

Sustainable development in corporate giving

Dóra Somlyai

Head of Corporate Communications HU
MOL Group Corporate Communications
E-mail: DSomlyai@mol.hu

Ágnes Kelenvölgyi

Head of Communications Support
MOL Group Corporate Communications
E-mail: AKelenvolgyi@mol.hu

Andrea Haáz

New Europe Foundation
MOL Group Corporate Communications
E-mail: AHaaz@mol.hu

Abstract

MOL Group's commitment to contribute to sustainable development requires the integration of its principles into all of its activities to support long-term business success. Therefore, corporate giving activities should also be gradually transformed, go through different stages of development – laying the foundation, partial integration – to finally achieve full integration, that is, sustainable corporate giving. To illustrate in practice the different aspects of this process, MOL Group environmental donation programme, the Green Belt Programme was selected not only because it is a successful, long-term programme supporting local environmental initiatives, but also because it was developed as a pilot programme fully integrating sustainability principles „cradle-to-grave” in 2005 already, one year before the initiation of the Group-level sustainable development strategy. Our four-year experience demonstrated that integration can contribute to a great extent to the increase of efficiency and bring about significant synergies to the company thanks to the appropriate professional planning and work based on cooperation.

Összefoglalás

A MOL-csoport elkötelezett a fenntartható fejlődés iránt, ezért a hosszú távú üzleti siker érdekében törekszik arra, hogy a fenntarthatóság elveit minden tevékenységébe integrálja. A vállalat támogatási tevékenysége is fokozatos fejlődésen megy keresztül – alapok lefektetése, részleges integráció –, hogy végül elérje a teljes integráció szintjét, ami nem más, mint a fenntartható vállalati támogatás megvalósulása. A folyamat bemutatására a MOL regionális környezetvédelmi támogatási programjára, a Zöldövezet Programra esett a választás. Nem pusztán azért, mert ez egy sikeres, hosszú távú, helyi környezetvédelmi kezdeményezéseket támogató program, hanem elsősorban azért, mert mintaprogramként úgy került kialakításra már 2005-ben, – egy évvel a csoportszintű fenntarthatósági stratégia bevezetése előtt – hogy teljes mértékben integrálja a fenntarthatóság elveit „a bölcsőtől a sírig”. Az elmúlt négy év tapasztalata megmutatta számunkra, hogy az integráció nagymértékben hozzájárulhat a hatékonyság növeléséhez, valamint jelentős szinergiákat teremthet az együttműködésen alapuló szakmai tervezésnek és munkának köszönhetően.

Introduction

MOL Group is committed to integrate the principles of sustainable development into its everyday business operations. This commitment requires the implementation of its principles at all levels irrespectively of the nature and type of the activity in question. Therefore, corporate giving activity at Corporate Communications, being one of the most important areas of the social pillar related to external stakeholders

should also be adapted to new tendencies, and reconsidered and restructured following the company's commitment to support long-term business success.

Different levels of integration

Gradual and continuous improvement is a common characteristic of development processes at any organisations. The step-by-step implementation of new systems is a crucial element to achieve long-term success. The organisation defines its objectives, then the processes related to them, the necessary actions, and at the end of each turning point of a period, it evaluates the results, includes the lessons learned to the following tasks or if necessary, changes the processes based on experiences. Sustainable development is not an exception. Moreover, as this concept requires a completely new approach from companies compared to traditional thinking, the development process and the implementation phase require even more attention and careful consideration.

Integration, therefore, is a step-by-step process, which can be divided into three main stages:

- the foundation, including the preconditions of real actions and change like commitment, learning and the appearance of behavioural change;
- partial integration, denoting the integration of the principles either to the organisation's own processes or to the conditions of cooperation with other organisations
- full integration, including the foundation, the company's own processes and its expectations from external stakeholders (other organisations)

Laying the foundation – change in traditional thinking

The commitment of the company and its management is the first step in the integration process. Programmes and processes are not changed, but objectives are already defined and more attention is paid to those activities that support outstanding social or environmental

issues. After a short period of time, more and more activities are initiated supporting environmental and social issues which are of outstanding importance for the company. Therefore, a company may focus on climate change, ethical issues, working conditions or on corporate giving. Although it can be considered already a major change, it is still part of the first steps on the way towards integration. Objectives are defined separately, and programmes generally outline only one pillar without taking into account the other two. In corporate giving for example, the company is mainly involved in sponsoring events or activities that are closely related to its activity (prevailing factor is economy) without taking into account the real need of the society or focuses only on charitable donations (prevailing factor is society) forgetting about its own concerns.

This phenomenon is mainly due to the way of thinking still attached to "old traditions" considering only one objective – economic, financial, environmental or social – at a time. Moreover, it is strongly related to the fact that traditional thinking regards environmental and social issues as interfering factors with the profit-oriented character of a company. Consequently, the initiation of organisational learning, knowledge building and behavioural change as they relate to sustainability are fundamental elements in bringing considerable change.

Partial integration – internal or external processes

Partial integration can only be achieved, if the company really believes that the quality of the natural environment and the living conditions in society deeply impact its long-term business success. In addition, decision-making should be already based on diverse objectives, taking into account different (economic, environmental and social) factors at an appropriate level.

Partial integration denotes the implementation of one of the following two processes. Sustainability is applied to the activity of the company itself, meaning that corporate giving processes, the related strategy and targets are based on its principles. As an example, the decision of „who to support” is based on social, environmental and economic considerations including the needs of the most important stakeholders. As a result, the categories may include children's health, young

talents, local cultural initiatives, the safeguarding of national values and so on, depending on the company's operations, the local economic and social situation, or hot-topics among others. Of course it is not enough. The other issue is "how to support", covering the company's own processes in giving from planning to evaluation. To achieve success, the usage of "normal" way of project management is a precondition, which is often a missing factor in corporate giving activities, as they are not regarded strategically and as a business activity. Planning, implementation, monitoring and evaluation: the missing of any of the items of this cycle may hinder successful integration.

The other process of partial integration is the application of sustainability principles into partnerships, meaning that the company expects the consideration of the three pillars from other organisations connected to the company (receiving support, common programme etc.) in corporate giving. This may include the compliance with the company's Code of Ethics, the improvement of the organisation's programme and also other conditions related to the operations of the partner depending on the nature of the organisation and its programme. In this case, the company has to, of course, closely follow (monitoring) the activity of its partner and require regular reporting on results.

Full integration – sustainable corporate giving

Full integration is the result of a long-term development process. It includes the preconditions of commitment, the change of behaviour and thinking, the sufficient knowledge of sustainability of all employees but also requires an important change in the external environment of the company (regulations, the behaviour of the society and their expectations, general business thinking etc.).

Examples to the principles guiding sustainable corporate giving within the company:

- Sufficient knowledge and new behaviour of employees and the management
- Objective to contributing mainly to the solution and not to the discussion when providing support to external organisations

- Application of the project management process cycle
- Change in decision-making processes including different factors taken into account
- Inclusion of economic, environmental and social considerations to the whole activity at the maximum possible level
- Development or support of programmes creating value for the company and for other stakeholders at the same time. (stakeholder perspective)
- Respecting rules and standards by the company and its partners

Full integration covers therefore the fulfilment of basic preconditions and also the application of both processes described in the partial integration paragraph supported by the change at other organisations and in the society as a whole (mutual understanding and action).

MOL Group Green Belt Programme

The Green Belt Programme is of outstanding importance not only because it is a long-term and carefully planned programme supporting local environmental initiatives, but also because it was developed as a pilot programme fully integrating sustainability principles „cradle-to-grave" in 2005, already one year before the initiation of the Group-level sustainable development strategy.

The purpose of the environmental programme is to increase the size of green areas (minimum 1500 m² is required for each application) as a result of local community action applying environmentally friendly solutions and to strengthen public environmental awareness.

Under the umbrella of this programme, 233 successful applicants could already develop green areas with the participation of thousands of volunteers in Hungary, Slovakia and Romania between 2006 and 2008. MOL contributed to these initiatives with almost HUF 100 million regionally as a direct financial support but the social value generated by the programme exceeded HUF 300 million in total.

Beside financial support, MOL has also launched the MOL Green Belt Award in 2007. The prize was designed by a student of Moholy-Nagy Art University and is given each year to that community

which creates the nicest green area in the most efficient and environmentally friendly way.

Although, this initiative is undoubtedly exceptional, the purpose of protecting the environment alone does not mean automatically that a programme fulfils the requirements related to sustainability. Therefore, at the planning of Green Belt, Corporate Communications decided to integrate the principles into its own processes as well as to the content and to the expectations of the programme defined for applicants.

Integrating the social pillar

The social pillar covers basically stakeholder involvement, the inclusion of stakeholder needs and ethical issues. To satisfy these expectations, Corporate Communications decided first to involve an experienced non-profit organisation to the planning, developing and implementation phase to establish an unparalleled co-operation between an NGO and a profit-oriented organisation. Environmental Partnership Foundation was selected as a partner, because of their experience in environmental issues, tendering, working with local communities and also because they have a similar regional operation as MOL Group. A separate, independent Committee was set up, including independent experts to select the best applications each year. Secondly, local communities were defined as target groups to be supported, being one of the most important stakeholders for the company (MOL is connected to hundreds of communities through its fuel stations, facilities etc. – mostly to small ones), meaning that they are significantly affected by the operations of the company.

Thirdly, the revival or development of green areas is an important issue for small communities; they need professional help and financial support. In addition, the quality of their everyday life significantly depends on the quality of their surroundings. The Green Belt Programme contributes as well to knowledge-building, awareness-raising and to the strengthening of community cohesion. Applicants are also asked to involve the highest number of community members (schools, inhabitants, the municipality, non-profit organisations, etc.), to participate as volunteers in the actual work. Selected green areas should function as public places which any community member can have access to.

Finally, the Foundation is expected to comply with the rules related to ethical behaviour (human rights, equal opportunity, transparency, corruption, environment, etc.) defined in MOL Group Code of Ethics.

Economic and financial issues

Corporate giving is a special activity area in business, as the company provides financial support to carry out an activity or implement a programme which is not related to its core business (cultural events, health, sport etc). Therefore, it is different from „normal“ investments and cannot be compared either to procurement activities. On the other hand, the company should pay attention to the efficient use of its financial resources, just as in investment or procurement.

Although this programme is a donation, a charitable contribution to communities, meaning that MOL Group cannot prescribe to applicants (it is not a contractual cooperation) how they should spend the money they receive, financial efficiency remains a priority for the company. MOL has objectives to achieve by this programme; its donation activity is not simply financial support.

The company expects its partner, the Foundation, to use MOL resources in an efficient way: minimize the administrative and operational costs related to the organisation of the programme and also closely follow the activity of communities from a financial point of view. Therefore, applicants are asked to present a detailed plan before starting implementation and also report on their expenses at the end of the programme. The Foundation in turn has to report to MOL about its annual activity and operational costs as well.

Beside the participants, Corporate Communications pays attention to the efficiency of its own processes as well. On one hand, the annual budget of the programme should be appropriate and sufficient for the achievement of its objectives, but not more than that. The programme should support outstanding initiatives to be carried out, but only those. On the other hand, each year, the programme is evaluated from a financial point of view: comparing objectives and the quality of results to the quantity of investments the company has made.

Finally, MOL, as a corporate citizen, is influenced by its surroundings, the quality of life of the local community, the local economic situation. Companies do not function in isolation from the society surrounding them. In fact, their ability to compete depends heavily on the circumstances of the locations where they operate. Increasing awareness or improving education, for example, is generally seen as a social issue, but the knowledge or educational level of the local inhabitants substantially affects a company's potential competitiveness. The more a social or environmental improvement relates to a company's business, the more it leads to economic benefits as well.

Environmental protection

The third pillar of sustainable development is of outstanding importance and a priority for MOL Group, as the company has a significant impact on the environment resulting from its core business operations. Therefore, MOL's Green Belt Programme focuses primarily on the development of green areas. In addition, participants should use environmentally friendly products and processes in their activities, plant native trees or plants, and can install, for example, selective waste collection bins.

The participation of local people as volunteers contributes also to the increase of environmental awareness in the community, as well as to the increase of their knowledge of local flora and fauna.

Although the scope of the programme is quite small, the expansion in size of green areas contributes to the fight against climate change – a strategic issue for MOL Group – especially through awareness-raising.

Improvement opportunities and future plans

Each year, Corporate Communications evaluates the results of Green Belt Programme and includes all the lessons learned to the plans of the following year. Evaluation includes financial efficiency, the review of the usefulness and applicability of processes, the achievement of the company's and the programme's objectives and the feedback of stakeholders.

The evaluation of the last-year programme has revealed that on one hand, Green Belt has become a well-known initiative among small communities, it had unexpected success and results but on the other hand it still needs some "refreshment". Its content and related expectations necessitate revision, completion as well as broadening and ethical requirements should be even outlined further and strengthened for all affected parties. In addition, as an interesting point of experience, all outstanding applications could be supported at the adequate level in the past years, so no change is necessary in financing.

The planning phase for the 2009 programme arrives to its final stage. Lessons learned made us possible to integrate sustainability principles even better to the programme. As an example, MOL employees will be involved as volunteers and work together with local communities to help them create an improved green area, to share experiences and to establish better relationship with them.

Our objective now is to take advantage of the experience with Green Belt, realise further synergies and greater efficiency by continuing the integration process related to other corporate giving programmes of MOL Group.

Revised by: I. Szabolcs Ferencz

