

Process and milestones in the preparation of the Corporate Social Responsibility Report

In the autumn of 2007, the Magyar Nemzeti Bank conducted an analysis that was absolutely necessary for the establishment of a uniform framework for its corporate social responsibility activities and strategy. As a part of this analysis, the activities and systems of the MNB were reviewed, and the Accountability Rating Report showed the Bank's performance in comparison with the corporate social responsibility practices of large domestic and international corporations, some leading European central banks and, in particular, domestic and national financial enterprises.

The MNB elaborated its corporate social responsibility strategy on the basis of these studies as well as the findings and guidelines of the executive management workshops which completed the initial phase of analysis. The MNB's corporate social responsibility strategy was prepared and approved in 2008,¹ on the basis of the institutional strategy adopted in 2007. The document included the MNB's corporate social responsibility mission, vision and key strategic objectives.

The three most important strategic goals of the key strategic objectives are:

1. responsibility determined by the core activity,
2. responsibility for the management of public funds,
3. responsibility for staff.

In relation to the basic pillars of sustainability, the approach of the MNB's executive managers is focused on the following:

I. Economy

With its special status as a public institution and its functions defined in the MNB Act, the MNB serves the public good. Thus, the basis of socially responsible operation is its core activity intended to serve the public good and fulfil the basic mission of central banking activities as defined in the relevant legislation. By performing the core activity to a high professional standard, the MNB strives to create value for society.

II. Economy-society

In parallel with achieving and maintaining price stability and the reliable and high-standard performance of other duties set out in the law, it is of key significance for the MNB, as a part of its value creation efforts, to undertake the role of enhancing the financial-monetary literacy and skills of the population. Within its legislative and financial limits and by means of social-community investments, the MNB aims to address issues primarily relating to the performance of its statutory tasks and the achievement of the objectives it has set (central banking issues, financial literacy, etc.).

III. Society

As a publicly-funded economic entity, the MNB is responsible for conscious, cost-efficient operation and for preserving and increasing the value of the assets it manages. The MNB believes that a key component of its corporate responsibility is the continuous improvement of the profitability, efficiency and effectiveness of its financial operations.

In the course of its strategy-making process, it identified the stakeholders for whom the Bank assumes responsibility as an economic entity. One of the priority issues of institutional strategy is to ensure credibility and public confidence, therefore, it is essential for the MNB that those affected by the operation of the institution have a sound understanding of the objectives of the MNB's activity and the

¹ http://www.mnb.hu/Root/Dokumentumtar/MNB/A_jegybank/A_koztudatos_jegybank.pdf

tools serving it. It conducts open and active dialogue with the various groups of stakeholders, although in different ways and time intervals.

As for the various means of communication with stakeholders, the following issues have arisen and the organisation responds to them as follows:

- Reflecting measures directly responding to the results of the customer satisfaction survey in cash logistics in the 2013 work plan, and feedback to the participants of the survey;
- Reconciliation in regulatory and self-regulatory initiatives (in 2012: limiting swaps, change in mortgage deed issuance, liquidity regulation, and data supply requirements), situation analysis of market participants (market awareness visits, lending survey, one-off assessments), and market analysis in regulatory issues;
- Methods for using the results of dialogue: more thorough situation analysis, mapping the requirements of stakeholders, presentation of the findings of market analyses and market trends in addition to statistical data;
- Availability, understandability, accuracy and content of MNB statistics. Ratio of target group reached. Use: to improve the quality of publications;
- In payment issues: relevance of facts and aspects hindering awareness for, and the use and spread of specific payment solutions. Preparation of various publications, studies and educational materials for the purposes of dissemination of cashless payment methods. Analysing the use of individual payment methods and revealing the related obstacles and attitudes, with particular attention to electronic payment solutions. Aiming to understand fears about electronic payment instruments and the reasons for rejecting their use. Based on this, further analyses, educational materials and, if necessary, new regulatory proposals can be elaborated;
- With respect to publications, questions about satisfaction, awareness and literacy should be asked to ensure continuous improvement;
- Measuring the brand perception index. Improving the effect, professionalism, expertise and accessibility of the activity performed in the interest of the public good based on the survey results. The social programmes aimed at the enhancement of financial literacy should be adapted accordingly. Image map - improving public opinion about the central bank (from the viewpoint of openness, transparency, professionalism). Increasing knowledge about the central bank and creating the possibility of its identifiability. Raising the confidence index (central bank's decisions are professional and well-grounded).

The MNB's staff members are treated as a privileged group of stakeholders. The MNB has high expectations vis-à-vis its employees, and those who meet these expectations can rely on the MNB's recognition. The MNB intends to maintain a workplace where professional achievements are recognised for employees who contribute to high-standard central banking operations by using the most up-to-date practices of human resource management. For the MNB, enforcing equal opportunity and equal treatment is of utmost importance.

Acting in its benefactory, donation-giving, humanitarian and charitable roles, the MNB supports issues surrounded by extensive social consensus, strengthens social cohesion, promotes the dissemination and enforcement of the spirit of equal opportunity, and lays the foundations of respect for equal human dignity in everyday life.

IV. Environment

Based on sustainability impact studies, the operation of the Magyar Nemzeti Bank does not carry any special environmental risks; our activity, however, is also exemplary in this respect, as is underpinned by our achievements. When the MNB introduced the Eco-Management and Audit Scheme, it identified and prioritised its direct and indirect environmental impacts. Accordingly, in consideration of the

environmental impacts, it formulated its environmental policy and medium-term environmental strategy. The environmental programmes and specific targets were set in accordance with these.²

The external framework of management approach comprises the following strategic objectives of corporate social responsibility:

- Responsible, transparent communication of the MNB's operations

The MNB wishes to give an account of the social, economic and environmental impacts of its activities to its stakeholders. To this end, it develops and continuously upgrades its system serving its social accountability as well as the channels of communication and forms of dialogue with its stakeholders. In the spirit of responsible and transparent communication, it will release its first report on corporate social responsibility with respect to the year 2012.

- Serving as an example in social responsibility

It is the MNB's goal to ensure that its corporate social responsibility activity complies with the leading principles and practices at all times. For this reason, it continuously monitors the activity of both the domestic and the international financial sectors, with particular attention to analyses relating to the corporate social responsibility practice of European central banks.

Its internal framework is "The creation and development of the management system and organisational culture of corporate social responsibility activities". The MNB is committed to incorporating the principles of corporate social responsibility into its management systems, thus facilitating the ongoing enforcement of these principles. In the MNB's view, corporate social responsibility is more than simply a formal system, as responsible operation is one of the basic pillars of the MNB's organisational culture.

Specifying the content of the report

Given the circumstances, the MNB was unable to directly involve the stakeholders in the process of specifying the content elements of the report. At the same time, at the management workshops held with the support of an external consultant, the consultant identified the foreseeable expectations of external stakeholders. This was complemented by the informal consultation held with the members of the CSR working group of the KÖVET Association, which also influenced the contents and structure of the report. The contents of the report basically follow the priorities of the MNB's corporate social responsibility strategy. At the end of 2011 the MNB reviewed its corporate social responsibility strategy, and came to the conclusion that it was reasonable to sustain the objectives set for 2008-2010 in the longer run, because their appropriateness reaches well beyond the time horizon of that strategy, given that the content of these objectives appears as a basic principle in the area of corporate social responsibility. As for the further steps to be planned for the coming years, these principles should be sustained and reinforced, and therefore, the enhancement of the strategy focuses on increased consciousness and internalisation with respect to the following principles:

- responsibility for the Bank's core activity for the economy as a whole,
- responsibility for the management of public funds, ensuring transparency,
- relations arising from direct concern to the society and the environment, and responsibility for staff.

In accordance with the above and on the basis of the priorities of development identified by the review, the strategic objectives for the period 2011-2014 are as follows:

² http://www.mnb.hu/Root/Dokumentumtar/MNB/A_jegybank/kornyezetvedelmi-politika/kornyezetvedelmi_nyilatkozat_2011.pdf

- to strengthen and intensify the attitude of corporate social responsibility in the organisational culture in a way that it is also reflected in the decisions, behaviour and cooperation of the Bank's employees;
- to support the incorporation and enforcement of the values of corporate social responsibility in management decisions both in respect of professional and human dimensions;
- to reinforce external communication in order to make the Bank's CSR activity exemplary in its environment;
- to seek further ways of environment-conscious solutions in the Bank's operation with the involvement of its staff, and to embed and transmit these in work processes;
- to improve and strengthen existing practices concerning responsibility for staff, with particular attention to:
 - o work-life balance,
 - o family-friendly values,
 - o health-awareness, and
 - o equal opportunities.
- Within the scope of corporate social responsibility, to improve the professional advancement of talented youths via strengthening existing practices and applying new tools.

The MNB developed its strategic action plan for the 2011-2014 period and designed its programmes for 2012 on the basis of the above. The content elements of the report present these programmes and the results achieved - within the limits of the document size.