



Environmental responsibility in focus



bcsdh

Magyarországi Üzleti Tanács a Fenntartható Fejlődésért
Business Council for Sustainable Development in Hungary

10 év
Vállalatok a
fenntartható
jövőért

BCSDH Survey 2017

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About the BCSDH

The Business Council for Sustainable Development in Hungary (BCSDH) is the national partner organization of the World Business Council for Sustainable Development (WBCSD). The Swiss-based WBCSD, founded in 1992, is today a CEO-led business organization that works with more than 200 corporations in over 70 countries across the world and deals exclusively with business and sustainable development.

BCSDH was founded in 2007 and currently has 80 corporate members. The organisation is a community of forward-thinking business leaders of companies which contribute approximately 30% of Hungary's GDP. The BCSDH's aim is to mobilise the business sector to create an economically, socially and environmentally sustainable future, for which we seek to identify constructive business solutions, and to encourage collaborative action.

MORE INFORMATION: www.bcsdh.hu

About the Report and Research

Our aim with this survey (which has been carried out every year since 2013) is to obtain a picture of the trends, current state and future prospects of corporate sustainability among company signatories of BCSDH's recommendations, entitled 'The Complex Interpretation of Corporate Sustainability.'

We have paid particular attention to analysing the environmental responsibility of corporations in 2017. In addition to representing the opinions of respondents to our own survey, in the following we also occasionally cite international surveys.

59 of the 104 signatories of the recommendation (57%) participated in the survey in 2017. Data were collected using electronically distributed, structured questionnaires throughout the spring of 2017.

The survey is not representative, although the results represent the opinions of companies in Hungary who are determining corporate sustainability and openly proving their commitment through their engagement in real sustainability-related activity.

MORE INFORMATION: www.bcsdh.hu/topics/recommendation-for-business-leaders

LIST OF RESPONDENTS



The Complex Interpretation of Corporate Sustainability

1 STRATEGIC APPROACH

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

RESPONSIBLE MANAGEMENT

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

ETHICAL OPERATIONS

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

RESPECT FOR HUMAN VALUES

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

5 ENVIRONMENTAL RESPONSIBILITY

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

6 PARTNERSHIP WITH STAKEHOLDERS

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

7 TRANSPARENT OPERATIONS

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

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

Corporations Advance the Cause of Sustainability

Our organisation, the Business Council for Sustainable Development in Hungary (BCSDH), was founded 10 years ago. The period since then has coincided with the culmination of corporate sustainability in Hungary. We thank our member corporations and partners for their tenacious and successful cooperation. Further tenacity is going to be needed, since we are now living in the most eventful period so far in the history of sustainability.

While the historical Paris Climate Accord in 2015 filled the world with hope, the fact that the United States of America pulled out recently created uncertainty, and this is reflected in the results of this year's survey conducted among company leaders.

It is already quite clear that this turnaround by one of the most powerful countries in the world cannot put a stop to climate-related cooperation. This fact is also proven by the stand taken by our parent organisation, the WBCSD, which articulated its commitment to continuing its work - which we also support. High-level leaders of the largest American corporations have also reiterated their support for climate-related action, giving hope that sustainability issues will remain on the top of their list of priorities regarding their operations.

Although our survey indicates that progress with corporate sustainability in Hungary still lags behind global trends, more and more domestic company leaders are reporting that they value environmental responsibility and are preparing for the emergence of a carbon-neutral economy - one of the significant elements in a corporate sustainability strategy.

The adoption of climate-related BCSDH recommendations from 2016 is clearly identifiable in the 2017 survey.

A considerable number of corporations have environmental management systems and are striving to reduce their emission of greenhouse gases, which is critical for climate protection. To reduce their carbon footprints, increasing numbers of companies have defined objectives, targets and programs, and are even measuring their results.

This also offers hope that more leaders of domestic companies are realising that the responsible use of natural resources and the creation of goals and measures related to this goal are similarly important.

I believe that Hungary will catch up with global trends in this field too. Not least because, in many fields, significant cost reductions can be achieved using these measures in the short-term.



The increasing openness of domestic corporations towards using renewable energy sources and technologies is joyous news. It is debatable whether the pace of adaptation is fast enough yet, but uptake is expected to increase in speed.

I consider environmental responsibility to be a basic value, and it is great to see and feel that this commitment is shared by members of BCSDH. To achieve real change, cooperation is needed. Working together with partners and participants through our value chains will definitely bring results – the move towards sustainable development is unstoppable.

We wish our members many fruitful, effective, and sustainable years to come!

A handwritten signature in dark blue ink, appearing to read 'Chikán'.

Attila Chikán Jr.
President, BCSDH

More uncertainty about sustainability trends in 2017

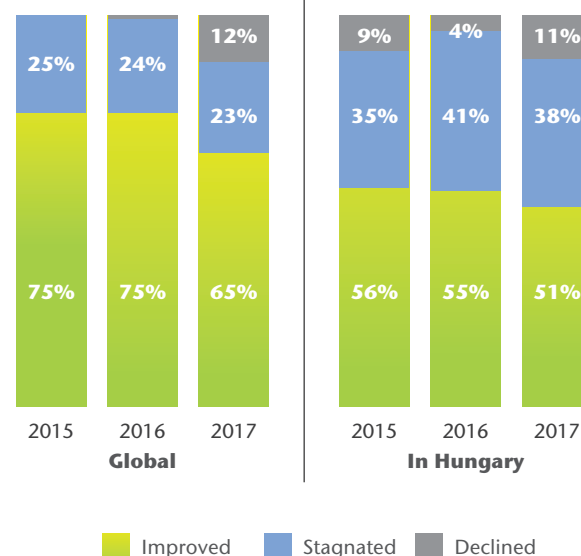
While 2016 reflected attitudes of euphoria after the signing of the Paris Climate Accord - as reflected in our survey from that year - in 2017, especially after the presidential election in the United States of America, this optimistic picture became more nuanced. The timing of the survey partially coincided with the US president's announcement that the USA would pull out of the Paris Climate Accord.

Although the total number of respondents who perceived an improvement in the situation with sustainability was still higher in 2017, the proportion of those who are pessimistic about the current situation also rose significantly.

The proportion of company leaders who sense a tendency towards improvement decreased, which is partly explained by the fact that sustainability has already reached a level of acceptance above which it is more difficult to make progress. Corporate actors are awaiting further measures which will enable them to continue developing companies in the direction of sustainability.

Comparison of the global and domestic situation conspicuously shows that at the international level, year on year, improvements are more significant than they are in Hungary. **Respondents thus perceive some lag with corporate sustainability at the domestic level, although Hungarian trends generally match global processes.**

GLOBAL AND DOMESTIC PERCEPTION OF SUSTAINABILITY



” Though 2016 served great and unpleasant surprises in global policy, according to our experiences companies still have continued and further strengthened their activities on sustainability issues. More and more business solutions come to light. In this field, consumers and customers are putting pressure on good brands, so we can rather see a slow, but constant development, than stagnation.

János Salamon, CEO, MagNet Hungarian Community Bank

COMPANIES ARE NO LONGER IDENTIFYING SUSTAINABILITY ONLY WITH ENVIRONMENTAL PROTECTION

taking a strategic approach and partnering are of equal importance



“ Sustainable development is an inevitable factor, and a strategic issue for companies, regardless of company size and business activities. Our researches are supporting the fact, that the more advanced the hotel in sustainability, the better its business results, and customers are more satisfied and more loyal to the company.

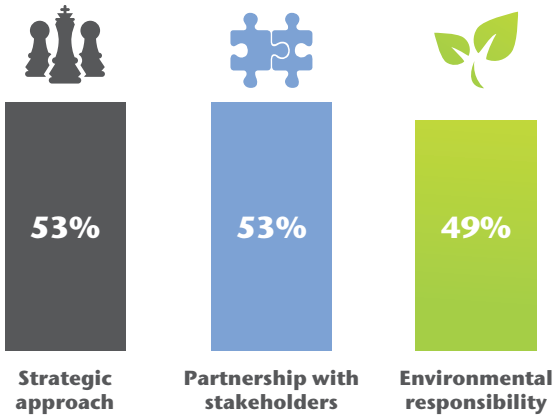
Zoltán Király,
Commercial Director,
Accor Pannonia Hotels



“ Through the Paris agreement, the world community strongly committed itself to keep the global warming below 2 °C. We would like to contribute to the goal by becoming a climate-friendly company. The purpose of Henkel is to triple the generated value as compared of the carbon footprint of its operations, products and services, so to become three times more effective.

Dr. Ágnes Fábrián,
CEO, Henkel Hungary

FOCAL AREAS OF COMPANIES IN 2017



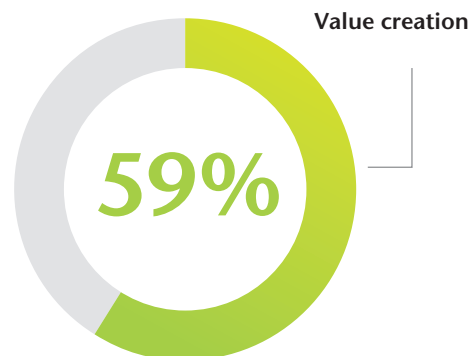
Increasing domestic and international expectations related to climate change have continued to make taking a strategic approach and environmental responsibility the focus of attention of companies, although **this is the first time since 2014 that these goals are reported to be of the same importance as partnering with parties who are interested and concerned about these issues.** This indicates that companies presume that the expectations of these groups will have a great effect on their future decisions regarding sustainability.

Value Creation: the Focus of Corporate Sustainability Strategies

It is clearly visible that company leaders associate sustainable development with value creation. This is a reason for celebration because it means that the aim of corporate responsibility is not only to increase monetary value but also to generate value in terms of societal and environmental goods.

However, companies were much more practical in their responses to the question ‘what factors will influence your sustainability-related initiatives?’ Changes in consumer demand, regulatory changes, the expectations of interested actors, and energy prices were all emphasized. This suggests that companies’ everyday decisions are significantly influenced by external and internal drivers, as well as by more ‘noble’ reasons.

According to a piece of research by E&Y conducted among the leaders of global companies, changes in energy prices, consumer trends, and brand risks are the factors which most impact company decisions. This finding accords with the Hungarian experience.



**59 % OF RESPONDENTS THOUGHT THAT
THE GOAL OF THE CORPORATE SUSTAINABILITY
STRATEGY IS TO ADD VALUE**



” *A trend initiated at international level, which states that sustainable business behavior is an example to be followed, in fact, value as well. The challenging environment requires new solutions and approach, which are fulfilled by more and more large companies. They manage sustainability as a priority.*

Mihály Erdős, Chairman and CEO, Generali



” *Companies are increasingly emphasizing sustainable development in their business decisions. For example, ING has extended its voluntary ban of financing shale gas production, does not finance fossil fuel production, has issued the first major green bond. Full carbon neutrality has been achieved in our operation, and we are supporting sustainable transitions of our clients.*

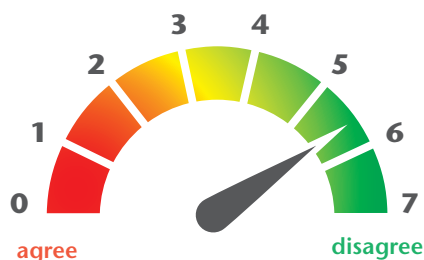
Tibor Bodor, CEO, ING Bank N.V. Hungarian Branch

Environmental responsibility is one of the pillars of sustainable corporate operations

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

BCSDH – The Complex Interpretation of Corporate Sustainability

Environmental responsibility is one of the most up-to-date question when it's about a company's long-term sustainability.



According to 81% of respondents, environmental responsibility is one of the most important and most practical areas in which the long-term sustainability of corporations can be demonstrated. No companies are unaffected, either directly or indirectly, by climate change. Companies and company leaders have a huge role to play in fostering the shift towards low-carbon economies.



” By the environmental aspect of sustainability, the role of carbon footprint reduction is increasingly getting in focus. Folprint helps companies achieve these goals. It is both an environmental mission and a well-functioning business model.

Dr. Tímea Szabó,
CEO, Folprint Green Press

BCSDH's recommendations for Business on Climate Change:

1. Analyse local risks and opportunities associated with climate change and create related action plans
2. Introduce carbon footprint measurement, analyse results and action planning on an ongoing basis, regarding the effective decrease of carbon emissions
3. Identify and create action plans for energy use and/or CO₂ emissions related to the processes of consumption and the use of products and services by shaping attitude and behaviour of consumers and costumers
4. Raising awareness among employees

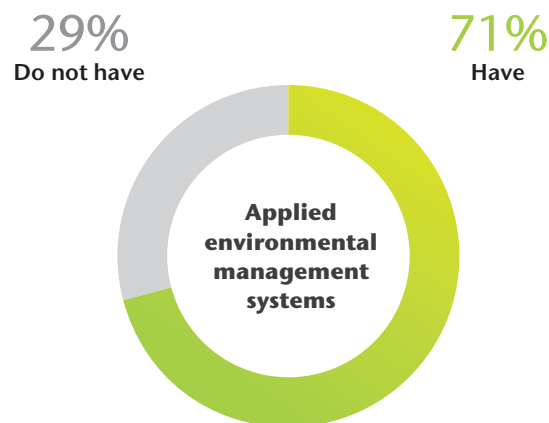
What do companies do at a strategic level?

Strategic commitment to environmental responsibility is present in several areas. The first area of note is the existence of environmental management systems.

71% of respondents operate an environmental management system. This finding, however, requires further explanation. 70% of companies which do not have an environmental management system (29% of all respondents) are not manufacturers, but are engaged in office activities, so the implementation of such systems is less relevant to them.

The most widespread standard is ISO 14001, which is used to certify companies which are **striving to reduce their environmental impact**.

One third of all respondents operate an ISO 50001 energy management system which drives energy efficiency through the permanent development of energy performance. The current extent of this management system is in line with the amendments of Act CXXXVIII of 2016, as well as other regulations about climate policy and the development of a green economy. Accordingly, this has encouraged companies to implement ISO 50001 to replace energy audits and improve energy efficiency.



**FROM ALL COMPANIES, 8%,
MAINLY MULTINATIONALS, OPERATE THEIR OWN
ENVIRONMENTAL MANAGEMENT SYSTEMS.**



” METRO Cash & Carry aims to reduce its specific greenhouse gas emissions by 55 per cent by 2030 compared to 2011. In this effort, the company is focusing on emissions which occur due to the use of energy, refrigerants and paper, and emissions relating to in-house logistics and business travel. In Hungary long-life light bulbs changed to move sensor lights and led lights in stores and HO, changed air-conditions in HO and store to R410A gas to stop R22. Sliding door in meat room, window for F&V, glass covers for cooling furniture, speed gates between sales and goods receiving area support the energy saving commitment.

Imre Horváth, CEO, METRO Cash & Carry

FOUR-FIFTHS OF ALL COMPANIES ALREADY HAVE OR ARE PRESENTLY DEVELOPING A CARBON REDUCTION STRATEGY

Paragraph 2 of the recommendation drafted by BCSDH in 2016 suggests that companies start calculating their carbon footprints, regularly analyse the results, and develop action plans to effectively reduce carbon dioxide emissions.

The magnitude of the efforts that are being taken to reduce carbon footprints clearly describes company environmental awareness and commitment to sustainable development.

63% of all companies already have a strategy in place to reduce their carbon footprints, while 18% are not planning to implement one in future.

In response to another question, 93% of corporate leaders claimed that it was important to properly measure and report carbon emissions.

18%

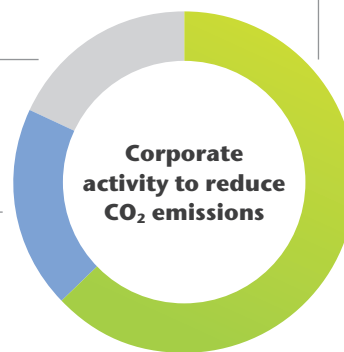
The organization is unlikely to have a carbon-reduction strategy in the near future

63%

We have a strategy to reduce our company's carbon footprint

19%

A carbon-reduction strategy is in process of being developed



“ A company's process of carbon footprint calculation can be continuously refined, extended or customized. By introducing carbon footprint, a company can not only reduce its CO₂ emissions, but also can reduce certain costs. The best single indicator is the improvement of the company's own performance.

Gréta Nagy, CEO, DANDELION Environmental Consulting and Services



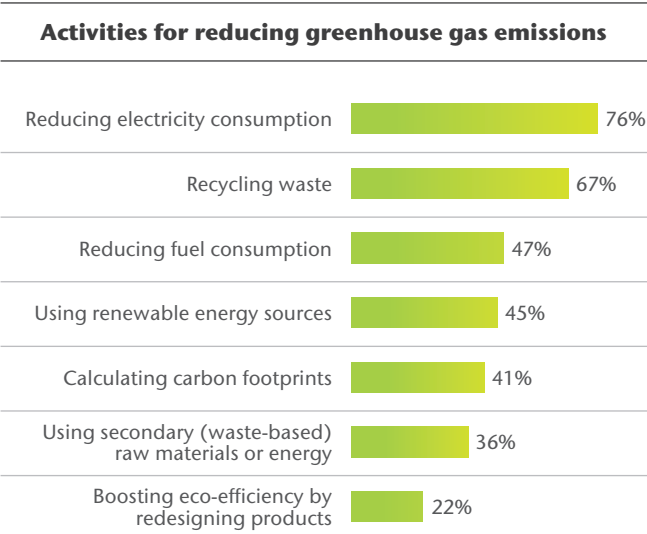
“ Budapest Airport takes both the direct and indirect carbon-dioxide emissions into account to reduce its carbon-dioxide emission. Its ultimate goal is to achieve carbon neutrality and the company currently implements a complex program focusing on prevention, and effective operation. Within the scope of the Greenairport program, in partnership with the companies operating at the airport we are reducing our CO₂ emissions related to the operation of the airport and maintenance of the infrastructure.

Jost Lammers, CEO, Budapest Airport

IN ADDITION TO EFFICIENCY GAINS AND RECYCLING, USING RENEWABLE ENERGY RESOURCES IS VIEWED AS A PRIORITY

Examination of the methods used to reduce carbon footprints shows that **reducing the use of electricity** and recycling waste are ranked in first place, followed by efforts to decrease fuel consumption.

These are the means by which (considering existing processes) cost reductions can be made, along with simultaneous reductions in environmental impact. This provides evidence for the claim that reducing carbon footprints can directly generate gains for businesses.



According to respondents, carbon emission reduction activities and processes are mostly influenced by company management, stakeholders and consumers. This finding is in line with the results of previous BCSDH surveys which have repeatedly affirmed that senior management commitment is crucial to promoting company sustainability.



“Sustainability is an increasingly holistic concept, not only for large companies, taking the challenge far beyond its initial environmental focus.

Siemens, with the help of innovative technologies and digitalization, can enable its customers to achieve environmental-friendly and efficient operations.

Dale A. Martin, President & CEO, Siemens



“A well-executed energy audit is not only an obligation for large companies, but also helps them to find cost-effective energy utilization opportunities. In Hungary, thanks to the implemented efficiency projects, the annual CO₂ reduction for their customers reached 15,000 t / year.

Gábor Bercsi, CEO, Cothec Energetic Operator

DEFINING TARGET VALUES – A KEY ISSUE

60% of respondents think that the challenge of obtaining a sufficient amount of energy will increase in the future, and they are also worried about the adverse consequences of extreme weather. Reducing emissions and the use of resources is becoming increasingly important. However, to achieve these goals, well-defined targets are required.

It is obvious from the data that respondent companies have made the most determined efforts to define target values in connection with **greenhouse gas emissions**. Nearly twice as many companies have published target values for this area than in the case of waste management or alternative energy.

An international survey by E&Y highlighted the fact that there are only a few companies globally that are not planning to define target values at all, while this figure is 25% in Hungary.

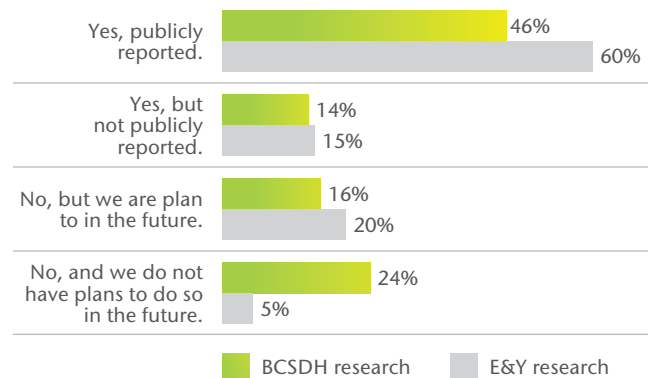
We still have a long way to go!



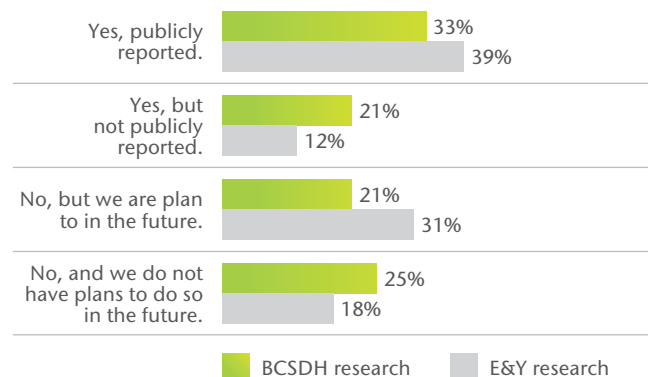
” Worldwide, water is becoming an increasingly scarce resource. The sustainable use of water and worldwide conservation of natural water resources are therefore of concern to us. We reduce emissions to water from our production processes, and offer products that save water and improve water quality.

Dr. Thomas Narbeshuber,
CEO, BASF Hungary

Does your company have a GHG emission reduction goal?



Does your company have a water reduction goal?



ORGANIZATIONS ARE OPEN TO USING ALTERNATIVE ENERGY

Nearly half of all respondents stated that they are willing to change to using alternative energy in the future, and they have already taken steps to achieve this goal.

A further 32% responded that they already use alternative energy. This means that almost all large enterprises are undergoing a process of changing to using alternative energies. It is important to point out, however, that the uptake of alternative energy and the improvement of its composition depend very much on regulators.

TREMENDOUS POTENTIAL FOR IMPROVEMENT WITH SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Environmental responsibility includes involving suppliers in companies' sustainability initiatives. The majority of respondents consider this to be important, 29% are on track to doing this, and nearly 21% have already cooperated with suppliers in this regard. A significant 38% of respondent enterprises consider this important, but have not addressed the issue yet.

The Involvement of Suppliers to Sustainability Initiatives

We do not cooperate directly but consider it important.

38%  15%

We have started to discuss our sustainability initiatives with our Suppliers.

29%  58%

We cooperate with our Suppliers directly, and measure our sustainability performance.

21%  25%

We do not care about the sustainability of our Suppliers.

3% 

 E&Y research  BCSDH research

Examination of international data shows that Hungary still lags behind significantly in this regard. Even though the importance of the issue is being recognised, action is only now being taken.



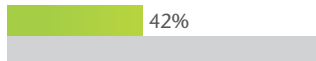
Ágnes Horváth,
CEO, McDonald's
Hungary

“ McDonald's's business strategy is based on value-creating, responsible and transparent operations. Our sustainability efforts are therefore based on long-term partnerships built on trust and values, close professional collaboration and knowledge sharing. Not only is our company committed to it, but it is also increasingly important for our guests and staff, that we use our brand awareness and the scale of our system to promote positive changes, to promote sustainable business solutions and practices.

The way companies handle cases of sustainability noncompliance gives a clear indication of the quality of supplier involvement. A vast majority of national enterprises use standard rating systems and audits, and they also inform their suppliers of the results of these.

The Consequences of a Code of Conduct Violation

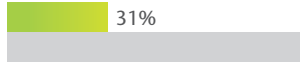
We collaborate with the supplier to conduct a root-cause analysis and form a corrective plan.

42%  97%

In certain cases, our company terminates contracts with suppliers for violations.

39%  48%

We systematically follow up to ensure corrective action plans are completed.

31%  91%

We review our own company's role in a violation as part of our continuous improvement program.

27%  61%

We share best practices with suppliers on implementing corrective plans.

15%  70%

 BCSDH research  Stanford research

Almost half of all respondents stated that, in the case of non-compliance, they try to correct the situation through cooperating with suppliers and by revealing any problems which have emerged. 39% of respondents even terminate contracts with suppliers in the case of noncompliance events.

The business opportunity in creating sustainable supply chains is not so obvious. According to BCSDH's survey, one of the most common obstacles beneath the slow return on investments is the high costs of maintenance and the lack of knowledge. To overcome the latter barrier in a domestic level, the extension of EU and public funding would be very helpful.

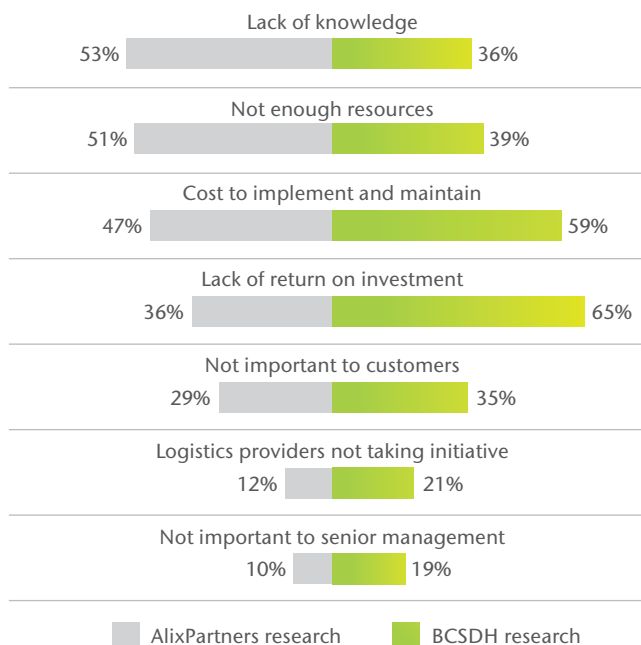
By comparing these findings against a piece of research conducted by AlixPartners it is apparent that the lack of knowledge is a far bigger problem than the lack of return on investment. In Hungary, knowledge sharing and the dissemination of successful business solutions could be an important driver.



” *In my opinion, besides our own efforts we need to work together with others as well, if we want to achieve a radical change – a change that transforms the systems and results not only in incremental improvement.*

Regina Kuzmina,
Managing Director, Unilever Hungary

Obstacles to Making Supply Chains More Sustainable



ENVIRONMENTAL RESPONSIBILITY AND SUSTAINABILITY ARE BECOMING MORE IMPORTANT IN THE LIVES OF ENTERPRISES

Environmental responsibility is a key to long-term corporate sustainability. Climate change affects every enterprise directly or indirectly. In the transition to a low-carbon economy, the business sector has a determining role in terms of using resources sensibly and in an environmentally sound way. Responsible companies have recognized this fact, and the number of them which are incorporating this approach into their strategies and are taking concrete action to reduce harmful emissions – and extending this approach to their suppliers - is increasing. BCSDH suggests that every company which operates in Hungary and every decision maker in business make use of the opportunity of responsible resource management, and of the business opportunities and economic advantages of reducing their carbon footprint.

IMPRESS AND CONTACT

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KARBONSEMLEGESEN NYOMTATVA

