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REPORT ON A SURVEY OF CORPORATE SOCIAL RESPONSIBILITY OF THE LARGEST LISTED COMPANIES IN HUNGARY

FINAL REPORT

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I. Foreword

We have conducted a survey of the availability of Corporate Social Responsibility (CSR) information at 27 Hungarian companies listed on the Budapest Stock Exchange using a standardised questionnaire form. Information from companies receiving most of the investor attention has been gathered both through personal interviews and by reviewing annual reports and web sites of the corporations. For the rest of the companies annual reports and web sites have served as the main source of information. The results of the survey have been analysed and summarized in this report.

The aim of this project was to contribute to increased awareness and practical application of CSR principles among Hungarian listed companies, investors and regulators. Application of these principles and differentiation among companies based on these principles might enhance not only the financial stability of Hungary, but also the state of the environment and in more general, the quality of life of citizens.

II. The notion of socially responsible investments

The theory of a wider responsibility

"Traditionally, environmental management has been seen as imposing a cost on a company and a "green penalty" on investors, with no corresponding benefit being conferred. The opposing view holds that environmental performance is compatible with, and perhaps central to, competitiveness and superior financial performance. There is strong evidence that improved environmental behaviour has a significant impact on shareholder value." (Labatt and White, 2002)

Not only environmental, but also various social questions are involved into responsibility studies, such as animal testing, activities in countries with poor human rights records, production of goods for military purposes, involvement in pornography business, exploitation of the Third World, disclosure of information and human resources policy. The set of these topics normally reflects the actual choice of positive values of a given society.

The social responsibility of companies is a new idea which is a possible answer to problems of globalisation, the growing power of multinational companies (some companies have a higher annual income than the whole GDP of many sovereign countries) and, in wider terms, the growing power of the business sector over governments and national political institutions which were the traditional actors in the field of social responsibility. We think that CSR is an appropriate tool to balance the powers and responsibilities of the business sector as a whole in any given society.

Moreover, the use of CSR in the management process seems to lead to enhanced performance of the companies. “Company executives are seeing their sustainability initiatives translate into higher shareholder value and more robust long-term economic health for their companies. More executives are beginning to understand the setting an environmental sustainability goal. With such a goal in place, managers are given the incentive to find wasted energy and save it, thus reducing emissions and moving towards environmental sustainability – while saving on energy costs in the process. Visionary executives and creative, hard-working staff members are finding that environmentalism and profits can go hand-in-hand.” (Sandor, 2003)

The factors of CSR also govern the investment (mutual) funds in the process of creating their investment policy and securities portfolio. “Socially responsible weighting criteria used by analysts recognise the fact that some sectors are deemed to be problematic in specific areas of environmental and social activity. Companies in such sectors are weighted accordingly in their overall scores before stock selection is made for investment funds.” (Labatt and White, 2002)

The importance of socially responsible investment

A growing number of investors have begun to pay attention to socially responsible investment (SRI) recently. This change in attitude is stimulated not only by ethical considerations and corporate governance scandals, such as the cases of Enron, Worldcom and Arthur Andersen, but also by expectations of outperformance compared to portfolios which are not concerned about corporate social responsibility and sustainability. The Wall Street Journal, for instance, reported in its August 9, 2002 issue that socially responsible funds had outperformed US diversified stock funds in all four examined periods of 7 months (year to date), 1 year, 3 years and 5 years. While in other sources there is also evidence for slight underperformance (e.g. the September 2002 issue of the Environmental Finance Magazine reports that the Dow Jones Global Index outperformed the Dow Jones Sustainability World Index, in the first 8 months of 2002), investment activity into SRI funds is growing, while investment in traditional equity funds have stalled, and temporarily even decreased in 2002.

Besides growing investments into sustainable funds, and a growing number of related funds and indices, there are initiatives on the part of investors to extract CSR information from companies in an organized way. One of the most striking examples is the "Carbon Disclosure Project". Under this initiative, 35 institutional investors representing assets of over USD 4.5 trillion required greenhouse gas mitigation information from FT500 companies – the 500 largest companies of the World. Almost half of the companies filled in and returned the questionnaire. The information has been analysed, a report has been published (www.cdproject.net) and the investors actively use the results of the survey when making investment decisions. Based on the success of the first round, the survey has been repeated in November 2003, with the results to be published in early 2004. If one considers that carbon is only one of a handful of environmental issues, and environment is only one topic within CSR, the importance of CSR information to investors becomes quite apparent.

Lastly, according to the EU law, the notion of social responsibility is a factor with growing importance. The European Commission in its Green Paper “Promoting a European Framework for Corporate Social Responsibility” (COM[2001] 366) and Communication from the Commission concerning Corporate Social Responsibility: “A Business Contribution to Sustainable Development” (COM[2002] 347), has also made efforts to raise awareness about the topic, to explain what has been done in some corporations and countries, and what could be done. (Nemeskeri, 2003)

Corporate social responsibility in Hungary

Despite increased flows into SRI funds in developed markets, there is no clear evidence that these funds have invested into Hungarian equities. One reason for this lack of interest may be the lack of CSR information on listed Hungarian corporations. Another reason can be an overwhelming suspicion regarding emerging economies since the emerging crisis of the late 1990’s, but in the case of Hungary this distrust should fade away with the accession to the European Union and resolution of the present currency difficulties.

It is important to be aware that even if foreign SRI funds decide to invest into companies listed on the Budapest Stock Exchange (BSE), they are likely to pick from among the biggest 4-6 companies, since the free-float, capitalisation, and in general, overall liquidity of smaller companies does not reach the threshold values set by these funds. Also, transparency is often inadequate in these smaller companies. On the other hand, funds focusing on the Hungarian stock market and EU-convergence markets in general, are interested in smaller companies too. Some of the managers of these funds will in the future hopefully consider CSR criteria when selecting companies for the portfolio of the fund. Furthermore, by now a fierce competition has evolved among mutual funds in Hungary and novel types of funds appear in the market almost every month. It is probably only a matter of time before a domestic (or even more likely: a regional) SRI fund is started, with the hope of gaining a piece of the equity fund market.

Lastly in Hungary at present only about 2 percent of households keep a portion of their savings in equities or mutual funds investing into equities. The government of Hungary has declared its intention to encourage citizens to invest more of their savings into equities. A variety of measures are planned or have been implemented for this purpose, including tax cuts, regulatory changes and information campaigns. One of the key messages of information campaigns could be that there are responsible companies with a sustainable corporate behaviour on the BSE. Our survey could possibly support such a message, and provide guidance for those savings which are attracted by the potentially higher returns in equity markets, while being concerned about "moral mismanagement" of listed companies.

III. The Hungarian Survey

We have covered 27 listed companies in our survey. Shares of the companies selected were held by at least one of the Hungarian mutual funds as of 31 December, 2001. Four more companies, which were in 2001 part of the mutual fund portfolios, have since left the exchange floor (Pick, Prímagáz, Graboplast, and Humet).

The companies which received most investor attention have been surveyed both through personal interviews and a revision of their annual reports and web sites. These are the companies which individually made up more than 5 percent of the above mentioned portfolio on 31 December, 2001. The companies surveyed and the method for information collection are shown in the following table. After the survey began, more recent information was published on the portfolios of domestic mutual funds. Nevertheless, in order to avoid delays, we decided not to modify the original composition and methodology of our survey, especially since these modifications were not expected to significantly influence the final results of the survey. The more recent portfolio is also included in the table below.

Table 1. Surveyed companies

Rank on 31 December, 2001 by equity portion held by funds	*Company*	*Hungarian equities held by Hungarian. mutual funds as of Dec 31, 2001 (million HUF)*	*Distribution of Hungarian equities held by Hungarian mutual funds as of Dec 31, 2001*	*Hungarian equities held by Hungarian mutual funds as of June 30, 2003 (million HUF)*	*Distribution of Hungarian equities held by Hungarian mutual funds as of June 30, 2003*	*Personal interview, survey of annual report and web site*	*Survey of annual report and web site*
1	MOL	1,100	9.2%	3,572	17.7%	***	***
2	Démász	973	8.1%	1,281	6.3%	***	***
3	Nabi	970	8.1%	818	4.1%	***	***
4	Richter	965	8.0%	2,497	12.4%	***	***
5	OTP	935	7.8%	3,768	18.7%	***	***
6	Matáv	909	7.6%	2,783	13.8%	***	***
7	Mezőgép	868	7.2%	646	3.2%	***	***
8	Pannon-plast	811	6.7%	430	2.1%	***	***
9	Egis	785	6.5%	938	4.6%	***	***
10	Rába	534	4.4%	131	0.6%		***
11	Zala-kerámia	530	4.4%	412	2.0%		***
12	Zwack	509	4.2%	605	3.0%		***
13	Elmü	448	3.7%	848	4.2%		***
14	Graphisoft	309	2.6%	297	1.5%		***
15	Danubius	308	2.6%	178	0.9%		***
16	TVK	223	1.8%	161	0.8%		***
17	Émász	145	1.2%	151	0.7%		***
18	BIF	128	1.1%	47	0.2%		***
19	Brau	119	1.0%	194	1.0%		***
20	Fotex	115	1.0%	73	0.4%		***
21	Antenna Hungária	111	0.9%	54	0.3%		***
22	Pannonflax	101	0.8%	98	0.5%		***
23	Titász	48	0.4%	39	0.2%		***
24	Synergon	36	0.3%	23	0.1%		***
25	Borsod-chem	27	0.2%	24	0.1%		***
26	Dédász	10	0.1%	25	0.1%		***
27	Globus	0	0.0%	66	0.3%		***
	Total	*12,017*	*100%*	*20,179*	*100%*		

Source: www.portfolio.hu

Criteria of selecting the companies

The companies to be surveyed were selected from the 12 biggest Hungarian equity investment funds (that had a combined equity stock of 20.2 billion HUF at the time of the survey) that were covered and screened by the editors and analysts of www.portfolio.hu (presently the leading securities markets related independent news portal in Hungary). These funds alone covered 95% of the total net asset value of all the Hungarian equity investment funds, thus they provided an almost complete coverage in this respect. The funds were the following:

- Aegon Domestic Equity Fund,
- Budapest Growth Fund,
- CA Equity Fund,
- Concorde Equity Fund,
- CIB Equity Fund,
- Erste „the Alps" Equity Fund,
- Hunnia Equity Fund,
- K&H Navigator Equity Fund,
- K&H Equity Fund,
- OTP Quality Equity Fund,
- Postabank Locomotive,
- and finally the Raiffeisen Equity Fund.

Based on data from the past two and half years the two most active investment fund managers on the Hungarian stock market were the OTP Fund Management Ltd. and the Budapest Fund Management Ltd. These two companies held more than 70% of all the stocks held by the above listed 12 investment funds. In 2001 Budapest Ltd. led the way, now OTP ranks as first, being the biggest player in equity investments (in fixed income, money market and global asset value it has always been the biggest one anyway), and its advantage (hand in hand with total managed asset value) is still continually growing.

The ratio of blue-chips in the total equity portfolio held by the funds underwent a spectacular surge in 2002. The reason for that is that the securities legislation was changed to the effect that in an open-ended investment fund the percentage limit of the largest equities was increased from 10% to 15% of the total equity portfolio held. The new rule made it possible to increase the ratios of certain shares, especially Mol, Matav, Richter, and OTP within the equity portfolios.

According to the article published by portfolio.hu news service, in the case of Hungarian blue-chips the domestic equity funds still play only a marginal role. In case of many stocks a larger portion is held by big international funds. These funds, at present, are probably more interested in CSR of their investments than Hungarian mutual funds.

Aspects scrutinised

The survey has focused on three main areas, namely Corporate Governance and Reporting, Environment and Social Policy. In each area five questions were investigated.

First we examined the official web sites of the companies and their annual reports for 2002.. Following this session, nine companies were interviewed personally.

The questions were the following:

In the field of Corporate Governance and Reporting:

1/1 Does the company disclose details on its corporate governance structure?

We analysed the disclosed information about the board structure, responsibilities of board members, composition of the board, definition of independence, names and biographical details of board members, any board committees, individuals responsible for implementation, oversight and audit of economic, social, and environmental policies.

1/2 Does the company report on compliance with a Corporate Governance Code?

In this stage we investigated company reports on compliance with the Corporate Governance Code(s) of the country/market.

1/3 Does the company disclose audit related information?

We reviewed company reports information on: audit committee, its composition and tasks, procedure for appointment of external auditor, policy on rotation of auditors, statements regarding audit fees and non-audit fees, independence of auditors. It was reviewed if the company reports the steps taken to ensure that financial reporting is accurate, clear, complete and timely.

1/4 Does the company disclose its policy on shareholder rights?

The scope of interest was whether the company discloses any policies or processes regarding the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to management. Does the company disclose minutes of and a report about each previous shareholders' meeting? Are there company reports, relevant pieces of news and information to shareholders, including information on upcoming meetings, agendas, additional information, etc?

1/5 Does the company disclose and report on its internal Code of Business Conduct / Code of Ethics?

Scope: Company discloses its internally developed code of conduct or principles/policies related to ethical, environmental and social performance. Company reports on the status of implementation. These disclosures refer to internationally accepted standards. These disclosures address bribery and corruption issues.

In the field of Environment:

2/1 Does the company state whether it complies with industry specific, national and/ or international regulations regarding environmental standards?
Company reports compliance/non-compliance with industry-specific (ISO), national, European Union and/or international standards.

2/2 Does the company disclose the names of individuals (management and/or board members) or the department responsible for environmental management and compliance?
Company identifies the persons or department responsible for environmental management and compliance.

2/3 Does the company report on energy and water use?
Scope: Company reports on all energy sources, the amount of energy it consumes, its energy conservation policy, initiatives to use renewable energy resources and whether it addresses its increasing (if it applies) energy needs in an efficient and environmental-friendly way. Company discloses total water use, water sources and related ecosystems, habitats significantly affected by use of water, total recycling and reuse of water and water conservation (cleaning) initiatives – as applicable by industry.

2/4 Does the company report on its environmental performance, including efficient use of resources, emissions and waste?
Company discloses total greenhouse gas emissions, use and emissions of ozone-depleting substances, total amount of waste by type and destination,

details on the use of hazardous substances and their disposal, significant spills of chemicals, oils and fuels in terms of total number and total volume – as applicable by industry.

2/5 Does the company integrate environmental aspects into its supply chain management policy?
Company reports on: Any environmental criteria used to screen their supply chain and standards/procedures requested from suppliers.

In the field of Social Policy:

3/1 Does the company disclose compliance with industry-specific, national and/or international regulations regarding human rights and/or labour standards?
Company discloses compliance with industry-specific, national EU and/or international regulations (for example, national labour legislation, EU Human Rights code, UNDHR and ILO).

3/2 Does the company report any community patronage/sponsorship programs?

Culture and arts funding, charity projects, sports sponsorship, medical research. This list should exclude any internal sponsorship of employees or any research that could potentially be used for future product development. Does the company disclose the amount spent as percentage of total turnover?

3/3 Does the company disclose its employee development or employee benefits policies?

Company reports on internal employee development programs (for example, continuing education), lists employee benefits (for example: health care, pension, childcare allowances) and/or employee sponsorship programs (for example: employee sports teams, employee newspaper, etc.).

3/4 Does the company disclose its health and safety policy?

Company discloses its internal health and safety guidelines. Company reports on injuries, accidents and time lost therefrom.

3/5 Does the company disclose its employment policy?

Company discloses its non-discrimination policy and equal opportunity policy. Company discloses its policy on unions, employee rights and labour standards.

It is very important to emphasize that this survey investigated the reporting activities on CSR of the company and not the CSR performance! Our analysis deals with the spectrum, depth and volume of information that is regularly declared by the company according to the CSR philosophy, but at this stage does not investigate into the nature of the real CSR activities. For example, we could see in the next chapter, that there are some companies with a quite wide declared activity portfolio, but with a rather poor supply and quantity of information about it.

IV. Results

Our survey of the 27 listed companies showed that disclosure of CSR information does in general not belong to the strengths of Hungarian companies at the present. However, we found companies whose CSR related information provision and disclosures considerably exceeded the average.

To measure the quantity of information made public we devised a so called Publicity Index as an indicator. The Index describes the number of categories in which the company provided a reasonably wide scope of information out of the 15 categories reviewed in the Survey. The 15 categories were classified into three groups: Corporate Governance and Reporting, Environment, and Social Policy. Each of these groups contained

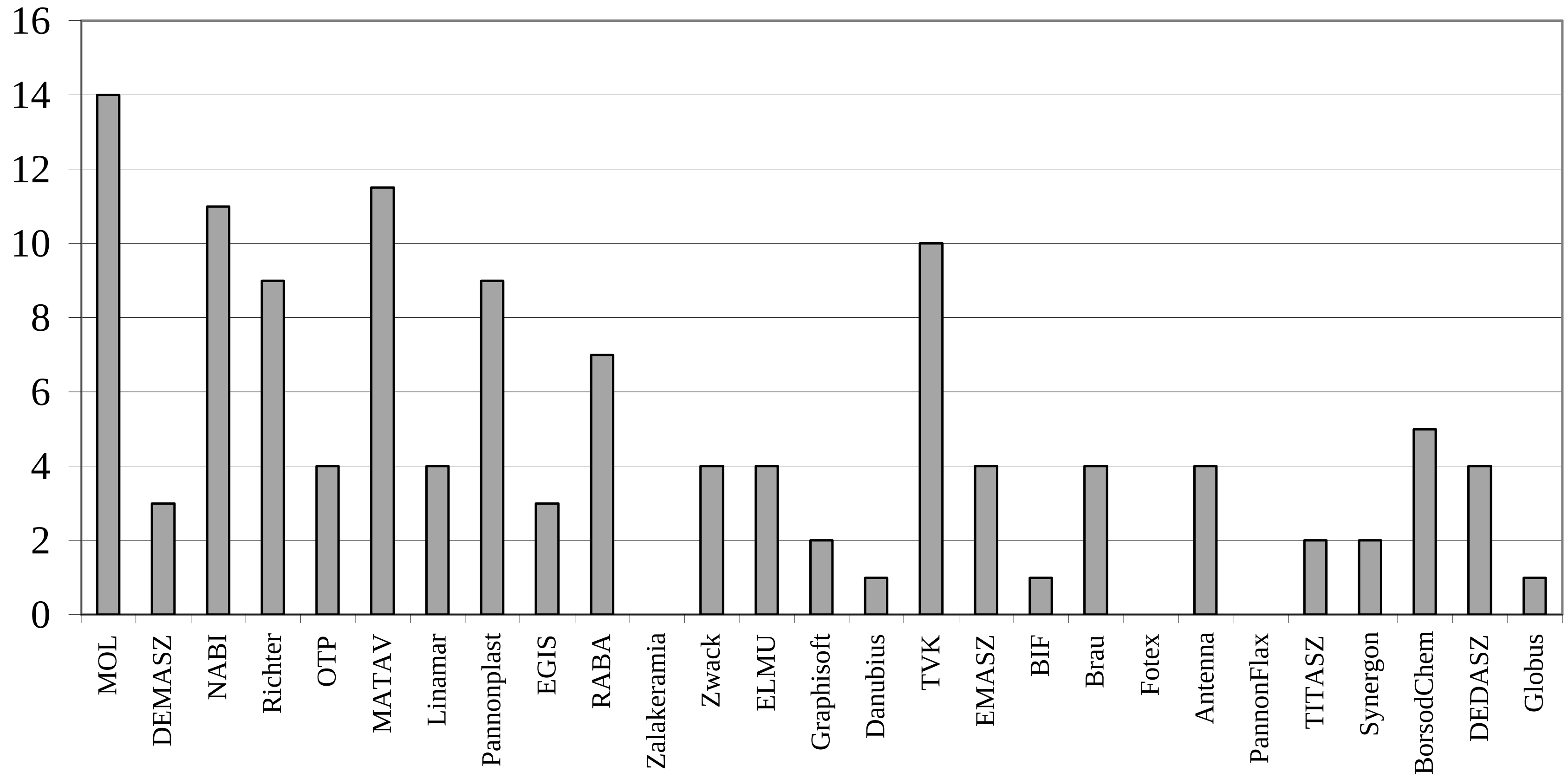
5 categories. These categories were described in detail at the end of the previous chapter.

If the Publicity Index of a company is for instance 15, then it means that the company discloses relevant information toward the general public in all the 15 categories. Lower index values indicate a scaled back activity of the company in this area. The Publicity Index can be expressed in a percentage form too, then indicating the proportionate level of information provision in the given category. The Publicity Index by companies is shown in Figure 1.

Break-down of communication performance by surveyed companies

Of all the examined companies MOL (oil and gas), MATAV (telecoms), NABI (vehicles, transport) and TVK (chemicals) are the most communicative. All four companies provide sufficient relevant information to the public in at least two-thirds of the categories. Their Publicity Index is between 10 and 14. Among these companies we can also find those which supply proper information in all three groups, that is, most of the five categories within a group were thoroughly covered. MOL, MATÁV and TVK was particularly good in providing information concerning environmental issues, while MOL was also superior in the field of Social Policy, showing a maximum openness in its policy and practice of information provision.

Figure 1 Number of categories with sufficient information (out of 15)



The leading four is tightly followed by Richter (pharmaceuticals) and Pannonplast (building and construction materials) maintaining a 60% Publicity Index. All in all 6 of the 27 companies had a higher than 50% level of Publicity Index.

It must be emphasized that our survey is just a snapshot reflecting the situation as of fall 2003. DÉMÁSZ (an electricity supplier in southern Hungary), for instance, has an index value of 4 at present, but during the personal interview the representative of the company revealed to us that as of the beginning of 2004 they are setting up a new web site that will supplement almost all the information in high quality that are now not properly or not at all communicated. For example, information provision concerning environmental issues will become fully covered, because the implementation of the ISO 14000 set of standards currently under introduction will be patched into a web based interface that will give the general public a finely detailed and thorough flow of information. From that time on DÉMÁSZ will also be in the top category of information providers. The major driver behind such a substantial change is that the Hungarian company adopts the relevant policies of the French EDF, its parent company.

Many companies (for example MATAV) told us that the presently non-published part of the set of information covered by the CSR inquiry could as well be made public without much further ado. That they are not done so is not attributable to a withholding policy of the company (supply effect) but to the lack of such a need for those particular pieces of information from the partners, consumers and shareholders (demand effect). The publicity of the surveyed information may improve after inquiries such as the present survey. Therefore for the future we foresee a continuing growth of the overall Publicity Index level.

Also it was at MATÁV where we first encountered the following practice: although a given kind of information is not made public in an automatic fashion (like cannot be found on the Internet or in the Annual Report), but when the demand for it arises, the information is indeed provided to whomever is interested, e.g. the press. A similar practice was reported at MOL in the information category of employee rights. Here information on labour wages was made available to the Press upon inquiry.

A similar practice, but more limited in scope is when the information in question can be passed onto the shareholders only. Lagging behind the quite communicative six (or seven if we consider DÉMÁSZ with its own ambitious plans in this respect) companies we see 19 companies who gave away information and data in maximum five of the fifteen sought after information categories. Their Publicity Index was between 0 and 5.

In between low and high performers there is only one company, RÁBA (vehicle and parts manufacturing). Its Publicity Index of 7 is far from the best performers but it is definitely ahead of the other 19 companies. These 19 companies were hardly represented among those that we could personally interview, thus we did not have a chance to get a reliable picture as to why those companies are so tight-lipped in their communication. A number of possible reasons, partly based on the information received from the companies personally surveyed, are listed below.

- The companies do not always have the means (material resources, personnel, time) to habitually give continually updated information other than those required by legislation and made necessary upon their own business interests. Mostly this is true for the smaller firms. This assumption is supported by the fact that the most communicative companies tend to be bigger in size than the less informative ones.

- Some companies actually have a conscious policy of providing information only under tight company management supervision and upon specific requests. Such a deliberately strict communication strategy could be observed, for instance, at EGIS (a pharmaceuticals company).

- Communication – at least with respect to the questions originally formulated with developed OECD countries in mind within the present survey – can also be hindered by the fact that making such information public has been an uncommon feature of domestic corporate culture, thus the companies consider these data as their private internal matter. Naturally it needs a longer period of time for a paradigm shift to take place to the effect of a more relaxed attitude in revealing this kind of corporate information.

- Further, communication is impeded because the public does not display a firm demand for such data be made public and readily accessible. We may reasonably conclude that in case the corporate world's environment would step up its claims on such information then the companies also supplied more of it.

- In some instances the reason behind the missing information is the fact that the company itself does not feel the relevance of that information in the successful operation of that particular business domain. A software developer or a financial services company for example will not feel a pressing need to fully disclose the environmental effects of its business operations as much as a chemicals company would. Such a perception, however, can be misleading. Banks, for example, may not have a large direct environmental impact, but their lending policy could indirectly lead to environmental problems and liabilities.

- In some instances the companies believe that the information expected from them is simply non-relevant from the viewpoint of the given matter.

When it comes to the congruence to the Articles of Association of the company, for instance, the surveyed companies were unanimous to assert that it is a matter of legal compliance and as such beyond contemplation. Subsequently, the companies did not disclose related information on compliance with a Corporate Governance Code.

There is a remarkable correlation, however, between the Publicity Indices and the distribution of equity investments (through domestic investment funds) among the companies. If we rank the companies according to the proportion of their market capitalisation held by investment funds we see that of the 9 companies in the upper tierce 5 has an index level of at least 8 points (minimum 50% performance)[1]. The second tier (another 9 companies) has just one such company, while the third tierce has none[2]. We do not assert, nevertheless, that domestic investment funds determine the composition of their equity investment portfolio partly based on how the companies communicate on their environmental or social policy related performance. We may, however, risk to say that those companies that attract investors in an above average manner tend to conduct a strategically embedded, far-sighted business policy that, more or less intentionally or just as a side-effect culminates in a more open communication conduct.

We also found that the companies communicate in a consistent fashion, that is, they displayed the same level of openness in all three areas of our interest. When a company proved to be a frequent communicator, then all the three areas were properly covered. If a company was more secretive, then all three groups suffered. There was only one exception to the rule, the case of RÁBA where the corporate web page was quite ungenerous in terms of two groups (corporate governance and environment), while being quite open in the Social Policy information group.

[1] When considered that DÉMÁSZ will come up with a brand new more informative homepage from 2004 onwards that correlation still strengthens further (with the new homepage the company will obtain a Publicity Index significantly above the 50% level.)
[2] In the lowest tierce a 33 % level of Publicity Index is the highest value – and gained by only one company.

At the end of the sub-chapter dealing with evaluation according to companies, we would like to draw the kind reader's attention to the fact that the survey measures not the actual CSR performance of the companies, rather, it assessed how and to what extent the companies disclose information related to CSR – primarily on the Internet homepages.

Communication performance by Categories break-down

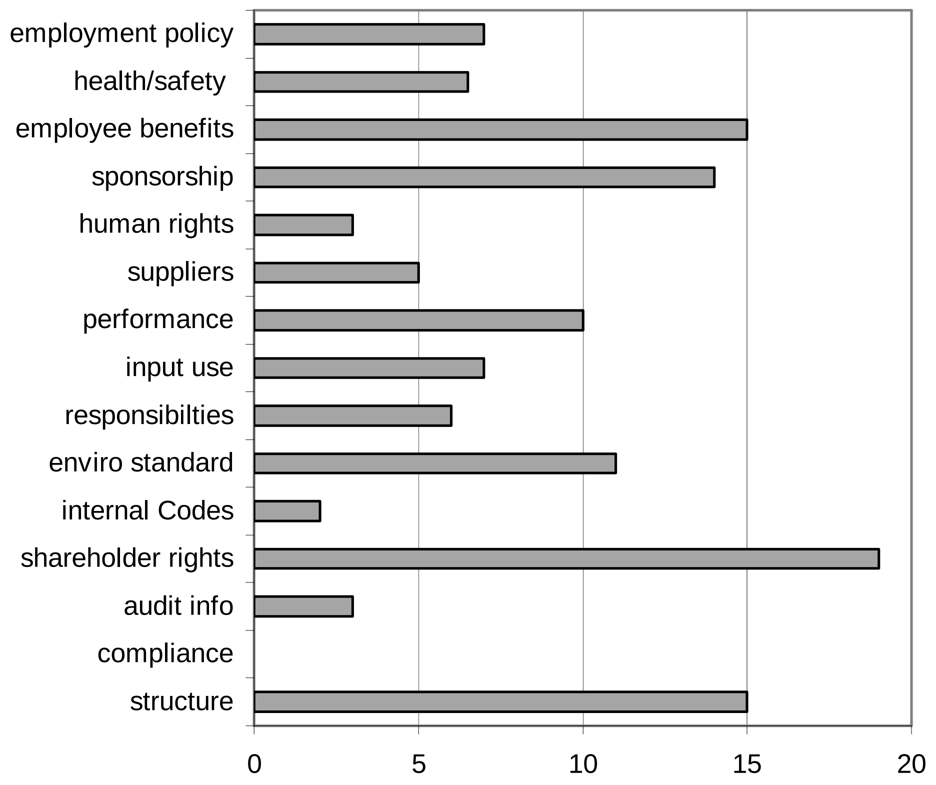
In this second part of the result analysis we go along the other dimension of the survey. In the previous part we examined how the three major information categories were addressed on average by the companies. Now we turn our attention to the detailed issues examined within the survey.

First and foremost we can conclude that the companies maintained a consistent communication level in all three information groups, which are:

- Corporate Governance and Reporting
- Environmental Policy
- Social Policy

Slightly more information is available on Social Policy than in the other two groups, the global Publicity Index stands at 33.7% in this group. The Corporate Governance and the Environmental Policy information groups both have an 28.9% overall Publicity Index. (See Figure 2 in the next page.)

Figure 2 - Number of companies which disclose a particular piece of information



The widest stream of information was provided to the shareholders of the company about their shareholder rights. Disclosure of such rights could be found on 19 corporate web sites (70.4%).

In an even draw the second most frequently communicated area was information provision about corporate governance structure: in general the rooster of top management, business domain under their supervision, potentially a short CV, supplemented in some cases with an organisation chart (15 companies, that is 55.6 %).

The same number of homepages contained information about employee educational programs and corporate policy on extra wage compensation means (also a 55.6% frequency). The companies in this respect often give account on sponsored employee sports activities as well as contributions to employee holiday schemes or other allowances. We also found data on company maintained nursery.

The third most communicated category was sponsorship policy of the companies. Because this is definitely a kind of information contributing strongly to the corporate image, the 51.9% level of the Publicity Index in this segment seemed somewhat low. (14 firms accounting for such activities).

In the first four places therefore we find categories connected to corporate governance and social policy, while the topics ranking fifth and sixth are related to environmental issues in this special hierarchy.

Eleven companies (40.7 %) have put forward information about whether they do examine adherence to some domestic or international environmental standard. The companies affected usually deal with the ongoing introduction or the already functioning state of the ISO 14000 set of standards. Almost the same number of companies expose data about their environmental performance (10 companies – 37 %). In seven cases the account on environmental performance also covers the volume and quality related information of inputs used (water, energy).

The division and/or its management responsible for environmental management is introduced in the case of just 6 corporate web pages (22.2 %), while information as to what kind of environmental performance or certification is expected from the input contractors is handled publicly by a mere five companies (18.5 %).

Within the Social Policy information group – we have already mentioned the two most frequent categories (employee benefits and sponsorship) – the three, from a communication point of view somewhat less popular categories were:

7 web pages (25.9 %) contained data concerning the corporate policy on the criteria set used by the company in the pre-selection and hiring of potential employees.

In 6 and a half cases we discovered notes on the issues of employee safety and health screening practices. The “half” occurrence requires some explanation: it denotes a corporate practice that does not automatically reveal such information but upon specific request (like a press inquiry) it makes such data public.

Merely three web sites drop some remarks that the company applies an internationally approved convention or standard in the measurement of the implementation of employees’ human and labour rights. While the majority of Hungarian companies already make a wide use of quality standards and are just busily implementing the environmental management systems, still little attention and not much resource is devoted to the elaboration of such an organised enforcement system of employee rights.

In the Corporate Governance and Reporting group we have already pointed to the frequently communicated categories of shareholders’ rights and corporate management structure. But just how often the companies inform the public on these two categories, so rarely do they speak up in the three other categories in the same Corporate Governance and Reporting group.

There were just three companies providing disclosure concerning their audit practices (rules of selecting the auditor, enforcement of auditor’s independence, audit fee establishment). Code of Ethics was made public in just two cases.

In this group we have the category that was not addressed at all. None of the companies gave information about the state and level of correspondence to the Corporate Governance Code. During the personal interviews the companies, somewhat explained by the Hungarian corporate culture, described their approach that adherence to the Code is such a fundamental prerequisite of their business conduct that there is no sense in separately declaring it. The companies, by the way, tended to consider the written commitments of the Supervisory Board in the Annual Reports as such that comply to the conceptual content of this category.

V. Summary

The communication practices of those Hungarian listed companies, whose ownership structure contains investment funds too, were examined with relation to three areas within the concept of Corporate Social Responsibility: Information on managing the company, supply of data concerning the environmental policy of the company and finally its communication of social policy issues. Our primary scrutiny focused on the most readily available source of corporate information, the company web sites.

We had the firm impression that the companies on the average are supplying limited scope of information about CSR, but there were some refreshing exceptions when it came to some companies with a relatively high portion of investment fund capital in the capitalisation, whose communication was excellent. We have the presumptive evidence that these trail-blazer initiatives will not go unnoticed and will bring in other companies into the family of the good communicators.

Looking at the data in the survey we would highlight the following observations:

1. Those companies that attracted a higher share of their capitalisation in the form of investment fund interest were on the average more openly disclosing CSR related information. These companies could be considered as leaders in other aspects too, as being highly competitive by regional as well as wider European standards and playing a definitive role in the Hungarian economy. Also these companies more often appear in the region as investors and conductors of takeover deals, some of them enjoying a monopoly in some areas.

2. In the circle of companies filtered specifically as eligible for personal interviews there were just a few cases where the relative constraints on actual non-disclosure of a given category was the result of a conscious corporate policy. In most of these cases the real reason was the lack of manifest public interest. We suppose therefore that as the notion of CSR will spread in Hungary the policy on the provision of related information will become more relaxed too.

3. Companies have shown a balanced and consistent communication record in all three areas (information groups). They revealed as much information on their performance in environmental issues as much they emitted on social policy, corporate governance or shareholders' rights.

Based on the experiences while conducting this survey we think that the idea of Corporate Social Responsibility (CSR), the related communicational culture can well become an organic part of the Hungarian corporate world with a promising perspective and a dynamic future development path. The result so far are modest but the potentials are substantial. Companies pioneering on this field are innovative entities which – through their successful example – can bear a closing up effect on the rest of the companies. This corporate paradigm change can be initiated and the further development be encouraged by demand manifesting inquiries from the governmental and civil NGO type organisations. One of the latter ones may be this very survey.

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