

# CIB Group Sustainability Report 2009

Alternate  
Report Evaluation  
Golden grade

The working process



Prepared by Alternate Kft.

1 October 2010

## The assignment

Alternate Consulting (Alternate) was assigned by the CIB Group to carry out the following tasks based on the Golden grade of Alternate's report evaluation system:

- ❖ the professional assurance of the 2009 Sustainability Report, including:
  - an assessment of the Report from the aspect of fulfilling the GRI requirements, including the principles;
  - the confirmation of the credibility of the data and information included in the Report;
  - the assessment of the data collection processes;
  - the assessment of the transparency of the Report;
  - an expert opinion and recommendations for development.
- ❖ the Expert Panel evaluation of the 2008 Sustainability Report and the formulation of expectations regarding the 2009 Report,
- ❖ the Expert Panel evaluation of the 2009 Sustainability Report:
  - the assessment of the fulfilment of the preliminary expectations;
  - recommendations related to the focus of the abstracts for the clients and employees.

This engagement has been performed in accordance with the GRI G3 Guidelines based on a check against the principles and expectations included in it.

**The assurance of data, information and processes**

The engagement was carried out by Alternate’s CEO, Katalin Urbán Senior Consultant. The goals of the process were the random sampling of the data and information included in the Report, the assessment of data collection procedures, the check of the Global Reporting Initiative (GRI) Application Level declared by CIB Group based on the GRI G3 Guidelines and the formulation of expert recommendations for potential improvements.

The steps of the process are presented below:

	Task	Methodology	Schedule
1.	The assessment of the Report regarding the fulfilment of the GRI requirements	The assessment was carried out covering all principles included in the G3 Guidelines by checking questions and the analysis of all of them individually. The assessment of the application level was carried out based on the detailed analysis of all indicators covered in the GRI Index of the draft version of the Report dated 01.06.2010. The results of the analysis and the necessary modifications were summarized and presented to the Client in the "Preliminary Assurance Report".	Beginning of June 2010
2.	Data and information credibility analysis and the evaluation of the data collection processes	Based on the draft version of the Report dated on 01.06.2010, the following interviews were determined as necessary: <ul style="list-style-type: none"> <li>- Sándor Tóth, president of the Trade Union and Workers' Council</li> <li>- Andrea Hemrichné Hollósi, head of procurement</li> <li>- András Árva, head of individuals segment management</li> <li>- Ádám Szinai, head of CSR and internal communications</li> <li>- Dr. Tamás Palotás, team compliance manager</li> <li>- Ferenc Simity and Ildikó Heckmann, business analysts (environmental data)</li> <li>- Zoltán Kulcsár, training coordinator</li> <li>- Erika Vörös, head of credit risk policy</li> </ul> The following data collection systems were assessed: <ul style="list-style-type: none"> <li>- „facility management” software</li> <li>- the registry of trainings</li> <li>- the registry of suppliers (SAP)</li> <li>- the on-line registry of fuel suppliers</li> </ul> The following documents were reviewed: <ul style="list-style-type: none"> <li>- CIB Group’s 2008 Sustainability Report</li> <li>- CIB Group’s 2009 Financial Report</li> <li>- the Intesa Sanpaolo Code of Ethics</li> <li>- CIB Group’s Code of Conduct</li> </ul>	10 <sup>th</sup> , 11 <sup>th</sup> and 15 <sup>th</sup> of June 2010
3.	Assurance Report	The results and the necessary modifications were presented to the Client in the "Assurance Report" including the expert recommendations for future development.	Beginning of July 2010

## The Expert Panel

In this chapter, the selection of the members and the working process of the Expert Panel applied in the assurance of CIB Group's Sustainability Report for the financial year 2009 is discussed in detail.

### The set and reached goals of the Expert Panel

The goal set out by the Expert Panel was to develop and enrich the assurance process of the Sustainability Report by the following aspects:

- ❖ The channelling of the interests, aspects and opinions of the stakeholder groups into the Report by representative experts, having inside knowledge in these groups;
- ❖ The improvement of the quality of the Report by incorporating the viewpoints of experts skilled in the fields of sustainability, CSR, non-financial reports and CSR-communications;
- ❖ The improvement of the quality of the Report by the fact that the Expert Panel provided its opinions and formulated its expectations at two points during the report preparation process;
- ❖ The increase in transparency by the fact the Expert Panel did not only serve as an ad hoc stakeholder discussion for one specific element, but as an opinion-forming panel as part of the public assurance statement.

The goals set were reached meeting the preliminary expectations according to the consultant company, the experts and the CIB Group associates involved in the report preparation as well.

### The selection of the experts

The preparation of the list of potential experts preceding the actual approach of the experts included the following aspects. Our aim was to involve the following types of persons in the Panel:

- ❖ an expert in sustainable development and CSR who possibly has practice in sustainability reporting and CSR-communications;
- ❖ a communication expert working in the fields of company reputation, image and recognition;
- ❖ a person that has a practice in and is an expert of the banking sector with a potential knowledge in the macro level of the financial sector (such as social needs, problems and issues);
- ❖ an expert who can represent the following prime stakeholder groups: employees (for example trade union, workers council), suppliers and the media;

- ❖ an expert who is familiar with the Hungarian economic arena, the operation of companies, the best practices in sustainability and CSR and the leadership companies in these fields;
- ❖ an expert in transparency, legal and ethical corporate operation;
- ❖ an expert whose business and other relations to CIB Group make it possible to formulate an opinion in an objective, independent, honest and open way.

Based on the above criteria, the following table shows the composition of the Expert Panel involved in the assurance of CIB Group's 2009 Sustainability Report. The short introduction of the experts is included in Annex 1.

	Name	Position	Organization	The reasoning behind the approach and role played in the work of the Expert Panel
1	Kincsó Adriány	Executive Director	Hungarian Business Leaders Forum <a href="http://www.hblf.hu">www.hblf.hu</a>	She is familiar with the CSR activities of companies and leadership companies, and works in the civil sector.
2	Viktor Bálint	Publisher	Figyelő Group, Sanoma Budapest Zrt. <a href="http://www.sanomabp.hu">www.sanomabp.hu</a> <a href="http://www.fn.hu">www.fn.hu</a>	He is an expert in media, economics and finance, and the director of an economic magazine.
3a	Péter Paál	Country General Manager	IBM Hungary Kft. <a href="http://www.ibm.hu">www.ibm.hu</a>	He is the representative of a supplier, employer, and a leader of a company participating in CSR projects.
3b	Andrea Sarudi (deputy for Péter Paál in the second Panel)	Program Manager Environmental Affairs	IBM Hungary Kft. <a href="http://www.ibm.hu">www.ibm.hu</a>	She is the representative of a supplier and an expert in environmental issues.
4	Dr. Péter Szeles	President	Hungarian Public Relations Association, <a href="http://www.mprsz.hu">www.mprsz.hu</a>	An expert in reputation management and communications, and is familiar with CSR issues.
5	Silvia Szendrey	Executive Director	Joint Venture Association <a href="http://www.jointventure.hu">www.jointventure.hu</a>	She is familiar with the economic arena and the banking sector, and an expert in economics and transparency.
6	Judit Sz. Pap	Member of the Board of Trustees	Foundation for Financial Awareness <a href="http://www.mnb.hu">www.mnb.hu</a>	She is an expert in banking and financial education.
7.	Mária Tölgyesi	Deputy President	Workers Council, CIB Group	She is a representative of employees, and an expert in banking.
8.	Katalin Urbán	CEO	Alternate Consulting Kft.	She is an expert in Sustainability and CSR reports, as well as GRI.

The panel meetings were facilitated by Mandy Fertetics, CEO of Alternate. As an expert in the fields of sustainability and CSR and also as an economist, she contributed to the effectiveness of the Panel.

The following experts were also approached but declined the participation with the explanations below:

- ❖ György Pataki, expert in sustainable development, Szent István University and Corvinus University, Budapest → could not take part due to being abroad
- ❖ Eszter Chikán, communication associate, The Central Bank of the Republic of Hungary → due to the characteristics of the institution, it is not possible for her to take part in the evaluation and processes of a bank
- ❖ Noémi Alexa, Managing Director, Transparency International Hungary → as a strategic decision, they do not take part in evaluations and assurance processes; she is also the member of several boards evaluating sustainability reports, that could create conflicts of interest
- ❖ István Binder, spokesperson, The Hungarian Financial Supervisory Authority → the regulations of the Authority exclude the possibility of these types of activities (formulating opinions and participation in assurance processes)
- ❖ Gábor Liszkey, Director and Chief Editor of Magyar Nemzet, a Hungarian newspaper → could not undertake the task due to his other engagements
- ❖ István Fekete, President, Joint Venture Association → could not undertake the task due to his other national and international engagements

### The process, the operation method of the Panel and the methodology

The following table shows the phases and tasks of the Expert Panel, indicating the scheduling as well:

	Task	Methodology	Schedule
1.	Commitment, the comprehension of the task, contracting	Individual agreements	Beginning of March 2010
2.	The evaluation of CIB Group's 2008 Sustainability Report and the formulation of preliminary expectations based on this Report	An evaluation protocol was prepared by Alternate and agreed upon with CIB Group associates. The protocol was based on the GRI principles as well as the expectations and goals regarding the 2009 Report declared by the CIB Group. All experts provided their responses in writing.	25 <sup>th</sup> -28 <sup>th</sup> March 2010
3.	The first meeting of the Expert Panel	During a 2-hour meeting, the summarized evaluation results were presented and opinions were confronted through a facilitated discussion. Controversial issues (in case of big contrasts in answers or exceptional responses) were discussed. The results and findings of the Panel were summarized by the assurance company, Alternate for CIB Group, as CIB associates could not take part in the Panel to ensure the free formation of opinions and open communication. One member of the Expert Panel could not take part due to vis maior.	16:00-18:00 29 <sup>th</sup> March 2010

	Task	Methodology	Schedule
4.	The evaluation of CIB Group's 2009 Sustainability Report	Another evaluation protocol was prepared by Alternate (and agreed with CIB Group) based on the preliminary expectations. The draft Report delivered was 95% ready and approved. All experts provided their responses in writing.	18 <sup>th</sup> -23 <sup>th</sup> June 2010
5.	The second meeting of the Expert Panel	During a 2-hour meeting, the summarized evaluation results were presented, controversial issues were discussed and opinions were confronted through a facilitated discussion. The representatives of the Client who participated in this meeting had the possibility to ask clarifying questions, react to worries and expectations personally and give explanations. During the meeting, experts agreed on the description of the working process and formulated the draft version of the preliminary evaluation to be incorporated into the Assurance Report. One panel member (Péter Paál) could not take part, asking his competent colleague (Andrea Sarudi) as a deputy.	13:00-15:00 29 <sup>th</sup> June 2010
6.	Final Report and the Final Assurance Statement	The assessment of the final version of the Report approved by the Executive Director. The final form and wording of the statement was approved based on the modified summary prepared by the consultant.	8 <sup>th</sup> August 2010
7.	Finalization	The Report made up and prepared for printing was checked by Alternate and the final Assurance Statement was published.	1 <sup>st</sup> October 2010

Regarding the work of the Panel, we aimed for the strongest possible enforcement of sustainability aspects during the organization as well: minimizing printing, using only recycled paper, serving only fair trade drinks and foods from biological farming during the meetings, choosing a meeting point in the downtown area to ensure the possibility of using public transportation. The first meeting was held at the Headquarter of CIB Group in Medve Street, previously agreed upon by all experts (to make sure the location was accepted by all of them). The second meeting was held at the Center for Independent Journalism.

### Independency, impartiality and fees

The Sustainability Reporting Guidelines of the Global Reporting Initiative covers the fulfilment criteria for the experts carrying out report assurance and verification. However, the criteria of independency are not discussed in detail, leaving the interpretation to the ethical norms of the Client and the organization carrying out the assignment. Our interpretation of the fulfilment of these criteria can be found in the attachment.

In case of Alternate, independency is ensured by the fact that as an independent third party it has no financial dependencies on CIB Group beyond the scope of this engagement and it also fulfils the key quality requirements for external assurance listed in the GRI Guidelines.

In case of the **Expert Panel**, the criteria of independency cannot be interpreted in an absolute and objective way. To this end, we set out the connected goal and gave the experts free ground to determine the basis of their "sense of independency".

Independency is important so that the experts and assurers are capable of formulating opinions in a free, honest and critical way and their opinions are not affected by their own interests that may be determined by their relations to the CIB Group.

To this end the "sense of independency" was ensured by the following tools:

- ❖ The written evaluation and the issues discussed at the first panel were collected in an anonymous way and CIB Group only received the accumulated data through the Consultant.
- ❖ Knowing the task and our expectations, when approached, the experts individually considered their possible relations to CIB Group. During telephone conversations it was discussed if these relations make it possible to formulate free and honest opinions.
- ❖ The experts were offered symbolic fees (40 thousand HUF + VAT) to avoid "free brain drain". However, all experts were free to decide whether to accept the fee and choose the form of remuneration. Based on the above, the experts were remunerated in the following ways:
  - In the cases of Kincsó Adriány and Silvia Szendrey the non-profit associations they are representing invoiced for the fee;
  - Viktor Bálint and Dr. Péter Szeles: received the fee through a service contract;
  - Judit Sz. Pap, Péter Paál and Andrea Sarudi were carrying out the task Pro Bono and did not accept the offered fee, ensuring further independency in the process;
  - Mária Tölgyesi: in line with CIB Group's compliance system, no remuneration was accepted;
  - Katalin Urbán and Mandy Fertetics: their work in the framework of the panel is a part of the assignment for the full assurance process.



## Annex 1. The short introduction of the experts participating in the report assurance process



Katalin Urbán is an environmental engineer, specialized in legal environmental issues and has several years of industry experience. Later, she focused on the civil and consultant viewpoints of the challenges of sustainable development. Her name is connected to the first Hungarian sustainability report. She used to be a member of GRI's Stakeholder Council and she is the most prominent national expert in the application of the GRI Guidelines. As the CEO of Alternate, she coordinates the services connected to report preparation and the application of the GRI Guidelines (performance evaluation, report writing, the evaluation of reports). She was the project manager of this assurance assignment.



Mandy Fertetics is an economist who may be familiar as a civil, consultant, researcher and trainer from the past years. Having extensive experience in the field of CSR, she is responsible for CSR trainings and research within Alternate and also takes part in assignments connected to process consulting. She also has experience in the planning and realisation of stakeholder discussions and the assurance of sustainability reports. She has been employed as the sustainable development manager of the Dreher Breweries Zrt since the 3<sup>rd</sup> of May 2010. As CEO of Alternate and as a sustainability expert, she was responsible for the Expert Panel during the assurance process.



Kincső Adriány is an economist, and the Executive Director of the Hungarian Business Leaders Forum (HBLF). HBLF is a non-profit organization, with national and international member companies committed to responsible operation, as well as leading business persons and recognized experts. The mission of HBLF is to integrate corporate social responsibility and the principles of sustainable development into the everyday business practise. HBLF has launched several successful initiatives under her supervision: the ROMASTER Program – A program for future Roma leaders (currently supported by 17 companies mentoring 43 Roma students), the HBLF for Diversity program series – for the promotion of equal opportunities at the workplace, The Financial Summit series aiming for "Putting Hungary on a path of growth". HBLF has been successfully encouraging its member companies to carry out intersectoral cooperation towards sustainability. As a member of the expert panel, she represented the interests and experiences of leadership companies in the national economic arena, as well as civil expectations.



Viktor Bálint is the Publisher of the Figyelő Group at Sanoma Budapest Zrt. He joined the editorial office of Figyelő in 1998 as an economist and was a founding member of the editorial office of FigyelőNet in 2000 as a journalist. After a short detour, he went back to work at the Figyelő office in May 2003 becoming the chief editor of FigyelőNet in February 2004. He has been filling the position of Director since 2006, mainly dealing with business publications, one element of his portfolio being Figyelő Group. As an expert in business communications, he considers CSR as an outstanding issue. With the Figyelő brand, he has participated in several projects in this field, such as content development, conferences and separate publications. In the assurance process, he was a member of the Expert Panel, representing the expectations of the national media sector and business journalism. He also contributed to the expert evaluation by providing his expertise in economics and finance.



Péter Paál, is the Country General Manager of IBM Hungary Kft. He graduated as an electrical engineer. After filling several national and international positions at IBM, he became the Country General Manager of IBM Hungary Kft. For almost 100 years, IBM has been committed to social goals, innovation, sustainable development and environmental protection, also apparent in the Hungarian operations of over 74 years. The company aims for responsible operations and cooperation in the social and economic environment it operates. It is an outstanding sponsor of the HBLF participating in several workgroups within the forum and was a founding sponsor of the Romaster program. Apart from supporting the socially disadvantaged, another outstanding issue is the improvement of the living conditions of the disabled and maintaining education connections. He participated as a supplier of the CIB Group in the assurance process, representing the interests and expectations of suppliers and national companies. He also contributed to the expert evaluation by providing his expertise in management.



Andrea Sarudi is an environmental engineer. After filling environmental and health and safety positions in the production units of IBM for almost 10 years, she joined the corporate-level organization of IBM's environmental management in 2005. She is responsible for environmental issues in Central and Eastern Europe, the Baltic States and the Russian Federation. She especially deals with ISO 14001, environmental performance evaluation, location auditing, the evaluation of suppliers and waste management. She was a deputy for Péter Paál in the second Expert Panel, representing the interests of suppliers, companies and environmental management based on her competencies and experience.



Dr. Péter Szeles is the President of the Hungarian Public Relations Association. He graduated as an economist and he is a father of two sons. He has over ten years of professional practice as an advertising expert of several companies and also many years of experience in public relations. In 1984, he gained a doctoral degree in communications theory with a "Summa cum laude" at the Budapest University of Economics. He was the founder and teacher of the training programme in marketing communications at the University. Before founding his own PR agency, he worked at Young & Rubicam Hungary as production director. Currently, he is an Associated Professor of the Hungarian Business School in Social Communication and Media Science Department and a recognized PR consultant. He is the founder and a life member, as well as the re-elected president of the Hungarian Public Relations Association. He is also a member of the Public Relations Society of America (PRSA) and the Educational Academy of PRSA. He participated in the assurance process as a representative of the CSR communications profession and also contributed to the expert evaluation with his experience in recognition management and education.



Silvia Szendrey, Executive Director of the Joint Venture Association. The organization was established in 1986 with a main goal of serving as "a representation of foreign and national investors' interest", aiming for the continuous improvement of the economic and investment environment and increasing the competitiveness of investors. The most important of its goals and activities is representation of interest, manifested on the one hand in expressing opinions preceding the codification and the approval of modifications of laws and orders, and on the other hand in the remedy of problems of members. These activities are carried out supported by the Association's own professional knowledge and qualified experts. The most outstanding of these goals are the CSR activities. The Association participates in the most significant national economic forums. István Fekete, the President of the Association is responsible for CSR issues in one of the most important of these forums, The Economic and Social Council, where the professional work is taken care of by the Secretary, similarly to the role in the „Whitening Council". She participated in the assurance process representing organizations of professional interest representation, also contributing to the expert evaluation by providing her experience in economic whitening, transparency and the financial sector.



Judit Sz. Pap is a member of Board of Trustees at the Foundation for Financial awareness and the leader of the Center of Financial Culture of the The Central Bank of the Republic of Hungary. Between 1987 and 2002 she worked as an economist in the business sector, mainly in positions of bank analyst, treasury and management. Currently, she is active as a university seminar manager and opponent. She has been working in The Central Bank of Hungary since 2002 dealing with financial stability issues until 2007. She was assigned as a leader of the bank's distinguished Finance Culture project in 2007 with tasks of elaborating a strategy for the development of financial culture and the execution of several financial educational programs. As a member of the curate, she takes an active role in the work of the Foundation for Financial Awareness, established in 2008 by the Central Bank of Hungary. In the assurance process she participated as an expert of social financial education, as well as the needs and tools of shaping financial attitudes. She also contributed to the expert evaluation by providing her expertise in the financial sector and the Hungarian economy.



Mária Tölgyesi is the Deputy President of the Workers Council at CIB Group. She started working at CIB Bank Zrt in 1983, after graduating at the College of Commerce. She also finished the University of Economics while already working at the Bank. Currently, she is the leader of Foreign Currency Transfer and Document Operations. After the establishment of the Workers Council in 2009, one of the first tasks was the negotiations on the conditions of collective redundancy. The 2009 crisis affected the operations of the Bank as well. It was extraordinarily important to recognize the values to follow. As the Deputy President of the Workers' Council, she considers that CSR is especially important during the crisis. She participated in the assurance process representing the interests and expectations of the workers. She also contributed to the expert evaluation by providing her expertise in the financial sector.

## Annex 2. Alternate's fulfilment of the criteria for external assurance included in GRI G3 Guidelines

The criteria for external assurance are determined by the GRI G3 Guidelines. Alternate meets all these requirements as follows. The assurance process

- ❖ is conducted by groups or individuals external to the organization who are demonstrably competent in both the subject matter and assurance practices;

*Alternate's experts have a total of 15 years of professional experience in the fields of CSR and sustainability reporting. Katalin Urbán has participated in the preparation of almost 20 reports and also in the assurance of four reports. She used to be a member of GRI's Stakeholder Council.*

- ❖ is implemented in a manner that is systematic, documented, evidence-based, and characterized by defined procedures;

*Alternate's evaluation system is composed of pre-defined elements; the assurance process is documented and verifiable.*

- ❖ assesses whether the report provides a reasonable and balanced presentation of performance, taking into consideration the veracity of data in a report as well as the overall selection of content.

*Alternate's evaluation system (apart from the Bronze grade, the check of the GRI Application level) assesses the data collection processes and the credibility of data and information.*

- ❖ utilizes groups or individuals to conduct the assurance who are not unduly limited by their relationship with the organization or its stakeholders to reach and publish an independent and impartial conclusion on the report.

*Alternate Consulting is fully independent of the CIB Group and has no financial dependencies on it beyond the scope of this engagement.*

- ❖ Assesses the extent to which the report preparer has applied the GRI Reporting Framework (including the Reporting Principles) in the course of reaching its conclusions.

*All grades of Alternate's evaluation system include the assessment of the fulfilment of the GRI Application Level and the detailed analysis of all declared principles and indicators.*

- ❖ Results in an opinion or set of conclusions that is publicly available in written form, and a statement from the assurance provider on their relationship to the report preparer.

*At the end of the evaluation process (except for the Bronze grade) a public declaration is published including our relations to the reporting organization and the principles and processes used, as well as the results of the evaluation.*



### Annex 3. Alternate's Report Evaluation<sup>®</sup> service

As a growing number of reports are published, it is increasingly important to prove that the information published is reliable, complete and relevant and appropriate to the expectations of stakeholders. Assurance and verification processes are tools for this. An element lacking in most of the traditional assurance processes is the assessment of the extent to which the report fulfils the information needs of the stakeholders and the assessment whether communication is bilateral in the report.

Alternate has elaborated a complex report evaluation system with three grades, assuring the credibility of the report in different depths and through different assessment processes:

- ❖ Golden Grade: the evaluation of an Expert Panel
- ❖ Silver Grade: Report assurance
- ❖ Bronze Grade: the assessment of the GRI Application level

The higher grades all include the elements of the lower grades. The main differences between the three grades are the following:

- ❖ The Bronze grade only assesses the fulfilment of GRI levels „A”, „B” and „C” (the existence of indicators, content index, declaration, etc.) while it does not assess any data. It qualifies as an external assurance of GRI Application levels but it does not allow the use of „+”.
- ❖ The assurance of the report assesses the data collection processes, checks data and information on a random selection and provides recommendations for improvements.
- ❖ The expert evaluation includes the opinions and the evaluation of several professional and CSR experts with the fulfilment of the expectations of stakeholders in focus.

The detailed contents of the individual grades are included in the following table:

Alternate Report Evaluation	Golden grade "Evaluated"	Silver grade "Verified"	Bronze grade "Checked"
GRI Content Index	✓	✓	✓
GRI Application Level	✓	✓	✓
Verification of data and information	✓	✓	
Data gathering process	✓	✓	
Transparency aspects	✓	✓	
Expert review	✓	✓	
Expert recommendations for development	✓	✓	
National and international benchmark	✓		
Evaluation by the expert panel	✓		
Stakeholder aspects and expectations	✓		
Expert panel recommendations for development	✓		

Figure 1 The grades and the contents of Alternate's report evaluation service

