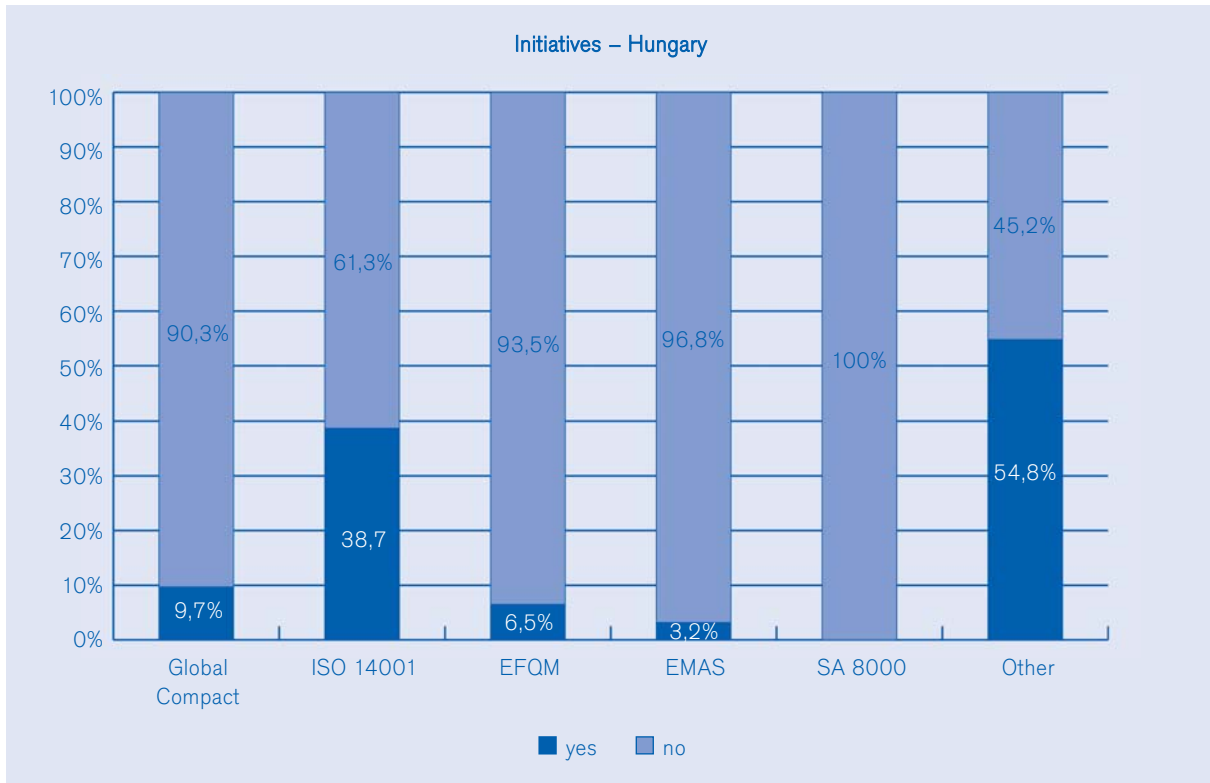
'Nobody will come to our shops or buy our products just because they have heard we are socially responsible.' (Communications executive, telecommunications company.)

Some companies have achieved certification and are using the principles in their everyday operation, but have let accreditation lapse because of the cost of keeping it up.

Respondents mentioned that neither customers nor companies in Hungary have any faith in assurance. 'I do not claim international standards are all eyewash, but they are just something to tick off. They are mainly of value to assurance and consultancy firms. I do not think CSR is measurable in this "tick box" way.' (Communications executive, telecommunications company.)

The majority have no knowledge of assurance companies, systems and services at all. It is generally companies with foreign partners – mainly those supplying companies abroad – that are under pressure to use the standards. As their numbers increase, so the standards will spread faster.

The following chart shows the incidence of international standards in Hungary.



THE IMPACT OF OWNERSHIP, SIZE AND SECTOR

As we have mentioned, it is larger companies and those that originated abroad that use more CSR tools and donate more to social causes. In terms of sector, it was the service companies we looked at that were most active. They have larger profit margins – and they are mostly subsidiaries of multinationals – so they have a greater opportunity for dealing with CSR. Actually, they have more profit incentives, too, as their 'products' are not distinctive and are mainly chosen based on empathy.

At the same time, the financial services sector seems very passive; it usually has little motivation to deal with CSR, and is under little pressure to do so. There was only one bad example, but it was instanced by many respondents: a financial services organization (a member of the Hungarian Business Leaders Forum) that was providing credit at roughly 400% interest. Everybody was of the opinion that usury-level interest rates do not accord with responsibility towards stakeholders. Interviews were in almost all cases refused by companies in the chemicals sector.

THE SEVEN ATTITUDES TO CSR

There are seven types of attitude to CSR that can be discerned among companies. Actually there are basically four types, but it is useful to differentiate between SMEs and large companies.

The first type refers to large companies – which in Hungary means mainly multinationals – that want nothing whatsoever to do with CSR issues. They profess and follow the principle that the 'business of business is business'. They are usually from the financial services or chemicals

sector. As it is the current fashion at least to talk about CSR, their number is declining.

The second type we call 'large instrumental'. This group includes the subsidiaries of multinationals as well. They are aware of all the CSR management tools, standards, assurances and practices, and they use them in a strategic way (as Porter and Kramer (2006) suggest). Their prime motivation for dealing with CSR is to build their reputation and trust, and to be more successful in the marketplace – though this does not rule social or environmental factors out as secondary benefits. These companies usually have a core business that harms the environment or society (oil, tobacco, alcohol products) or that crowds SMEs out of the market, so they must buy the goodwill of customers somehow. CSR issues belong in the PR or HR department (or both), and the communication of CSR activities is very important and highly charged. Most of the multinationals belong to this type.

We call the next type 'paternalistic'. The other six types are to be found in Western countries as well, but this group is typical only of the post-socialist countries. It includes large, mainly still state-owned companies that had an established social-provider system during the socialist era. They have preserved this – at least in part – and nowadays call it CSR. It mainly involves looking after the needs of employees and ex-employees.

There are also 'engaged' large companies. They have (or once had) a charismatic leader (or leaders) with real intrinsic motivation, commitment and a sense of personal responsibility. Right from the outset, there will have been manifestations of social and ethical considerations in their mission and business activities. This group uses certain CSR tools, such as standards or reporting guidelines, however, generally they do not consider explicit CSR to be very important. CSR – as social and ethical engagement – is something that pervades every activity, not something that is imposed on them.

Hungarian SMEs, which are finding competition tough, do not usually have the opportunity to be explicitly responsible. This does not mean a total lack of ethical considerations, but CSR is not a separate or pronounced part of their business strategy.

SMEs usually start to use standards if this is a necessary prerequisite for them to become a supplier to a large company. As we mentioned above, standards and assurance are expensive, and the Hungarian market is not particularly concerned whether or not a company achieves them. So it is only worthwhile using them if a customer requires it.

Fortunately, there are successful small and medium-sized companies that are led by someone with real empathy and commitment to society. They care about other people and the environment because their conscience dictates it. We call these 'small engaged' companies. Aside from their professional expertise, employees are chosen for their emotional intelligence, so the whole staff follows ethical values in every operation. Unfortunately, there are only a few representatives of this group. We include in this group companies that once upon a time attained accreditation, but now use only the principles because the standards and guidelines are too expensive for them to keep up.

The following table shows the seven groups of company.

	No CSR	Instrumental	Engaged	
Small/medium	No opportunity	Supplier	Small engaged	
Large	No willingness	Large instrumental	Large engaged	Paternalistic

Of course, it is very difficult to decide whether a company uses CSR in an instrumental or engaged way. In a way, the more explicit form of CSR is

generally a result of market pressure and the business case that can be made. Naturally, the use of explicit CSR tools does not necessarily indicate a lack of intrinsic motivation, but engaged companies sometimes hardly employ the language of CSR at all, using only the ethical principles underlying it ('implicit CSR', Matten and Moon, 2007).

In the following, we will review some examples of best practice. Some of these companies belong to the instrumental group and others, to the engaged group. Although their primary motivation is not the same, all of them use CSR in a strategic way: CSR is an integral part of their business.

BEST PRACTICES

A TELECOMMUNICATIONS COMPANY

This company has been a leading info-communication service provider in Central Europe and has achieved a leading role in environmental protection. While maintaining this position, it has also put effort into becoming a leader in the area of sustainability. The company ranks high in terms of sponsorship in Hungary and is one of the few companies to take CSR seriously. In 2006, it topped the AccountAbility Rating Hungary list with a result of 52%. That is principally why we have chosen it as an example of best practice in Hungary.

In 2001, the company's forerunner won the EFQM European Quality Award – the first Hungarian company to do so. That year the company was honoured by a leading journal for its business ethics activities. It has received several awards for its sponsorship of culture and education. In the course of this survey the company was singled out by other companies and NGOs for its CSR activities and effective CSR communication.

The company's CSR policy is quite complex and has several important elements:

Institutional patronage

Subsidizing a symphony orchestra is the major plank of the company's cultural sponsorship activity. The company is also patron of the foundation for the Museums of Post and Telecommunications and the Museum of Telephony. Through its support for the Tivadar Puskás Telecom High School, the company contributes to the high standard of training offered to the new century's telecom and IT experts.

Donation and charity lines

Donations can be made in a simple and transparent manner through the company's donation

and charity lines. Simply by calling one of three four-digit numbers, anyone can donate 100 HUF to the cause advertised, in each case providing assistance to the efforts of civil organizations engaged in tackling social problems or mitigating natural catastrophes and disasters. The company offers the service free of charge, and transfers to the beneficiaries the entire amount donated – that is, it receives no revenue from it and even absorbs some of the cost burdens (for example VAT).

In 2003, in conjunction with a television, the company collected 24 million HUF in four days for the Debrecen Children's Clinic. In May 2004, donations amounting to 76 million HUF were made in eight days for the Heim Pál Children's Hospital. In 2001, the company collected and passed on to the Hungarian Maltese Charity Service a total of 4.8 million HUF in donations from private individuals, and in 2002 it collected over 13 million HUF for flood victims and passed it on to the Hungarian Red Cross. In January 2005, the company contributed to aid for the victims of the earthquake and tsunami in Southeast Asia. Between 00.01 on January 5 and 23.59 on January 31, the Hungarian public gave almost 60 million HUF to help the flood victims. The Hungarian Red Cross sent the emergency aid to the scene of the tragedy.

Sponsorship

The company is a gold sponsor of the House of the Future, which opened in the Millennium Park on 16 December 2005. The House of the Future is a unique undertaking in every respect. Neither a museum, nor an exhibition, nor yet a technological science park, it is all these together – and more. There is a wide spectrum of themes – from genetic research to astronomy. Its installations give visitors an opportunity to encounter the future, and to try out and play with the exhibits. It is real fun for those interested in scientific innovation and who want to learn about the things that most concern the researchers of our age.

The company also sponsors a lecture series on Hungarian Television called ENCyclopedic knOwledge Made a Popular ASSet (ENCOMPASS, www.mindentudas.hu), which gives society an opportunity to hear the leading Hungarian scientists in every academic field. The company helps the Hungarian civil sector by providing donations to NGOs. The NGO to be subsidized is chosen by the viewers of a TV series (*Az Ügy*), which introduces several NGOs and thus raises society's awareness.

Employee donations and voluntary work

The Matching Fund programme gives employees who are sensitive to social problems the opportunity to make a responsible decision about company donations. The company tops up the employee's contribution to a good cause of his or her choosing.

Every two years the company organizes a collection of used clothes and toys among its employees. This initiative gives employees the opportunity to bring in the clothes they no longer wear but that can still be used by others.

It organizes voluntary work programmes, too. It has been proved on several occasions that 'community work' – in the past, more obligatory than voluntary – actually has a community-building effect and generates emotions we are all glad to enjoy. Aside from this, a goal achieved through our own efforts is received with more warmth and is often worth more than money.

The company has a special programme called Digital Bridge to eliminate discrimination and combat social exclusion. For example, it goes to small villages to teach people how to use computers and the Internet. It organizes the screening of films about social problems, and the employees who watch them hold a discussion about the topic afterwards.

Charity services

The Civil Tariff Package offers public-benefit and major public-benefit non-profit organizations a 30% discount on domestic landline telecom services. The organizations affected can spend the money saved on the needy. At any one time, 100 organizations can avail themselves of this package for one year, on application. The eligibility criteria include that the organization must prove its degree of public benefit, must have a subscription in its own name for the telephone line on which it wants to use the tariff package, and must not have an outstanding bill from the company.

Ethical institutions

The company has several ethical institutions to identify core values and help it with implementation. It has a code of conduct that emphasizes responsibility to stakeholders. Its activities are governed by the corporate vision and the six central values: Superior Value, Passion for Customers, Innovation, Respect, Integrity and Top Excellence.

Its diversity policy emphasizes the importance of non-discrimination and the positive aspects of diversity in the company. To regulate its relations with its employees, the company has published a code of ethics. Any employee, contracted partner and customer can read the text of the code of ethics at any time. Every new and current employee, officer or director must sign up to the code of ethics. Line managers are responsible for having employees learn the code of ethics and comply with its contents.

The code of conduct is monitored and managed by the Group Sustainability Strategy department, which depends on Communication and PR management, while the code of ethics is monitored and managed by Human Resources management. The company's sustainability policy is based on UN Global Compact principles and the indicators are Global Reporting Initiative (GRI) compliant.

Since 2002, the company has issued a sustainability report, and it has a clearly defined environmental policy.

Sustainability – recognition of the relationship between the three pillars of Environment, Society and Economy and of positive activity within this – is a long-term strategic principle for this company. To make its contribution more understandable, it has issued a Sustainability Wordlist, too. As well as offering the company group the opportunity for long-term success, through its role in the region and its services, CSR has a significant positive effect on society, the environment and the economy.

In parallel with the increasingly wide use of information and communication technology products and services (and indeed because of technology), there may be an increased negative impact on the environment and society. The company group has stepped up its efforts to reduce this negative impact. In this end, it seeks to monitor the various inputs and outputs, and, whenever possible, to reduce such things as the carbon dioxide equivalent (by cutting down on the use of non-renewable resources), electro-magnetic radiation, waste, etc.

Stakeholder dialogue

Acknowledging that sustainable development is not a one-man challenge, and that everybody has a personal stake in it, the company encourages all consumers – indeed anybody – to make suggestions, voice opinions or ask questions – to do anything that can help it work to improve future possibilities.

The company offers a fine example of good practice, because it uses its core competences to build ethical value. Collecting donations via the telephone and using discounted call charges for non-profit organizations are very obvious and practical things for a telecommunications company to do, and therefore it can use these tools credibly.

The convergence of core competences and CSR tools ensures that CSR becomes integral to the business strategy, even if the company's principal goal is to bolster its reputation through CSR.

A MANUFACTURING COMPANY

This company was founded in 1997 with an investment of 75 million euro. It is located in Székesfehérvár, which is one of the most ancient cities in Hungary, situated about 65 km from the capital city of Budapest.

As this company does not have a relationship with its end consumers, its engagement is based on the Japanese parent company's culture and corporate values, not on consumers' expectations. That is why its example offers another case of good practice.

As one of the largest suppliers in the automotive industry, the Japanese mother-company tries to operate in tune with the principles of sustainable development. The company started out manufacturing distribution-type diesel injection pumps, and it now provides several power-train management-related products, including an advanced fuel injection system for diesel engines – the common rail system. The system is more environmentally friendly, and the market for it is growing, especially in Europe.

The company has developed a very detailed CSR concept. It promotes corporate activities globally that contribute to the sustainable development of society based on corporate philosophy.

Focusing on the future, we contribute to the happiness of people, embrace our predecessors' commitment to fulfil our responsibilities and accomplish our mission of building a sustainable society... [The

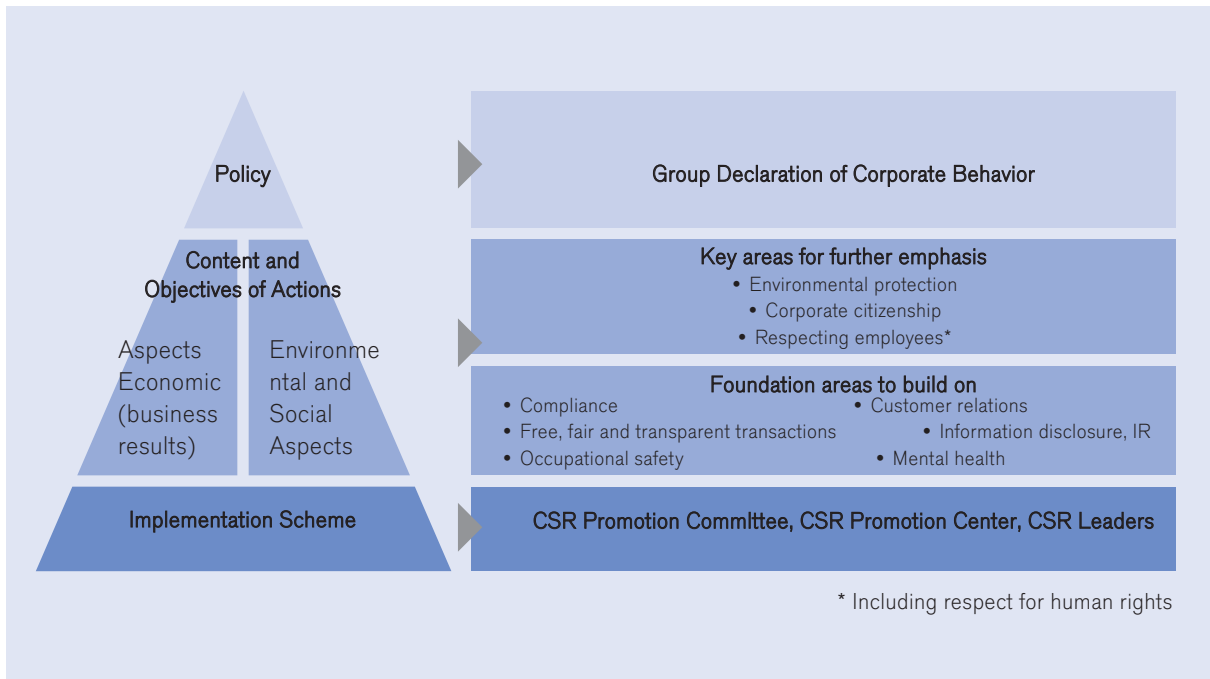
company] now has more than 100,000 group employees in over 200 business bases in 32 countries and regions to develop our global operations. Amid the ongoing globalization of business, it is essential that we keep doing business with a balanced focus on the economy, society and the environment, each of our employees strives to contribute to the realization of a sustainable society that respects the history, culture and customs of each country and region. To achieve that, we need to put corporate social responsibility (CSR) at the core of our corporate activities, and achieve the highest quality in management. (Excerpt from the president's message.)

The company proactively reviews the actions it should take as a corporate citizen, so it regards CSR tools and the CSR concept as an opportunity, rather than as an obligation.

The company's CSR framework is shown in the following graphic.

Placing CSR at the core of business management is how the company carries out CSR activities. In April 2006, it announced its new CSR policy, called 'Declaration of Corporate Behaviour', as a guideline for corporate activities and shared it among all group employees. It establishes what the company can and should do for each of the stakeholders, including customers, suppliers, shareholders, investors, local citizens and employees, paying close attention to the relationship between each of them and the company. It also shows the company's commitment to taking the initiative in contributing to the building of a sustainable society. To disseminate this declaration to all group employees, it launched a CSR Promotion Committee and a CSR Promotion Centre.

The company's mission is: 'Contributing to a better world by creating value together with a vision for the future'. It intends to achieve this long-term goal by using such management principles as ensuring customer satisfaction through quality products and services; global growth through



anticipation of change; environmental preservation and harmony with society; and corporate vitality and respect for individuality.

The Hungarian subsidiary published its first sustainability report in 2002, according to GRI guidelines. This was the first audited environmental report to be published by a supplier in the automotive industry. The Japanese parent company borrowed the Hungarian idea and started issuing a global sustainability report. Besides being profitable, the company emphasizes respect for the environment and other stakeholders. It emphasizes the importance of stakeholder dialogue, so it organizes forums for the local community and employees to voice their opinions and recommendations.

In our country, the automotive industry accounts for 20% of industrial production, so companies in this sector have a huge impact, and therefore a huge responsibility to promote sustainable development in Hungary.

The company has achieved ISO 14001. In 2001, its Work Health and Safety System was certificated under OHSAS 18001, which seeks continuous improvement in the working environment. In 2001, it embarked on the EcoVision programme, whose goals include diminishing the greenhouse effect, increasing green procurement, ensuring efficient waste management, and expanding environmentally aware management. Thanks to this programme, the company has succeeded in slashing the volume of packaging materials by 30%, CO₂ emissions by 35%, and water consumption by 40% (www.kvvm.hu).

From 2002, it has prepared sustainability reports according to GRI criteria, and it has featured in Sustainability Rankings. In 2003, its report won the Deloitte Central Europe Environmental Report award.

Its environmental efforts led to the company winning the European Union Environment Award in 2004. The company sets an example for the environmental activities of other European companies.

The company uses an environmental evaluation system created with the help of KÖVET, the Hungarian Association for Environmentally Aware Management. Before creating the system, it mapped its stakeholders. It identified 35 environmental and social factors to attend to. It fixes goals in every field and each year monitors their realization.

The company has organized several donation programmes to aid the local community. In 2005, for example, it initiated a tree-planting activity at local primary schools to promote community environmental conservation. The schoolteachers welcomed this activity and the children appreciated it, too. At Christmas, its representatives visit local hospitals and distribute Christmas presents donated by the firm's associates to sick children there. In 2005, dolls and other gifts were given to 15 children. The company frequently holds tree-planting and family days, and organizes voluntary waste collection by its employees. In order to get its employees more involved, it gives them the opportunity to suggest potential problems to solve or potential organizations to donate to.

It has programmes that demonstrate its long-term commitment, too: it sponsors a programme in primary schools to promote environmental awareness. It also presents environmental management tools in higher education, so it indirectly helps other companies to get to know about such issues.

The company does not shout about its engagement with CSR, mainly in order to preserve its credibility. It uses energy-efficient and waste-recycling technology. It gains indirectly from this, as it does not have to pay penalties. The company's

work safety and environment executive and a former secretary general of KÖVET, maintains that the direct costs of environmental awareness are less than the profit to be gained from green activities; but when indirect costs are factored in, it is clear that, in Hungary, to be responsible is not yet profitable.

A MULTI-SECTORED MULTINATIONAL

Since 1989, this company has been one of the most significant multinationals successfully operating and growing in Hungary. Today, all core businesses of the company are active in the country. Currently the company is the largest US investor (more than US\$1.1 billion) and employer (12,000+), and is one of Hungary's biggest exporters, while as a customer it has more than 2,000 suppliers.

The company conducts its activities in two major legal entities in Hungary and employs 12,500 people. It has three business sectors – healthcare, industrial and infrastructure – and operates 13 factories in 11 cities. In addition, two regional headquarters and three technology centres are also located in Hungary.

The key to this success is the company's culture of fostering a partnership with its associates, with local communities, with the business and scientific community and with the government. The original mission of the company included CSR, even though this term did not exist at the time. The company also invests in the future of Hungary through its innovative corporate philanthropy projects.

Company employees and their families take part in voluntary activities: there is a global organization of the company's employees and retirees, committed to improving local communities and the company through volunteerism, leadership and camaraderie. It has 49,123 members in 135

chapters and 3 sub-chapters, in 33 countries. The Hungarian organization was set up in 1996, and since then, it has helped with over 450 projects to improve the living standard of local communities.

The philanthropic organization of the company aims to improve the standard of education and extend its availability. Besides, it supports local initiatives. In Hungary, it supports several innovative educational programmes.

The Institute of International Education has managed the company's Foundation for Scholar-Leader Program since 2003. In the past three years, the programme has become an example of regional best practice, being launched in Poland and the Czech Republic. It enables students from these three countries (a total of 134 in 2006) to establish a network of young intellectuals from Central Europe during the annual summer seminars.

The Nyiló Világ (Opening Doors) secondary school talent development programme for gifted students is run by the company and its partners. The leaders have provided mentorship for participating students since 2002. In 2004, the programme was introduced in two towns in Eastern Hungary, where the company has factories – Kisvárda and Hajdúböszörmény. In 2005, the programme was extended to all secondary schools in Ózd and the neighbouring Putnok, making it available to 168 students and 35 teachers in the four cities so far. With the support of the Municipality of Borsod-Abaúj-Zemplén County, the programme was adopted in three more cities (Kazincbarcika, Sátoraljaújhely, Tiszaújváros) in the region, extending it to four new schools, involving 72 students and 20 teachers.

Since 2000, the Aschner Lipót technical university research and PhD scholarship programme has helped students, assisted by the company's Consumer & Industrial Division.

In 2005, the company announced a new graduate and PhD scholarship programme – the **Öveges József** programme – for talented engineering students who are interested in working on healthcare projects.

The Life Skills programme aims to spread practical knowledge in secondary schools. In Hungary, the standard of the theoretical aspects of education is quite high, but the kind of skills that are important on the labour market – like communication or team spirit – are not usually taught. Under this programme, participating students have to develop philanthropic activities, for example. In addition, in this way their social awareness is raised.

The company assumed a leading role in the campaign Together for Health and Against Breast Cancer!, first launched in autumn 2002. Budapest's Chain Bridge, lit up in pink and nicknamed the Bridge of Health, became the symbol of the national campaign, which aims to draw attention to the fact that breast cancer is treatable and to stress the importance of early diagnosis and a healthy lifestyle.

The company launched its 'Ecomagination' programme two years ago for its suppliers and customers. It spends a lot on research and development, and especially on inventing environmentally friendly yet economically efficient products.

Anti-discrimination and diversity among employees is another important goal of its operation. It tries to ensure gender equality both within and outside the company. It was a pioneer in setting up the Women Business Leaders Forum within the Hungarian Business Leaders Forum.

As we can see, this company is very involved with CSR activities; and yet special CSR management tools are not in use. The company

emphasizes that it is not responsible for society as some superior entity; it is part of society and is therefore as responsible as every citizen. That is why it prefers to use the term 'Corporate Citizenship' rather than CSR. Its main goal is to build an intellectual, knowledge-based society wherever it operates, by educating and developing human resources. This is in the interests of both the company and its stakeholders. Therefore, the Corporate Citizenship philosophy pervades every aspect of the company's activity.

Apart from KÖVET's Environment Saving Award in 2004, this company has won no CSR award in Hungary, as it focuses on its own Corporate Citizenship concept, instead of choosing general, measurable CSR tools and initiatives. However, its genuine commitment has had tangible effects, and it cannot be left out of examples of best practice.

A MEDIUM-SIZED COMPUTER COMPANY

This company started data recovery in 1989. It would have liked to manufacture computers, but the business environment was not conducive to that activity. Thus, it had to create value without manufacture with its up-to-date professional knowledge. It started out by repairing floppy disk drives and hard disks, and the company has built itself up from that, step by step.

To solve the problems it encounters, at least half a dozen individual professions have to be applied. Experts in precision mechanics, data surgery, electronics, analogous data transfer technology, and from the world of software, operating systems and applications all have to work together to recover data from damaged hardware.

Currently, its activity focuses on limiting the damage caused by IT disasters (data recovery) and on preventing such IT disasters. Its prevention system is

called ISyS(r), and it encompasses over 40 products, each of which can also be used individually. The company has been a player on the Hungarian data recovery and information security market for the past 15 years.

As a medium-sized company, it does not have the power to organize large events or to donate to many causes. Therefore, the company has 'only' two foundations that seek to improve the level of IT education in Hungary, and it treats employees as special, valued and respected stakeholders and partners.

The company's example shows that CSR is not an unrealistic theory or a marketing tool: it is a philosophy to pervade every activity of the firm. It can be integral to the strategy if it is based on real engagement and the core competences of the company.

The company uses its core competence for social value creation, by offering hospitals and other social amenities free data recovery. These clients could not pay for the service, as they do not have the financial wherewithal, but the data that are lost are usually very important to society.

The company conducts its business in a responsible way because of the personal belief and conscience of the president and every employee. The long-term goal of the company is to achieve a happier, more trusting and more competitive society. It believes that it does not need CSR reports or a CSR strategy prepared by a professional, profit-oriented consultancy firm to be responsible, transparent and genuine.

Through its two foundations (a foundation high school, and a foundation for the education of disadvantaged students, primarily gypsies, at Pannon University) it provides financial support to education. The company had to choose from an infinite number of causes waiting to be supported, because, though it is socially sensitive, its resources are limited. Support

for education is related to its core activities, as the provider of a knowledge-based service.

As a team-building activity, it has built a kindergarten with an eco-playground. Participation in such activities means a real commitment to CSR, and is even better than donations of money, in providing real engagement. Every Christmas, the company donates a sum of money to disabled and disadvantaged children. In 2006, it chose the beneficiary organization according to the wishes of its employees and clients. Afterwards clients received a 'Credibility Package', with details of the donation process, so that they could share the joy of giving.

According to its mission statement, its most valuable asset is its innovative, highly skilled, experienced and united staff. Therefore, the company has a family-based allowance system, and it organizes programmes for the families of employees. Other CSR activities help increase team spirit and the cohesion of staff. The company maintains that long-term client, staff and proprietor satisfaction is a measure of its success.

The company has won several awards. In 2002 it gained a prize for Business Ethics from the Budapest Club. The president of the company was voted Entrepreneur of the Year 2004 by Ernst & Young. This was the second time this international business award had gone to Hungary. The company's exemplary human resource management and its excellent working conditions were honoured by the American Chamber of Commerce with the Healthy Workplace AmCham Award in 2004. In 2005, the company received the Family Friendly Workplace Prize in the medium-sized enterprises category.

An oft-cited phrase from the president of the company:
'Competitiveness has 1,000 parameters. Among these CSR is only one, but it is a part of all the others.'

4. ANALYSIS OF CSR IMPLEMENTATION CAPACITIES IN HUNGARY

Although it is lagging behind Western countries in CSR issues, Hungary is in quite a good position according to the Responsible Competitiveness Index (RCI) and the National Corporate Responsibility Index (NCRI) of AccountAbility. In RCI we rank 32nd and we are 24th on NCRI. Slovakia, Italy and Poland are all behind us. (EABIS-AccountAbility, 2006)

No formal reporting of CSR is required by law in Hungary. There are some 44 companies that regularly publish a CSR, sustainability, environmental, or social report. According to the online survey of Terraidea Research Group (Farsang and Kovács, 2006), communication of CSR is not effective enough. Some large companies that issue a CSR report do not translate it into Hungarian, and generally, there is no room for stakeholder dialogue and reaction.

As we mentioned earlier, international standards and assurance are not in common use. There are 1,140 companies with ISO 14001 certification, eight are registered in EMAS and only five companies use the EFQM model. In 2006, Hungary won the EU's EMAS award for achieving the most (five) EMAS registrations in the year among the new member states. Only a luxury lingerie supplier has SA8000 certification.

There is one official eco-label in Hungary, awarded by the Hungarian Eco-Labeling Organization, which was founded by the Ministry of Environment

in 1994. Some 358 products made by 33 companies have the right to carry this label. The most important problem is that customers do not have enough information about the badge.



There is only one service that has been awarded the European Eco-label.

There are some other CSR-related labels, like the recycling logo of Öko-Pannon Kht., the largest recycling company in Hungary, or the Hungarian Product logo.

There are quite a number of CSR-related awards in Hungary. The most significant are Sponsor of the Year, awarded by the Non-profit Information and Education Centre, the Green Frog Award of Deloitte, the Environment Saving Award of KÖVET-INEM Hungary, the Business World for the Environment Award and the Media for Society Award from the Hungarian Business Leaders Forum, and the Business Ethics Award from the Budapest Club, one of Hungary's leading economic magazines.

On 9 December 2005, the Hungarian business community initiated a new chapter in its

desire to achieve greater corporate social responsibility by participating in the launch of the United Nations' Global Compact. In Hungary, the main issues for business leaders using the Global Compact include reducing barriers to the employment of disadvantaged groups, promoting greater environmental responsibility and fighting corruption. The Global Compact in Hungary has been developed under the main auspices of the United Nations Development Programme. The initiative has already won the support of important business leaders, such as: the Hungarian Business Leaders Forum (HBLF), the Joint Venture Association, Business Council for Sustainable Development Hungary, CEU Business School, Clean Air Action Group and others (ILO, 2005).

There are many codes of conduct that have been published and applauded by chambers, associations and foundations – for example, the code of the Federation of Hungarian Event Organizers, or the code of the Hungarian Chamber of Commerce and Industry. But some are more significant in business than others. The Budapest Stock Exchange's code was unveiled in Budapest on 9 January 2004. Moreover, since 2003 information on compliance should be disclosed in annual reports. Yet currently, the Budapest Stock Exchange's website carries no information on compliance. The code of conduct for retailers (commercial code of conduct) was adopted on 4 July 2006, and in 2006, the Ministry of Agriculture prepared the code of conduct for food producers.

There are academic courses to promote the theory of CSR, and diverse concrete tools and mechanisms to implement it in practice. Corvinus University of Budapest and the CEU Business School have business ethics courses, and in 2006, a CSR communication course was run at Corvinus, too. Almost every economic college has compulsory or optional business ethics courses, where CSR is one of the main topics on the curriculum. Consultancy firms give lectures and provide training

for business leaders – for example, Braun & Partners and KÖVET held a joint GRI training session on 15 February 2007 to introduce G3.

Clearly, accession to the European Union on 1 May 2004 has had an impact on the spread of corporate social responsibility. The EU influences the awareness and practice of CSR both directly and indirectly, through specific EU directives and general policy statements, such as the Lisbon Agenda, and via EU companies that are the partners and competitors of Hungarian firms.

Before accession, companies exporting to the EU were hard pressed to comply with an array of European environmental and social standards that were much stricter than those they typically faced in Hungary. Now the government has to address the question of how companies that have not yet met the EU standards might be guided to do so, especially as economic and social integration matures. The government should be interested, therefore, in modifying old institutional arrangements and introducing new ones to promote CSR.

Apart from such traditional tools as regulation and enforcement, government could also consider a wider application of approaches, such as partnerships with the private sector and endorsement of good private-sector practices or initiatives. For example, it could oblige companies to publish social, environmental or CSR reports. Such an obligation would increase the awareness of companies, especially if guidelines like those of GRI were used.

Another tool is to use social and environmental indicators in public procurement and in tendering. Companies that promote equal opportunity or use environmentally friendly techniques already have an advantage when Hungarian government and EU tenders are considered. On 17 January 2007, the Ministry of Environment and Water announced its readiness to

draw up a programme for green public procurement. The Municipality of Budapest adopted a Green Public Procurement regulation in June 2006.

The example of our manufacturing company is very reassuring (they are responsible even though it is not yet profitable to be so), but companies with less power and fewer resources need help to be responsible in the short term. Small and medium-sized companies that are really committed to CSR cannot exist without support from the government. Lack of government support is one reason why the number of such enterprises is fairly low in Hungary (Gulyás, 2004).

From an economic viewpoint, the introduction of a socially responsible investment (SRI) index would help the promotion of CSR tools. One bank once stated its willingness to prepare an SRI fund, but nothing has been heard of the idea since. However, such an index would open the way to Hungarian companies performing in such funds, even if there were no SRI fund in Hungary itself.

The year 2006 marked a watershed for CSR in Hungary. There were some 14 conferences in the field and several important research papers and surveys were completed. One fresh result is, for example, that the awareness of consumers has risen recently. Nowadays consumer consciousness appears to be developing, and price is not the sole factor in consumer choice. This could be a very important influence in the spread of the CSR issue in Hungary.

Improving the image and reputation of a company is still the main incentive to be responsible in Hungary. However, this should not undermine the motives that lie behind some notable good practices. In the case of protection of the environment, cost saving is another important motivation. The acceptance of other incentives would provide fresh impetus to CSR in Hungary.

Opinions are divided on what problems are the most burning in Hungary. Some companies and organizations emphasize environment, others social issues, such as discrimination. However, all agree that the formation of a civil society and democratic dialogue among business and social actors is important in tackling all the problems. Ability to cooperate is very weak in Hungarian society. We have to learn how to live in a democracy in order to eliminate the current democratic deficit; CSR could be a means of achieving this goal.

That is possible, however, only if there is an increase in the overall quality of conferences and other discussion forums. Most of our respondents complained that, regrettably, CSR conferences tend to get stuck on the basic issues of CSR, with lecturers constantly harping on the importance of ethical institutions and the difference between PR, cause-related marketing and CSR. Nobody explains how to use CSR tools in the Hungarian context. Moreover, each conference has the same corporate participants – the so-called ‘best practice’ companies.

‘We live in an age of awards; some companies and stakeholders merely exchange awards. It is time things became more professional. Best-practice case studies should show the complexity of CSR, not just illustrate a sponsorship programme that does not examine environmental problems or the position of employees.’ (Communications executive, telecommunications company.)

We mentioned earlier the problem of the Media Act, but according to the NGOs we surveyed, there is another problem with the media. The Hungarian media have neither the financial and human resources nor the willingness to uncover facts about CSR – they communicate only the slogans of companies. Accordingly, the media do not act as a watchdog on CSR issues, which damages the credibility and effectiveness of CSR communications.

Everybody thinks that the relatively bad economic situation and the lack of financial resources are the main constraints on the spread of CSR. This highlights the general misapprehension that CSR is against profit and is costly for companies (since business actors often mistake it for sponsorship or PR).

Actually, the Hungarian market still does not fully appreciate the fact that CSR is not something that is slightly remote from everyday operations: it should be at the very heart of strategy and operations. The motto of this paper suggests the same. CSR is not about additional costs; it is more about self-examination, humanity, attention and respect for others (stakeholders).

In Hungary, the movement in favour of the promotion of CSR only got going in recent years; it is now developing fully.

5. FINDINGS AND RECOMMENDATIONS FOR FURTHER ACTIVITIES

FINDINGS

CSR STRATEGY

In general, CSR does constitute a more or less important part of business strategy, though in most cases there is no specially articulated CSR strategy (74%). That does not mean the total absence of CSR, but rather in many cases, there is something we might call 'implicit CSR'. Only a handful of companies said they had a separate budget for CSR issues, and none of these would disclose the current amount. Multinationals have a more sophisticated CSR strategy (or business strategy element), since they have more resources and their sheer size necessitates organizational regulations, goals and a definite strategy. Smaller and medium-sized companies tend not to formulate a CSR strategy, but that does not mean they lack CSR-related intentions or activities.

STAKEHOLDER DIALOGUE

Stakeholders are considered very important in business activity, so the general level of stakeholder engagement is quite high. Stakeholder dialogue, though, is not a CSR tool that is frequently used (in this regard, only 26% fall into the 'best practice' category – but a more promising 52% are 'on the way' to stakeholder dialogue). Respondents generally mentioned conferences and customer satisfaction surveys as elements of stakeholder dialogue. NGOs and companies

agreed that stakeholder dialogue is not routine in Hungary: nobody is willing to manage or to measure it, and concrete cooperation depends on personal relationships. Respondents generally could not offer a good example from real life of stakeholder dialogue.

CORPORATE GOVERNANCE AND PERFORMANCE MANAGEMENT

We found hardly any good examples of corporate governance (10%). CSR is usually related to HR or PR issues, and there are seldom any designated CSR executives. Mainly CEOs are prepared to concern themselves with CSR topics, and CSR is seldom to be seen in the corporate structure. In 48% of companies, we found no structural reflection of CSR issues. The same goes for performance management: as CSR issues are based on personal relationships and activities tend to be ad hoc, their usefulness or impact is generally not measured or reported at all (in 61% of companies reviewed). Only a few multinational subsidiaries have taken over good corporate governance practice and performance indicators from their parent companies (3%).

PUBLIC DISCLOSURE AND ASSURANCE

No formal reporting of CSR is required by law in Hungary. There are some 44 companies that regularly publish a CSR, sustainability, environmental,

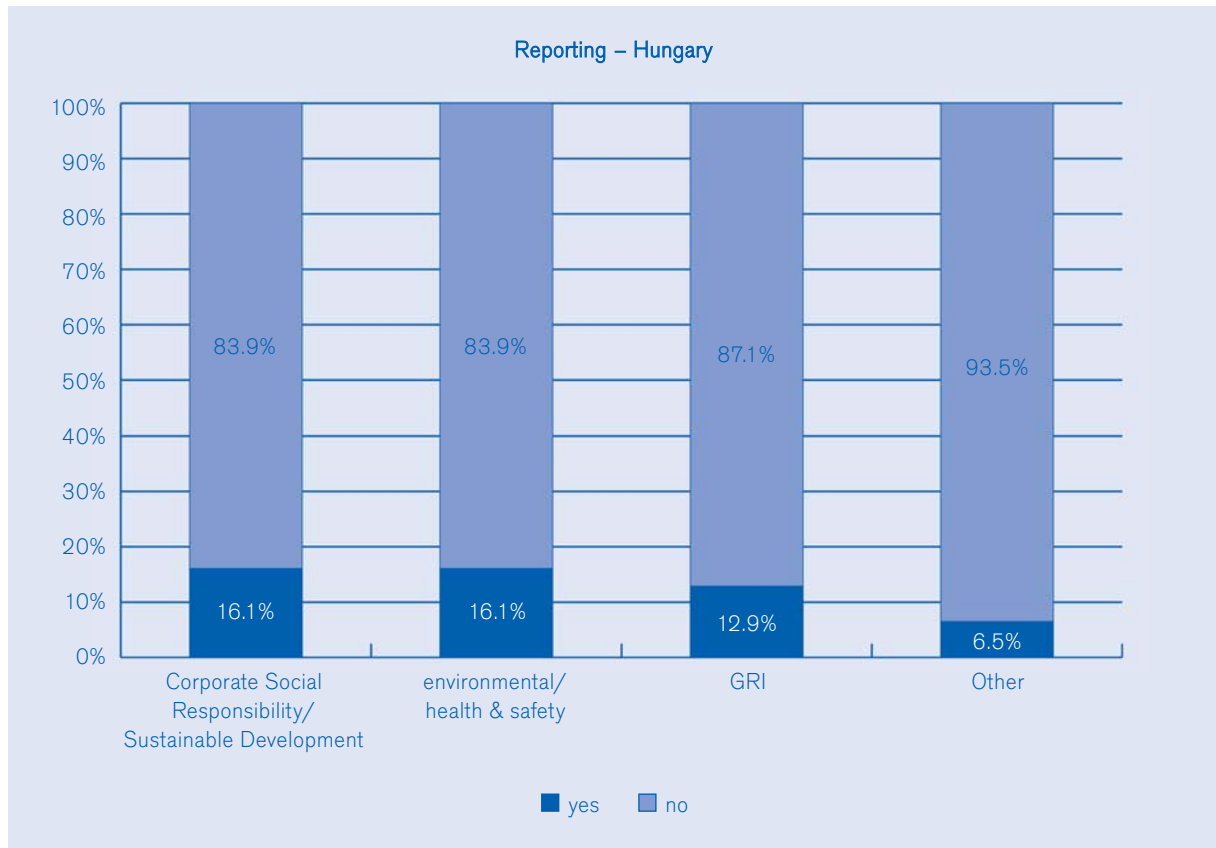
or social report. Some large companies that issue a CSR report do not translate it into Hungarian, and generally, there is no room for stakeholder dialogue and reaction.

Of the 40 companies reviewed, 14 publish a CSR/sustainable development report or an environmental report (mainly those whose parent company publishes a global report, though there is no special Hungarian or regional report). Nine of these are CSR reports and five are environmental reports, but unfortunately very few are available in Hungarian. If we discount the good-practice companies, the number is 10 (as only half of good-practice companies issue some form of CSR report).

Although the GRI Sustainability Reporting Guidelines were translated into Hungarian in 2005,

currently only six companies in Hungary use them. One respondent claimed that the company's sustainability report was very mature and quite adequate, and that using such guidelines would not add value to it.

As we mentioned before, mainly multinational companies issue CSR or environmental reports in Hungary. The 2005 adaptation of Directive 2003/51/EK (EC, 2003) to the Hungarian Accountancy Act (No. C of 2000) just opens the way for companies to publish CSR reports – it is still not obligatory. It may be useful to require by law that at least companies above a certain size issue such a report.



USE OF INTERNATIONAL STANDARDS

International standards and assurance are not commonly used. ISO 9001 and 14001 certifications are more frequent than others, such as EMAS or SA8000. Smaller enterprises and state-owned companies claimed that achieving and maintaining accreditation is too costly (the certification fee is too high), and the Hungarian market is not concerned with whether a company adheres to such a standard. There are 1,140 companies with ISO 14001 certification, eight are registered in EMAS and only five companies use the EFQM model.

Respondents mentioned that neither customers nor companies in Hungary have any faith in assurance. The majority have no knowledge about assurance companies, systems and services at all. It is generally companies with foreign partners – mainly those supplying companies abroad – that are under pressure to use the standards. As their numbers increase, so the standards will spread faster.

OBSTACLES AND DRIVERS IN THE SPREAD OF CSR IN HUNGARY

The year 2006 marked a watershed for CSR in Hungary. There were some 14 conferences in the field and several important research papers and surveys were completed. One fresh result is, for example, that the awareness of consumers has risen recently. Nowadays consumer consciousness appears to be developing, and price is not the sole factor in consumer choice. This could be a very important influence in the spread of the CSR issue in Hungary.

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in Hungary. However, this should not impugn the motives that lie behind some notable good practices. In the case of protection of the environment, cost saving is another important motivation. The acceptance of other incentives would provide fresh impetus to CSR in Hungary.

Opinions are divided on the problems that are the most burning in Hungary. Some companies and organizations emphasize the environment; others social issues, such as discrimination. But they all agree that the formation of a civil society and democratic dialogue among business and social actors is important in tackling all the problems. Ability to cooperate is very weak in Hungarian society. We have to learn how to live in a democracy in order to eliminate the current democratic deficit; CSR could be a means of achieving this goal.

Everybody thinks that the relatively bad economic situation and the lack of financial resources are the main constraints on the spread of CSR.

'We spend much less than we should on CSR, primarily because our sector's profit prospects are very weak. Everybody is fighting to survive; many companies have gone to the wall and more will go bankrupt; resources need to be managed very carefully. So we spend just a little on CSR – but at least we spend.' (CEO, service company)

This illustrates the popular misconception that CSR is against profit and is costly for companies (as business actors often mistake it for sponsorship or PR).

RECOMMENDATIONS FOR COMPANIES AND THEIR STAKEHOLDERS – ESPECIALLY FOR GOVERNMENT AND CIVIL SOCIETY

Overall, development of this area is inevitable. Nowadays several leading companies – multinationals and large Hungarian companies – take CSR issues seriously, and hopefully, these examples of good practice will contribute to the general spread of CSR. To date, most of the development and applications of CSR tools have originated in private companies, often multinationals, in line with their own best strategic interests.

The incentives for companies to be ethical come from both external (government, competitors, and customers) and internal stakeholders (employees, stockholders). Each group wants to reinforce its needs, as corporations have a huge impact on their lives. In addition, as civil society has come to gain in strength in recent years, so these groups have an impact on the companies, too. Stakeholder groups can directly and indirectly determine the continuity of business actors.

However, quite apart from the incentives and, possibly, the threats on the part of stakeholders, companies have a special responsibility – an obligation to be ethical. As they have a comparative information advantage, they have a special responsibility toward the environment and society.

Thus, the spread of CSR is the joint responsibility of companies and their stakeholders. The involvement of Hungarian enterprises in CSR can be fostered through training and assistance

from business associations. From policy makers companies would welcome not only financial support, but also awareness-raising activities.

The media and the government have a particular role to play here: to raise the awareness of consumers and the society. Although other motivations should not be discounted, companies become responsible if that is what their stakeholders want. So educating our young people in schools, universities, and using the media to point society in the right direction are the most important undertakings in the near future.

The mass media still tend to broadcast the message of consumerism, rather than calling society's attention to dangers like environmental degradation, or to psychiatric disorders like 'shopaholicism'.

The communication of CSR is important, but it is lacking in Hungary. We mentioned the problem of trust in companies as a factor that constrains communication, but raising the credibility of business could solve this problem. CSR is still not integral to business strategy and practice: for example, information about CSR is not connected with financial performance (Farsang and Kovács, 2006). Companies proceed at a crawl – not because they are any longer lacking in knowledge and resources, but because they are unsure of the reaction of stakeholders.

Credibility and trust could be achieved by increasing transparency, by engaging external experts in the reporting process, and by interrogating stakeholders about their needs and opinions. Social labelling would be another way of breaking down mistrust.

One of the interviewees suggested 'best-practice sharing forums' to solve the general democratic deficit and civil society problems of the Hungarian economy.

'We can overcome this only if the economy, the government and civil society meet and share best practices and work out new practices together.' (Communications and PR executive, multinational company.)

Government will have to promote CSR by other means as well – providing tax breaks, supporting research and giving special CSR awards – especially if it wants to influence SMEs. It is now possible for a company to reduce the corporation tax it pays if it donates to registered charitable causes, and 1% of income tax can be offered to a Church or a foundation. Under Act LXXXI of 1996 (paragraph 7), donations reduce the base of corporation tax, not the tax itself: 100% of the donations can be deducted from pre-tax earnings, but only up to 20% of pre-tax earnings. The deduction is 150% in the case of prominent public-benefit organizations.

To promote CSR, there should be other tax incentives; for example, if a company employs disabled people. As penalties for unethical behaviour are not efficient enough in Hungary, the public disclosure of bad examples would also be helpful, though companies usually adduce their right to protection of reputation. As many of the NGOs we interviewed mentioned, a predictable legal environment would be half the battle.

Although – or rather because – there are many CSR awards in Hungary, a special CSR award should be introduced by the government. Assistance for civil organizations would be a significant step, too. It is important to offer Hungarian researchers the opportunity to take part in international efforts aimed at making CSR measurable.

A stronger environment for the promotion of CSR requires several interconnected activities and partnerships. Achieving results will necessitate a process of learning, dialogue and agreement on

incremental improvements, rather than just legal or legislative measures.

Education of the whole of society is the duty of government, the media and NGOs. As stakeholders are still not adequately aware, companies are insufficiently motivated to assume their responsibilities. It may be a legacy of socialism that civil society shows itself to be indifferent and distances itself from public actions, but in a democratic and capitalist system there is a need to raise social awareness. 'For CSR to become a mainstream business practice, the right knowledge and skills need to be developed among future entrepreneurs, business leaders, company managers and employees' (EC, 2006).

The effectiveness of civil society depends on financial resources, but also on civil dialogue, so best practice sharing forums and other opportunities to sway opinion should be more frequent in the future.

As we mentioned above, since the mid-90s certain multinational companies have been exemplary in the field of CSR; but 'good examples' should be taken not just from them, but from other countries that are further ahead with implementation of CSR. These examples could help the Hungarian process, though we should consider the different nature and characteristics of the distinct national and cultural contexts.

The realistic view of some of the NGOs and business leaders we interviewed was that CSR is still treated as a PR tool by large companies both in Hungary and in other countries. Sponsorship and other activities are quite common, but CSR is not an integral part of their business strategy. CSR has yet to become too fashionable to communicate without real commitment or long-term thinking. In most cases, communication of CSR activities is more important than the activities themselves – and this can be seen in the CSR budget as well.

Most of the NGO representatives we interviewed emphasized that because the CSR movement in Hungary was started by companies – not, as in Western countries, by consumers – the PR aspects of it seem to have undue significance. Typically, and with few exceptions, at CSR conferences, company delegates engage in PR and marketing work, rather than talking about real commitment or implementation. Therefore, conference lectures – as we mentioned earlier – are generally about the basics of CSR, with some examples; discourse that is more profound is a rarity.

For companies, it is very important to know that communicating their ethical stance could be dangerous if they do not take it seriously (Jeucken, 2001). To be ethical means to be accountable as well, because the stakeholders should scrutinize everything that is communicated about the company. Thus, a company that has distinguished itself by its ethical position should be capable of withstanding critical examination.

It is normally very difficult to decide whether a company chooses to be ethical because it is advantageous to be ethical (a question of image) or whether its ethical position stems from its main goals and its substance, and is unrelated to profit (a question of identity). Nevertheless, in the long term, hypocrisy will be visible, and the community will penalize the lie – as recent boycotts and scandals have shown.

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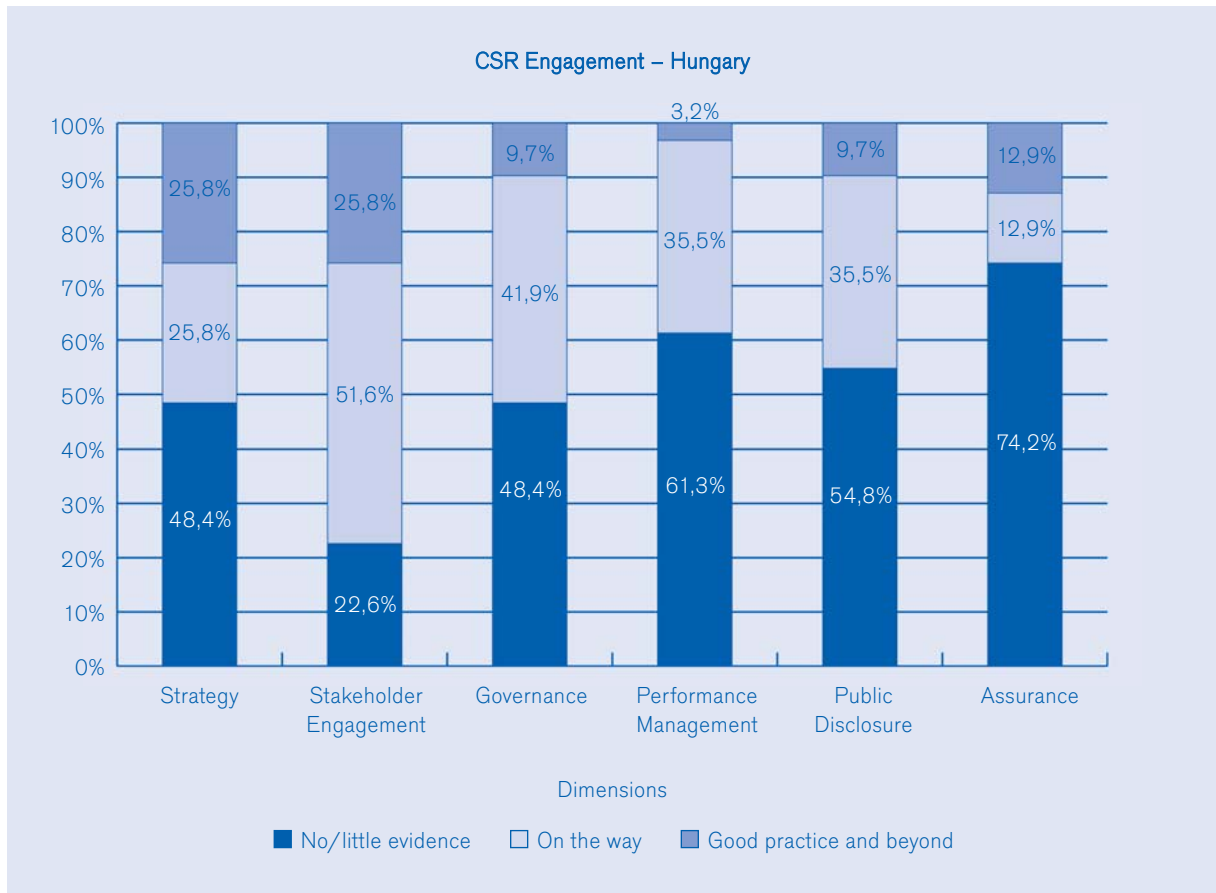
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7. ANNEXES

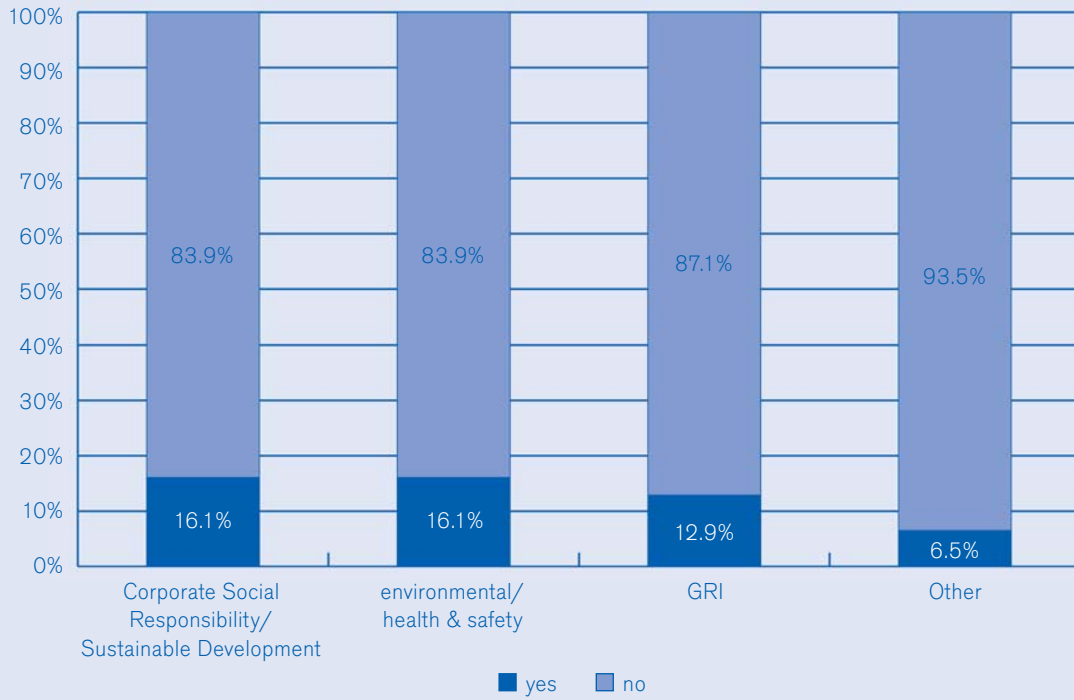
LIST OF INTERVIEWEES

- 1 Denso Hungary Manufacturing Ltd.
- 2 Magyar Telekom
- 3 Pannon GSM Telecommunications Ltd.
- 4 Vodafone Telecommunications Ltd.
- 5 Axa Hungary
- 6 Sodexo Hungary Ltd.
- 7 Shinwa Hungary Precision Ltd.
- 8 Nestlé Hungary
- 9 Hungarian Post Co.
- 10 Ibusz Tourist Office Ltd.
- 11 HM Budapest Forestry Co.
- 12 Chinoin Medicine and Chemical
- 13 Badacsonyi & Király Consultancy Ltd.
- 14 Bácsai Agricultural Co.
- 15 Dalerd Délalföldi Forestry Co.
- 16 Vadex Mezőföldi Forestry Co.
- 17 Mecseki Forestry Co.
- 18 Nagyfa Alföld Agricultural Ltd.
- 19 Kisalföldi Forestry Ltd.
- 20 Pest Megyei Állami Közútkezelő Co.
- 21 Főkefe Rehabilitation Employment Industrial Ltd.
- 22 E.On Hungary
- 23 VÁTI Hungarian Nonprofit Company for Regional Deveelopment and Urban Planning
- 24 GE Hungary Co.
- 25 Danone Ltd.
- 26 Hungarian Power Companies
- 27 Merkantil Bank Co.
- 28 Dráva Pebble and Concrete Ltd.
- 29 EVM Householdchemicals and Cosmetics
- 30 Kürt Zrt
- 31 Dreher Breweries Ltd.
- 32 Díjbeszedő (Rent collector) Co.
- 33 Central Laundries Plc.
- 34 Shell Hungary Zrt.
- 35 Lombard Financial nad Leasing Co.
- 36 PEMÜ Plastic Co.
- 37 Huntsman Co. Hungary Ltd.
- 38 Klorid Chemical and Plastic Co.
- 39 Balatonföldvár és Vidéke Saving Cooperative
- 40 Jász Saving Cooperative
- 41 CEU Business School
- 42 Demos Hungary Foundation
- 43 Municipality of Budapest
- 44 House of Opportunities Budapest
- 45 Ministry of Economy and Trnasport
- 46 Joint Venture Association
- 47 Követ-INEM Hungary
- 48 Kurt Lewin Foundation
- 49 Ministry of Environment and Water
- 50 Clean Air Action Group
- 51 Association of Hungarian Trade Unions
- 52 Origo-www.uzletietika.hu
- 53 Prime Hungary
- 54 Association of Conscious Consumers
- 55 Védegylet

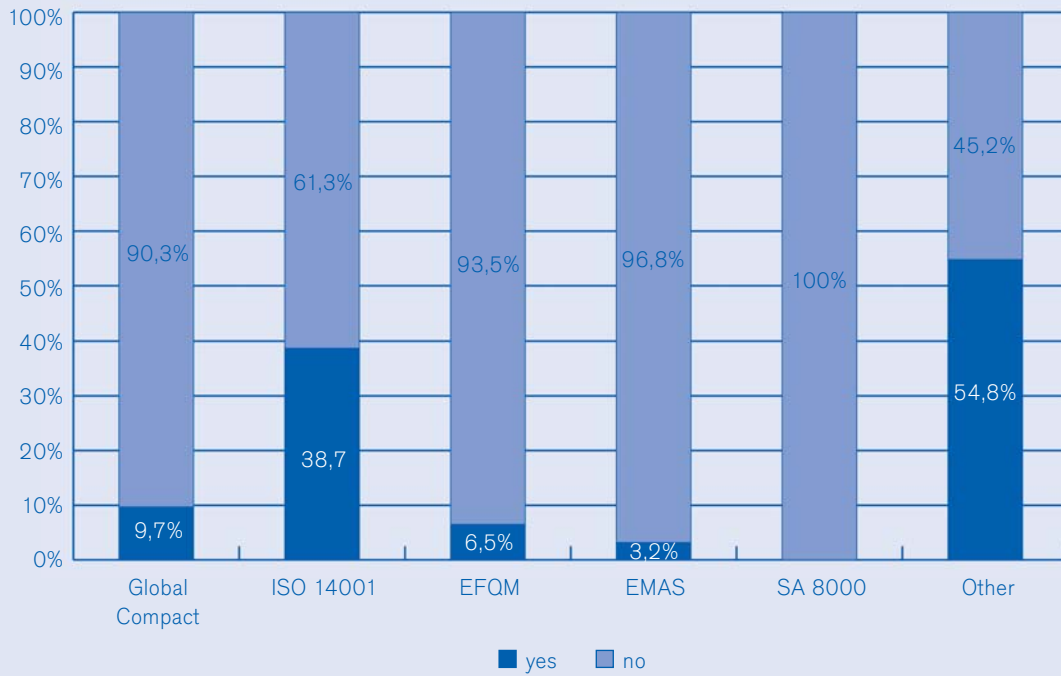
STATISTICS FROM INTERVIEWS



Reporting – Hungary



Initiatives – Hungary



A SELECTED LIST OF CSR CONFERENCES WHICH TOOK PLACE IN HUNGARY IN LAST TWO YEARS

18 April Education for future – Conference and Forum; Dr. Gergely Tóth, *Követ-INEM Hungary*, Sándor Kerekes, *Corvinus University of Budapest*, David Cook, *The Natural Step International*; Követ-INEM Hungary

21 March 2007 CR Wednesday – the mutual language, Good action = good business? Strategy, network, evaluation; Dr. Ádám Angyal, *Corvinus University of Budapest*, Kata Balatonyi, *British American Tobacco*, István Havas, *Ernst & Young*; C(S)R Hungary; British American Tobacco

23 January 2007, Whose Business? Flower in the Hair – or Innovative Social Investment?; Philippe Kalfayan, *FIDH*, Kennedy Oates, *General Electric Energy Division*; United Way Hungary

14-16 November 2006, CSR-publicity, partnership - Conference and workshop; Borbála Czákó, *HBLF*, László Radácsi, *Hungarian Academy of Sciences*, Gergely Tóth, *Követ-INEM Hungary*; Institute for International Research; HBLF

26 October 2006, Responsibility of Success – CSR Hungary 2006; Katalin Ertsey, *Pannon*, Gergely Mikola, *British Chamber of Commerce*, Pierre Echard,

CSR Europe, Martin Antony Blake, *British Royal Post*; C(S)R Hungary, Business Class; MOL

19 October 2006, Competitiveness and Responsibility; György Erdey, *Ministry of Environment and Water*, László Vagdalt, *Audi*; Követ-INEM Hungary; Dunapack, Magyar Posta

19 October 2006, CSR Hungary Conference and Marketplace; Róbert Braun, *Braun & Partners*, János Kóka, *Minister, Ministry of Economy and Transport*, John Nicols, *Ambassador of the UK*, György Mosonyi, *MOL*; Braun & Parters, Napi Gazdaság; Coca-Cola, Deloitte, Dreher Sörgyárak

12 September 2006, AmCham - CEU Academy - Corporate Social Responsibility; Peter Hardi, *International Institute for Sustainable Development, Canada*, Head of Centre for Social Foundation of Business, CEU Business School; AmCham

13 June 2006, Enterprising for Others?; Róbert Braun, *Braun & Partners*, Sándor Kerekes, *Corvinus University of Budapest*; KÖVET-INEM Hungary

26 May 2006, More than Business; Stephen Bevan, *The Work Foundation London*, Kinga Göncz, *Minister, Ministry of Family, Social Issues and Equal Opportunity*, Ágnes Simonyi, *Ministry of Employment and Labour*, Stéphane Ouaki, *Commission of the EU*; DEMOS Hungary, PRIME Europe

25 May 2006, CSR and Media, Molnár Péter Péter, *CEU*, Emese Danks, *Tesco*, Dr. Márta Bencsik, *National Television and Radio Commission*, Róbert Kotroczó, *RTL Klub*, Róbert Braun, *Braun & Partners*; Pannon

9 May 2006, Extraordinary Seminar and Coctail: CSR & Social Accountability; György Laczkó, *DNV Magyarország Kft*, Róbert Braun,

Braun & Partners; DNV Magyarország Kft, AmCham

28-29 April and 9-10 June 2006, NGOs and companies; Bjarne Pedersen, *Consumers International*, András Lukács, *Clean Air Action Group*, Mandy Fertetics, *KÖVET-INEM Hungary*, Association of Conscious Consumers

13 April 2006, Companies for Sustainable World Conference and Dialogue; István Fodor, *Ericsson Hungary*, Attila Meskó, *Hungarian Academy of Sciences*; Piac és Profit; Pannon

9 March 2006, William Benko, *United Way Hungary*; Habitat for Humanity Hungary; ING Bank

29-30 November 2005, Corporate Governance – CSR; Zsuzsa Beke, *Richter Gedeon Rt*, Borbála Czakó, *HBLF*, László Zsolnai, *Corvinus University of Budapest*; Institute for International Research; HBLF

11 November 2005, Sustainable Development and Human Rights; Dr. József Petrétei, *Minister, Ministry of Justice*, Dr. Ferenc Kondorosi, *Ministry of Justice*; Ministry of Justice

18-19 August 2005, Responsible Way for the Future, International CSR Conference in Budapest; Ryan Bowd, *Leeds Metropolitan University*, Stephen Timms, *former CSR-minister of the UK*; PRIME and Hungarian Spokesperson Association

1-2 June 2005, The Responsible Business Summit 2005; Ethical Corporation

A SELECTED LIST OF PUBLICATIONS ON CSR IN HUNGARIAN

BODA, ZS. – RADÁCSI, L. [1996]: *Vállalati Etika (Corporate Ethics)*. BKE Vezetőképző Intézet, Budapest

BODA, ZS. [2004]: "A nemzetközi kapcsolatok etikája" (Ethics of international relations) in Fekete L. (ed.): *Kortárs etika (Nemzeti Tankönyvkiadó, Budapest, 2004)*, pp. 98-126

DEÁK, K. – GYŐRI, G. – BÁRON, P. – ÁGOSTON, L. [2006]: *Több, mint üzlet: vállalati társadalmi felelősségvállalás (More than Business – Corporate Social Responsibility)*. Demos Hungary Foundation, Budapest

FEKETE, L. [2005]: Hungary - 'Social Welfare Lagging Behind Economic Growth', in *Corporate Social Responsibility Across Europe*, HABISCH, A. ET AL. (Eds.), Springer, Berlin, 2005, pp. 141-149

GULYÁS, E. [2004]: *A jó, a szép és a csúf: a felelős vállalatokról (The good, the nice and the ugly: about responsible companies)* Available on World Wide Web: www.tudatosvasarlo.hu/cikkek/264

KUN, A. [2004]: *A vállalati szociális elkötelezettség tematizálásának alapvonalai az Európai Unióban (The Outlines of Schematisation of Corporate Social Involvement in the EU)* *Jogelméleti Szemle*, 2004/1

LIGETI, GY. [2007]: CSR – Vállalati felelősségvállalás (Corporate Social Responsibility). Kurt Lewin Alapítvány, Budapest

M&H COMMUNICATIONS INTELLIGENCE UNIT [2006]: CSR, a magyar beteg (CSR, the Hungarian Sick), Available on World Wide Web:

http://www.ortt.hu/elemzesek/21/1164814291_a_magyar_beteg_20061109.pdf

MINISTRY OF EMPLOYMENT AND LABOUR [2005]: Informant on Companies' Social Responsibility, Available on World Wide Web:

<http://www.hrportal.hu/index.phtml?page=article&id=38026>

RADÁCSI, L. [2005]: Felelősség vagy marketing? (Responsibility or Marketing?), Available on World Wide Web:

<http://www.uzletietika.hu/cikk.php?article=16>

ZSOLNAI, L. [2000]: A döntéshozatal etikája (Ethics of decision making). Kossuth Kiadó, Budapest

ZSOLNAI, L. (ed.) [2002]: Ethics in the Economy, Handbook of Business Ethics. Peter Lang Publishers, Oxford, Bern & Berlin

ZSOLNAI, L. (ed.) [2005]: Vállalkozások társadalmi felelőssége az Európai Unióban és Magyarországon (Corporate Social Responsibility in the European Union and in Hungary), Hungarian Chamber of Commerce and Industry, Budapest, 2005.

Brochures, quarterlies:

- Breath (Lélegzet) – by Clean Air Action Group
- Conscious Consumer (Tudatos Vásárló) – by the Association of Conscious Consumers
- Brochures, booklets, books and case study issues of KÖVET – by KÖVET
- Greenfo Info newsletter – by Greenfo
- CSR newsletter – by Braun & Partners

Websites:

www.eselyegyenloseg.hu : Ministry of Social Affairs and Labour

www.uzletietika.hu : Origo

csr.lap.hu : Startlap

www.szochalo.hu : Kurt Lewin Foundation

www.piacprofit.hu : Felelős vállalatok (Responsible companies) : Piac&Profit

<http://www.primehungary.hu> : PRIME

www.vg.hu : Világgazdaság

www.fn.hu : Figyelő

www.nol.hu : Népszabadság

www.napigazdasag.hu : Napi Gazdaság

www.bconline.hu : Business Class

www.greenfo.hu : Greenfo

www.csrhirlevel.hu : Braun & Partners

www.csrhungary.eu : Business Class

www.gazdasagiradio.hu : Gazdasági Rádió

www.hblf.org : HBLF

www.kovet.hu : KÖVET

www.bcsdh.hu : BCSDH

www.levego.hu : CAAG

www.tve.hu : Association of Conscious Consumers

www.tudatosvasarlo.hu : Association of Conscious Consumers

www.demos.hu : DEMOS Hungary

