

OUR APPROACH



VISION

Being Number 1, Staying Number 1 - Telekom.



MISSION

We make the digital world easy and place it at your fingertips. An easier, more diverse, more successful life for all.

CORPORATE STRATEGY

As a result of our focused strategic efforts, Magyar Telekom has maintained leading positions in its Hungarian fixed line, mobile, internet and ICT businesses in 2014, we successfully improved customer retention and delivered strong volume figures. We have also gradually extended our network and offered capabilities proactively leveraging on various partnering models as well.

We continue our transformation towards a diversified service company based on our strategic imperatives to innovate, grow and extend the core business—thus growing revenue while becoming a more agile organization. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio, increase process automation and online customer servicing. As an integrated provider we continue to deliver a unique customer experience, supported by our leading brand and best technology.

While anticipating new competencies required by the changing customer behavior, technological advances, and new business models, we aim to exploit our abilities to become a leader in all digital services around the home for both consumers and third parties. Our non-core areas, such as energy, e-health, finance and insurance services, support customer retention and new revenue streams.

Following our strategy enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities in an extended market of information and communications technology and related industries, which secures stable cash generation in the long run.

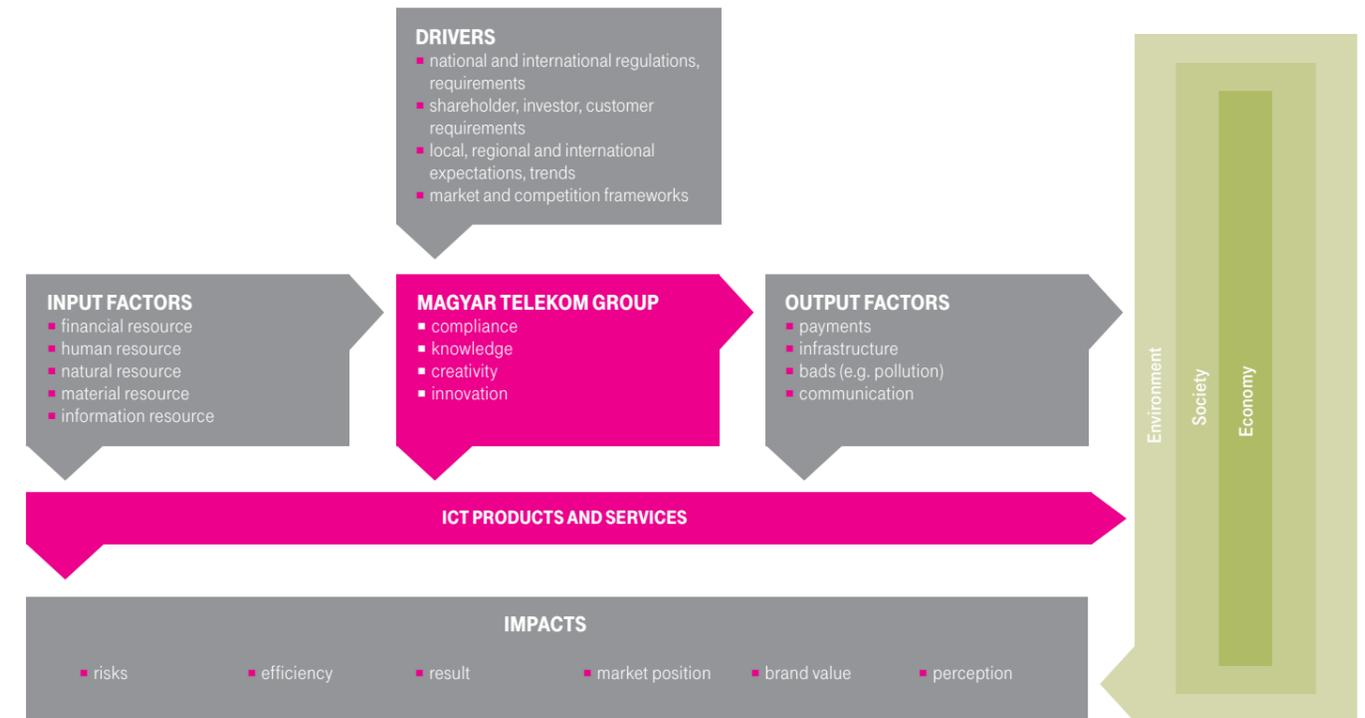
SUSTAINABILITY APPROACH

SUSTAINABILITY STRATEGY

Having realized the importance of sustainable development, as well as the fact that it is essential for future business activity, Magyar Telekom Group undertakes commitment,

responsibility that it will pursue its operation, corporate governance and activities in this spirit in Hungary, and in every other country where it has business presence or some form of cooperation. This is the key not only to the long-term success of the Group, but through its role in the region and through its services it also has positive impact on the society, environment and economy.

STRUCTURAL APPROACH OF SUSTAINABILITY



The figure below presents the complex relationship of the Group with sustainability on the triple pillar of environment-society-economy. We bore this in mind when developing the sustainability approach of Magyar Telekom Group, which centers around the following three guidelines, that are closely related and not implemented separately.

Sustainability values

Within the three dimensions of sustainability the following values characterize the sustainability tasks:

Economic dimension

- Company, integrity, transparency
- Vision, innovation
- Employees, team, dynamism
- Customer

Social dimension

- Democracy, information society
- Future generations, sustainable society
- Diversity, social solidarity, quality of life
- Partnership, talent, creativity

Environmental dimension

- Earth
- Livable, healthy environment
- Nature, biological diversity
- Natural resources

Sustainability permeates the entire texture of the organization, so it cannot be treated as the task of a specific organization unit. The tasks affect different areas of the Group, and often require the cooperation of distant units. Sustainable development is not a one-man challenge, it affects everyone in person.



The key objective of our Sustainability strategy is to make sustainability part of the identity of Magyar Telekom so as to earn competitive edge for the company in the long term.

Sustainability strategy 2011-2015

Key objective: To make sustainability part of the identity of Magyar Telekom so as to earn competitive edge for the company in the long term.

Vision: Magyar Telekom, as leading Central and East European infocommunication provider, enables also its partners to consciously participate in sustainable development, realized in the framework of hello holnap! initiative. In its everyday activities, the company takes committed, proactive and transparent actions to make sustainability part of its identity, and also to forge a competitive edge out of

it. With its forward-looking attitude, innovative and sustainable products and services, and with its responsible approach it creates possibility for the establishment of a renewed society and environment.

Approach: The priority issues of the new strategy have been determined on the basis of the performance of the past three years, the Dow Jones Sustainability Index and the study of the trends. In the new strategy it is our goal to convey more powerfully to the stakeholders our commitment to sustainability. This cannot be reached without new and ambitious objectives, pursuit of the best practices and powerful and well-targeted communication.

THEMES, KPI, TASKS, KEY AREAS OF SUSTAINABILITY



With the result of our Sustainability strategy, which will end in 2015, we'll start the development our new strategy. Basically we'll continue our current strategy but we'll update it with the international trends, main EU directives, stakeholder feedbacks and Magyar Telekom strategies.

- The key topics are:
- Climate strategy: ambitious emission reduction and energy efficiency
 - Simplified sustainable product portfolio, new generation sustainable products and services
 - Corporate diversity
 - Customer experience, community building
 - Digital inclusion
 - Sustainable procurement management process

KEY PRIORITY TASKS OF MAGYAR TELEKOM GROUP'S SUSTAINABILITY STRATEGY 2011-2015

Key priority KPIs till the end of 2015

- Brand management – focus: introduction, exploitation of the term of sustainability, category building
- Perception of the term of sustainability
KPI: population: 20%, employees: 80%
 - Magyar Telekom's sustainability perception
KPI: 10% of the population, 60% of the employees name Magyar Telekom as the most sustainable company

- Innovation management – focus: social and environmental innovations
- Social and environmental innovations
KPI: 10% of the R&D value

- Climate strategy – focus: gain reputation through meeting EU expectations, credibility and ICT applications
- Reduction of CO₂-emission
KPI: 25% by taking 2004 as base year
 - Broken down compared to 2010 together with the eco-efficiency objectives:
 - Electric energy consumption: -5%
 - Energy efficiency indicator: 48 Gbit/kWh
 - Green energy: 46 GWh
 - Gas consumption: -5%
 - Heating energy: -5%
 - Paper consumption: -30%
 - Fuel consumption of the fleet: -5%
 - Percentage of hybrid, electric cars among the vehicles of personal use: 6%

- Supplier standards – focus: sustainable supplier
- KPI: development of the process of a sustainable supplier chain

- Impact of telecommunications services – focus: sustainable competitive edge
- Increase revenue from sustainable services
KPI: 20% of the annual revenue
 - Sustainable products
KPI: their share in the portfolio: 25%

Status of the key priority tasks at the end of 2014

- Brand management:
- According to 2014 researches, the perception of the term 'sustainability' was 23.07% among the population and 71.7% among the employees.
 - Sustainability awareness of Magyar Telekom: population: 9.5%, employees: 73.8%.

- Innovation management:
- There was only one social and environmental innovation project in 2014, and we successfully completed it.
 - The T-City and the e-health projects continue to be important focus areas.

- Climate strategy:
- In 2014 our CO₂-emission was 86 528 tons, which is 36.1% down on the 2004 base year (139 691 tons).
 - As part of its overall energy consumption in 2014, Magyar Telekom purchased 34 GWh renewing energy. The Sustainability strategy targeted the use of 46 GWh green energy by the end of 2015.
 - In 2014 we have done carbon offset for the very first time, which we managed from the income of our bonus-malus system and we offset 2850 t CO₂. In 2014 T-System offset it's all emissions (14 285 t CO₂) and became carbon neutral.
 - We continued the Iszkahegy pilot project, which involved the installation of a vertical windmill and solar collector system on the transmission tower.
 - Percentage of hybrid, electric cars among the vehicles of personal use was 6.8% in 2014.

- Supplier standards :
- We implemented the sustainable supplier chain management process and introduced to the directive level. We'll start the process' pilot in 2015.

- Impact of telecommunications services:
- In 2014 Magyar Telekom generated 19.4% of its revenues in Hungary from sustainable products and services. (Last year the corresponding percentage was 15.9%.)
 - The product share is continuously changing thanks to the service simplification project, that is why we are focusing to enhance this ratio in 2014.



Crnogorski Telekom has been recognized as one of the leaders in the field of sustainability and Corporate Social Responsibility in the country. Corporate Communications and HR both have joined responsibilities, regarding strategy development and implementation of sustainability and CR initiatives and measures. Crnogorski Telekom believes it very important to have a structured approach towards sustainable development, and therefore we defined and adopted sustainability targets for 2014, related to 3 main strategy focuses: reduction of CO₂-emission, volunteering and selective waste collection.

To raise the awareness of the employees and motivate them to be engaged in the achieving sustainability targets and standards, two times per year, using local intranet pages, we communicate the following elements:

- The overall strategy including the action plan for 2014.
- Ongoing activities.
- Achievements in the previous period, related to 3 strategy focuses.

Reduction of CO₂-emission

Concerning energy saving, a lot was done in 2014, i.e. reduction of CO₂-emission by Technology area. Energy Savings Measures are constantly being improved and developed in order to further boost the subject activities. Crnogorski Telekom set the target to reduce CO₂-emission by 23% until 2020.

Volunteering

In 2014, Crnogorski Telekom supported the involvement of the employees in the following CSR activities:

- Blood Donation: third time in a row, the company organized a voluntary blood donation, in collaboration with the Center for Transfusion. During the last 3 years, around 100 colleagues were registered as voluntary blood donors in the company. Due to this, Crnogorski Telekom received the Award for the promotion of voluntary blood donation in 2014.
- Collection of redundant children's clothes and other charity actions for several groups.

- Guiding Principles Day in 2014 has been organized with the best participation rate ever. Over 600 employees took part in the organization of Food Fair and exposed their products at 8 exhibition places.
- 'Za svako dobro': brand new initiative which initiated a chain of personal and corporate responsibility for the well-being of the whole society and especially disabled and marginalized persons. On Crnogorski Telekom's call for proposals 70 various projects of this kind have been submitted. Crnogorski Telekom decided to provide a financial support for 5 submitted projects of a great social importance.

Selective waste collection

In 2014 we invested a lot of effort to further improve the achievements, and create the habits related to selective waste collection, by communicating international benchmarks and practices.

SUSTAINABILITY COORDINATION

The Group-level governance of sustainability activity in 2014 is shown in the table below. Group-level coordination continues to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). In the operation of the GSCC we discontinued the separation of strategy development and strategy management and returned to the earlier method of implementing sustainability activity on two levels:

1. Strategy development and management
Within the framework of the GSCC strategic concepts are developed, implementation of the strategy is managed, communications material is produced and the relevant contact with national and international organizations is managed.
2. Operative implementation level
Similarly to the earlier practice, the operative activities, tasks, data provision, etc are performed within the relevant organizations of the governance areas and business units.

The operation of GSCC follows corporate directives: Table of the rules regarding Magyar Telekom Group's sustainability activities, as well as the related scope of responsibility and authority of participants.

THE OPERATION OF THE GROUP SUSTAINABILITY COORDINATION COUNCIL

Scope of authority	Responsible
Definition of the activities' main direction, adopting decisions on major issues	Management Committee (MC)
Ensuring the conditions for and supervising the pursuance of the activities	Responsible top executive – Chief Human Resources Officer, Member of the MC (CHRO)
Adoption of decisions and resolutions necessary for operations, providing coordination forum for the completion of tasks	Group Sustainability Coordination Council (GSCC)
Professional control and management; harmonized fulfillment of tasks on Group-level; participation in professional activities in Hungary and abroad	Head of the GSCC – head of Corporate Sustainability Center
Fulfilling tasks of fields of responsibilities/units/affiliates, participation at meetings, reporting data, implementing the parts of operational tasks they are responsible for as defined in the annexes of the present directive	GSCC members
The top management of Magyar Telekom Group gave full power of responsibility for the implementation of the Sustainability strategy earlier approved by them to the Chief Human	Resources Officer. The Corporate Sustainability Center is responsible for the technical guidance of the implementation.



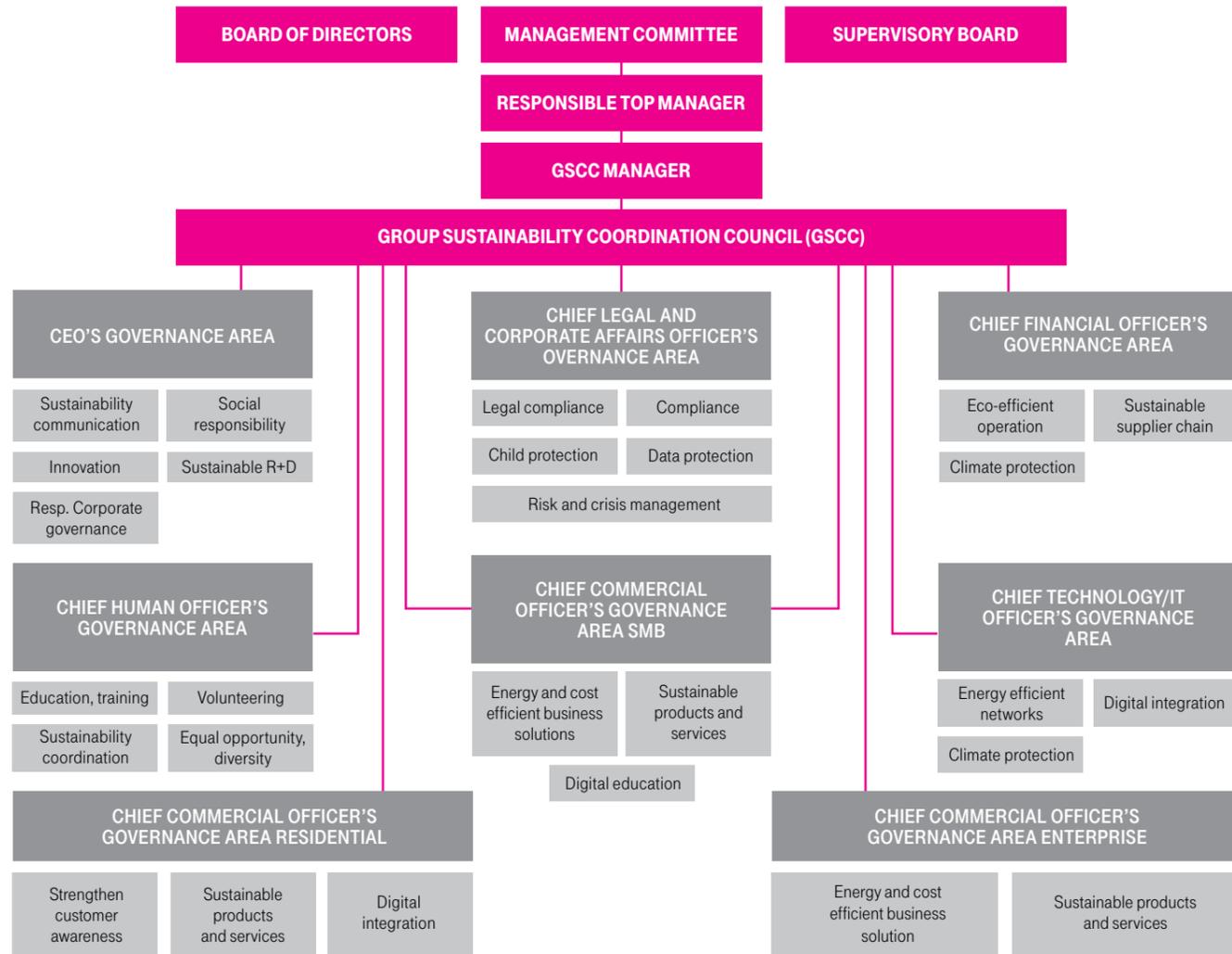
Magyar Telekom Group's top executives, the Management Committee (MC), receive a report at least once a year about the Group's Sustainability strategy fulfillment, and other current and significant sustainability activities, results, and upcoming risk and opportunities.

In the yearly report the MC has the possibility to get information about the sustainability trends in ICT and beyond, answer the feedback of the stakeholders and, based on these, modify the strategy (tasks, KPIs). The MC keeps contact with the stakeholders directly (e.g. General Assembly) or through the GSCC. Incoming requests arrive in the relevant areas, then critical enquiries about sustainability activities are forwarded directly by the GSCC members to the assigned directorates. According to the Group Directive the Sustainability strategy tasks are assigned to a Chief Officer, whose payable bonus is dependent on the achievement of 50% of the collective goals.

The GSCC is responsible for the yearly sustainability report, which is supervised by the responsible chief officer (CHRO). The professional management is lead by the Corporate Sustainability Center.

In 2014 the Chief Business Development Officer's governance area was discontinued and the Non-core business areas Directorate took over the role.

MANAGEMENT OF MAGYAR TELEKOM IN 2014 FROM THE ASPECT OF SUSTAINABILITY



Hierarchy of the sustainability activities

The hierarchy of the sustainability activities of Magyar Telekom Group has not changed recently, but the structure of the Group has, which can be followed in the annual sustainability reports. The Sustainability strategy, the regularly updated objectives and tasks derived from the Strategy are carried out after consideration of the Group's different policies, national and international trends (climate protection, electromagnetic fields, responsible content provision, etc) and the expectations set by our stakeholders (proposals made at round-table discussions and sustainability forums, e-mail comments, residential survey).

The GSCC has 4 meetings annually. Its responsibilities include:

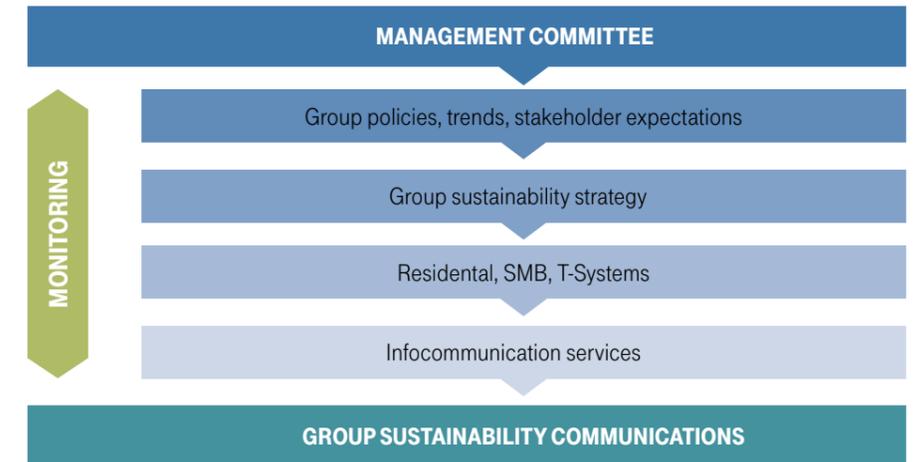
- regularly review and evaluate all proposals

- related to sustainability and send comments on them to the Board of Directors;
- monitor the development and implementation of the Sustainability strategy;
- supervise the progress in the strategic focus areas;
- review sustainability-related activities.

Based on the meetings, the Management Committee receives a yearly report on the Sustainability strategy and activities. The GSCC is responsible for solving sustainability incidents caused by our suppliers, and responsible for taking measures and reducing risks.

The Sustainable Supply Chain management process, developed to manage the risks affecting our business, covers all the sustainability (including environmental as well) activities related to suppliers.

HIERARCHY OF THE SUSTAINABILITY ACTIVITIES



All activities are supervised by the Management Committee on the basis of the regular reports provided to it. The Sustainable Supply Chain management process was developed to manage the risks affecting our business. The working group set up by GSCC manage the incidents arising and establish measures for the reduction of risks.

Regulation of sustainability activities, Group sustainability process, environmental coordination

The Sustainable management process covers the whole sustainability (including environmental as well) activities of Magyar Telekom Group.

GROUP SUSTAINABILITY PROCESSES, ENVIRONMENTAL COORDINATION



STAKEHOLDERS

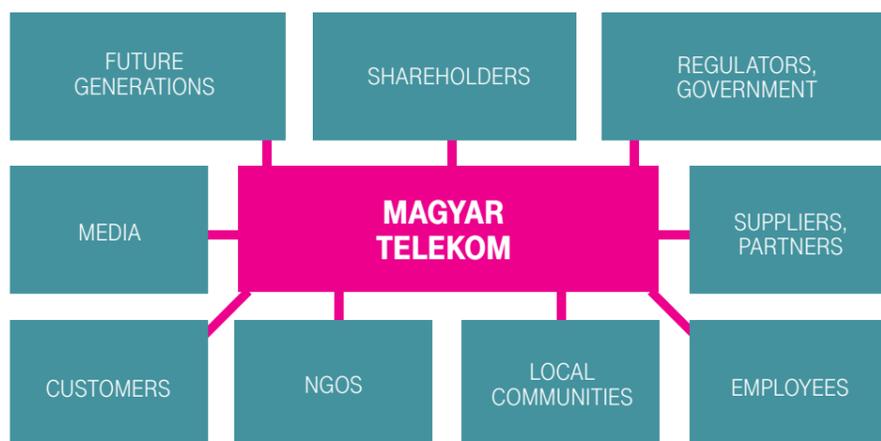
The stakeholders of Magyar Telekom Group include all those groups, which have an influence on, or hold an interest in the implementation of the objectives of the company. The company earlier identified its stakeholders through review of its management systems and benchmark studies, and keeps continuous contact with them to ensure that their

interests are taken into consideration in the course of its operations. Their opinion and critical observations about our sustainable activities are highly important to us. We had the opportunity to meet with them on several forums, surveys and personal meetings, and to demonstrate our sustainable activities and to discuss the upcoming tasks.



Our most important stakeholders are considered to be the investors, the customers, the employees, the regulators, the communities, the NGOs, the suppliers and partners, the media, and the future generations.

STAKEHOLDERS OF MAGYAR TELEKOM GROUP



In 2014, we organized the 15th Sustainability Roundtable, which aimed to hold an open dialogue to learn the expectations from Magyar Telekom Group and to discuss the problems raised, and also to provide an appropriate background for joint thinking and for cooperation in the building of a sustainable future, and also to present our sustainable results and targets. The 15th Roundtable meeting was held on September 3, 2014, where several topics were discussed – employment of disabled people, sustainable products, sustainability integrating into Magyar Telekom's identity, operation of Sustainability Media Club – by the participants.

The most important issues discussed with the stakeholder are contained in the memorandums of previous Sustainability Roundtables:

https://www.telekom.hu/about_us/society_and_environment/events

In the Sustainability report we generally refer to the available surveys and research but this time we also requested the stakeholders to express their opinion on two matters via filling in a survey sheet. On the one hand we wanted to know how much they find it important that Magyar Telekom works on the given topics of the Sustainability report and on the other hand we also wanted to know how much the information disclosed in the Report is interesting and useful for the stakeholders. Based on the answers we may conclude that in a scale of

1-5 the stakeholders think that the most important topics are climate protection, energy consumption, biological diversity, emission and the protection of children. According to the stakeholders the most interesting and useful topics are climate protection and energy consumption. Although the Sustainability report is primarily prepared for investors, taking into account the results of the survey, we pay increased attention to the topic of climate protection and energy consumption.

Stakeholder engagement

To have strong relations with the stakeholders is essential for the successful operation of the company. Some of the more important activities related to our key stakeholders, on which detailed information can be found in related chapters of the report:

- Shareholders**
Investor (and responsible investor) assessments
- Customers**
Sustainable products and services
- Employees**
hello holnap! club and points
- Regulators**
Legislative compliance, regulatory connections
- Local communities**
Digital Bridge, volunteering
- NGOs**
Sustainability roundtable discussions
- Suppliers**
Sustainable Supply Chain
- Media**
Sustainability Media Club
- Future generations**
Mobile School, sustainable innovations, hello holnap! mobile app

Stakeholder engagement frequency and highlights in 2014



Shareholders

Four times during the year 2014 the Chief Financial Officer presented quarterly results to the representatives of investors and professional financial journalists (27 February: Release of fourth quarter 2013 results; 8 May: Release of first quarter 2014 results; 7 August: Release of first half 2014 results; 6 November: Release of third quarter 2014 results).

On 15 April 2015 the Annual General Meeting was held, convened by the Board of Directors of Magyar Telekom Telecommunications Public Limited Company, at which 11 agenda points were discussed between the parties.

In 2014 we participated in six investor conferences and roadshows around the world (19-20 March: Citi European and Emerging Markets Telecoms Conference, London; 31 March – 1 April: UBS Roadshow, Paris;

9 April: Concorde Conference, Budapest; 10 September: HSBC EEMEA Investor Forum and Roadshow (analyst dinner), London; 8-9 October: Erste Conference, Stegersbach; 16-17 October: USA Roadshow). Magyar Telekom's top management and staff from the Investor Relations department spend 20–25 days abroad every year at various roadshows and conferences in the main centers of the financial world, where the vast majority of fund managers and investors are active. Around 150–200 meetings take place annually with investors and analysts.

Magyar Telekom also gives space on its website to satisfy the information needs of interested parties. Up-to-date information can be found in the 'For Investors' section about the corporation's strategy, financial situation (quarterly financial reports), general meetings, and dividend payments. The current listing of Magyar Telekom's

shares and all the information necessary to get in touch with the corporation are also available. The e-mail address and telephone number of the Investor Relations department can be found on the website, and members of the department respond to questions sent via e-mail as quickly as possible.

In addition to the above, the corporation assesses investor needs each year with the help of a questionnaire. An independent specialist firm is commissioned to prepare a so-called perception study, which assesses investors' opinions, needs and expectations with the help of a series of detailed questions asked to a representative sample. The summary presentation of the final results of the survey is prepared by the Investor Relations department, and presented at the meeting of the Management Committee.



Customers

On 12 November 2014 T-Systems Hungary organized a Symposium in the Budapest Congress Center for the third year in a row. It attracted a record attendance of almost 1800 participants. As the biggest whole-day event in the industry, the Symposium gives a full picture of the primarily infocommunication-driven challenges that have an impact on companies' present and future operations.

A representative survey was made in January and February 2014. Telephone interviews were conducted with people who are decision-

makers concerning the procurement and operation of IT tools in Hungarian SMEs that use at least 3 IT tools (computer or laptop). The interviewed 202 companies are representative of the Hungarian SMEs employing 10–50 staff in terms of company size, scope of activity and geographical region.

The Omnibus survey is conducted four times a year, in which Magyar Telekom clients and non-Magyar Telekom clients are asked about core telecommunication-related and non-core-related consumption patterns.

Two times a year there are questions regarding sustainability. The number of participants is 1430.

Several times a year Magyar Telekom conducts a TRI*M research which decodes relationships with customers and stakeholders. Feedback on their experiences is collected from 14 400 residential clients four times a year and business clients two times a year via a series of 4200 interviews.



Employees

8891 employees were asked to fill in DT Group's group-wide survey called Pulse. The survey focused on what makes Magyar Telekom a leading telecommunications company and in which areas it could improve its performance. The survey also asked for employees' feedback about how they saw the company's operation, strategy and cooperation.

Group-wide 2798 employees took part in the kick-off event of Magyar Telekom. At the kick-off the CEO of the Group summarized the results of 2013 and shared the goals and expectations for 2014.

The importance of sports and a healthy lifestyle were the focus of the event series Move Telekom!, in which more than 1000 employees took part. Lifestyle competitions were held, running ambassadors were appointed, and the popular and well-known fitness champion Attila Katus visited Magyar Telekom offices and coached employees.

3500 employees visited the Telekom strategic roadshow that toured eight cities in five weeks. At the roadshow all MC members took part and presented the Deutsche Telekom Group's Europe-level strategy and the aspects that affect Hungary.

All together 303 employees were involved in the Adni jó! Sütiakció (It's good to give! Cookie Campaign). Most of the employees donated money in exchange for the cookies that some of them had made, and others helped out as volunteers during the event.



Regulators

Magyar Telekom regularly discusses the following matters with Ministries (in particular with the Ministry for Internal Affairs, the Ministry for Justice, the Prime Minister's Office, the Ministry for National Economy, and the Ministry for National Development) and authorities (in particular with the National Media and Infocommunications Authority and the Hungarian Energy and Public Utility Regulatory Authority):

- comments on draft legislation circulated by the lawmaker for public discussion;

- further discussions initiated by the lawmaker in relation to the above-mentioned comments;
- elaboration of the lawmaker's standpoint in matters of legal interpretation to ensure full compliance with the intentions of the lawmaker;
- matters related to the practical interpretation of the law to obtain the authority's standpoint to ensure full compliance with the intentions of the lawmaker.

Besides the above, Magyar Telekom keeps contact with market players and competitors too. The above-mentioned discussions

are conducted at interest representation forums (in particular at the Communications Reconciliation Council and IVSZ: Alliance for the Digital Economy) where the company's key objective is to establish a joint legal opinion on the legislative process.

Magyar Telekom's regulatory department organizes the so-named Regulatory Forum event every six months, in which in-house stakeholders are informed about the most important regulatory changes and processes.



Local communities

Magyar Telekom presents its new products and services across the country within a series of regional roadshows. In 2014 several hundred events were organized to show the company's new products to the residents of 5 of the 7 regions: Northern Hungary, Northern Great Plain, Southern Great Plain, Central Hungary and Southern Transdanubia.

The T-City project was launched in 2009 in Szolnok. The 78 000 inhabitants of the city can benefit from the possibilities offered by the T-City project, experience the impact of the latest ICT technologies on their quality of life, and learn about Magyar Telekom's community services.

The purpose of Magyar Telekom's Digital Bridge for Small Settlements Program, launched in 2004, is to tackle digital

differences and to increase awareness of the achievements and the opportunities offered by information and communication technologies in regions where the digital divide is present. The main focus points of the program are small settlements, where the improvement of information and communication skills may enhance local and regional development. The training is provided by Magyar Telekom volunteers. In 2014 our colleagues organized 18 Digital Bridge events.

Magyar Telekom was the first to offer comprehensive customized services for people with disabilities in Hungary. In order to access hello holnap! tariff packages applicants only have to be members of the interest representation organizations involved (MEOSZ, SINOSZ, MVGYOSZ, ÉFOÉSZ). The services are offered at

competitive prices and at lower tariffs than our own fee packages for both pre-paid and post-paid plans. The packages, that were created jointly with the interest representation organizations, have been available since 1 November 2013 and are currently being used by approximately 3000 customers.

T-Systems Hungary ensured system integration, data communication services and certain software for the operation of the first community bike-sharing system in Budapest. A total of 1150 bikes are available at 91 docking stations. Since the beginning of the project 400 000 bike rentals have been registered.



NGOs

Everyone has the opportunity to exchange ideas and experiences with NGOs at the annual Sustainability Roundtable discussions. In 2014 the panel discussion was organized on 3 September.

The Sustainability Day has been organized for seven years on the last Saturday of September. In 2014 there were 50 exhibitors at the event, including non-profit organizations. The exhibition attracted more than 4000 visitors.

As part of the preparation for the 2014 Sustainability report we distributed a survey among non-profit organizations to try to find out which topics in the report are the most useful and important for them. The survey was sent to all non-profit organizations that had been granted donations from Magyar Telekom in the past three years, as well as to the partners and beneficiaries of the hello holnap! mobile app, the organi-

zations that took part in the creation of the hello holnap! tariff package, organizations representing people with disabilities, the organizations participating in the 7th Sustainability Day, and the winners of the CivilNet Application for Funds.

During the preparation process of the hello holnap! mobile app, Magyar Telekom had three non-profit organizations as cooperation partners: the Szatyor and 30km.hu consumer communities, and the Oszkár car-sharing service. The beneficiaries of donations included the Foundation for Democratic Youth, the Eco Service, the Hungarian Green Roots Association, the Civil College Foundation and the Contemporary Architecture Center.

Among Crnogorski Telekom's many CR projects in 2014, the highlight of the year was the donation contest called 'Za svako dobro' ('For every good'), which raised

23 thousand EUR for a long-term project that finances social responsibility projects of special importance in Montenegro. From among the 70 NGOs that applied for grants, four projects were selected and awarded with funds for implementation.

Since 2002 the Foundation T-Mobile for Macedonia has initiated the opening of humanitarian charity donations telephone lines, with the goal of encouraging citizens to donate to help people or organizations involved in humanitarian work. In 2014 the numbers were used 55 times, specifically 51 times for individual citizens and 4 times for legal entities.

Magyar Telekom launched its Civil Tariff Package service in March 2004. In 2014 the company invited applications and provided discount schemes to 27 NGOs to the overall value of 2.4 million HUF.



Suppliers

We invited 30 key suppliers to fill out the EcoVadis assessment, which evaluates companies in terms of economic, environmental, social and responsible procurement aspects, and we received 20 responses from our direct and indirect suppliers.

Key suppliers were invited to the Suppliers' Conference, which was an interactive discussion with suppliers about topics such as the variety of business relationships, compliance and how the OneERP

project affects them. Almost 100 suppliers participated.

T-Systems Hungary organizes every year the T-Systems Symposium infocommunications conference, where we present in cooperation with our partners the innovations and trends in the ICT world, as well as a vision of the future.

Deutsche Telekom conducts worldwide audits of selected suppliers. The uniform

auditing system promotes and ensures compliance with the minimum social and environmental standards. As part of the system, in 2014 a total of 14 indirect Magyar Telekom suppliers were audited.

Deutsche Telekom's cross-border initiative 'Together for Sustainability' was created in 2014. This is a supplier development program, and three key ICT product suppliers cooperated in it.

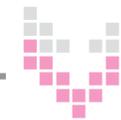


Media

The Corporate Sustainability department and Press Relations department organized two operative meetings for Sustainability Media Club members in 2014. All nine club members were represented in the meetings: Magyar Telekom, CEMP group, TV2, RTL Klub, Class FM, Ringier AxelSpringer, Metropol, Origo group and Central Média csoport.

A total of 53 entries were submitted to Magyar Telekom's Sustainability Press Award. Journalists could enter their work in three categories ('View from the bottom', 'Panoramic view' and 'e-world') related to social, environmental or economic topics.

An inspiring and educational media course was organized for Sustainable Media Club members by Magyar Telekom. The goal of the course was to process basic topics from the point of view of the most vulnerable target group: children. Our cooperating partner was Szilvia Gyurkó, UNICEF Hungarian Committee's director for children's rights, who specializes in media sensitization.



Future generations

On the 7th Sustainability day in 2014 – where the target group was young, educated city-dwellers within the age group of 18-35 – as many as 4701 persons participated in and listened to the four panel discussions.

In the Telekom Smart Digital Program employees of the company (mostly volunteers) give presentations on the use of the internet and the digital world around the country. They work to transfer and share the knowledge that they use in their daily work. In 2014 there were 346 volunteers who gave 2128 presentations to 58 129 children and 1327 teachers on the safe use of mobile phones and the internet.

Music is among Magyar Telekom's main sponsoring areas. The company has been supporting music festivals like VOLT, Balaton Sound, EFOTT and Campus for many years.

Sponsorship offers opportunities for brand display and other activities. Through supporting festivals Magyar Telekom communicated with more than 400 000 young adults in 2014: 110 000 partied at VOLT, 145 000 at Balaton Sound, 71 000 at Campus, and 92 000 at EFOTT.

Within the T-City program an RFID-based (radio frequency identification) student ID system was implemented in Szandaszőlősi Primary School. All the students involved in the system test received a School Card, which

is a plastic ID card operated with RFID technology. Access to and exit from the building of the school is controlled by the admission card when students pass through a turnstile installed at the entrance. This significantly reduces the possibility of unauthorized entry into the premises and enhances the security of students and school property.

The hello holnap! mobile app is very popular among young people, who are committed users of smart devices. The app gives sustainability assignments to its users and then gives points for the successful completion of each task. The points can be exchanged into HUF and can be donated to NGOs. By the end of 2014 the application had been downloaded more than 3000 times.

MATERIALITY

Magyar Telekom has been addressing the sustainability implications of its operations for close to twenty years, and in 2000 it was one of the first Hungarian companies to establish a sustainability unit that managed environmental issues in the beginning and coordinates

sustainability processes now. Its sustainability activities are characterized by comprehensive, long-term plans, and the company is now implementing its third five-year Sustainability strategy.



Magyar Telekom's sustainability activities and achievements are comprehensively discussed in the annual Sustainability reports, making the Group's environmental, social and economic activities transparent to everyone.

The scope and the content of the Sustainability report was defined on the basis of Magyar Telekom's materiality assessment, and as an external resource we also used the questions of responsible investor analysts (RobecoSAM, Oekom Research, Sustainalytics), as well as the materiality assessment and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector (<http://gesi.org/portfolio/report/79>).

Magyar Telekom's materiality assessment helps to define all sustainability topics that are important and current for the company and its stakeholders, and supports the implementation of the stakeholders' interests into business processes and strategic objectives.

The topics are defined, prioritized and grouped during the preparation of Magyar Telekom Group's Sustainability strategy in the first place, then the topics are verified (and, if necessary, revised and amended) upon their annual submission to the Management Committee. The development of the materiality process is also supported by continuous harmonization with other strategies of the company.

The materiality assessment was primarily prepared for our third Sustainability strategy for the period between 2011 and 2015.

The objective of the analysis is to analyze future value-creation trends, explore possibilities for the development of new products and services, and prioritize the company's resources to focus on the most important topics.

Trends influencing the Sustainability strategy adopted in 2011:

- Professional evaluation of the previous strategic period (mainly based on Dow Jones Sustainability Index results)
- The European Union's Europe 2020 strategy
- The EU's 3 × 20 climate package that lasts until 2020
- EU recommendation for the ICT sector: 20% CO₂-reduction by 2015
- Corporate trends (e.g. Climate Groups' 30% initiative)
- Deutsche Telekom sustainability requirements
- Responsible investments and increase of their value
- Changing customer requirements

Based on the materiality assessment and taking into account the activities' direct and indirect impact and severity, their positive or negative effect, and mainly our stakeholders' expectations (primarily from the view of responsible investor analysts), sustainability topics were prioritized and grouped as follows:

SUSTAINABILITY STRATEGY PRIORITY

HIGH PRIORITY TOPICS

- Telecommunication Services
- Sustainable Innovation
- Supply Chain Management
- Climate Strategy
- Sustainable Brand Management

MEDIUM PRIORITY TOPICS

- Corporate Citizenship
- Customer Relationship Management
- Digital Inclusion
- Talent Attraction & Retention
- Human Capital Development
- Service Development
- Labor Practices
- Sustainability report
- Stakeholder Engagement
- Corporate Governance
- Environmental Management
- Health & Safety
- Brand Management
- Codes of Ethics & Conduct/ Compliance/Corruption & Bribery

LOW PRIORITY TOPICS

- Labor Practices
- Talent Attraction & Retention
- Risk and Crisis Management
- Privacy Protection

In our assessment all the topics that are judged to be material have major implications both inside and outside the company.

Based on the materiality assessment applied when designing the strategy, not only are the

key areas presented in the report in detail, but the less important ones too, because Magyar Telekom Group's Sustainability report is a tool for the reporting of each and every achievement and result related to all relevant topics.



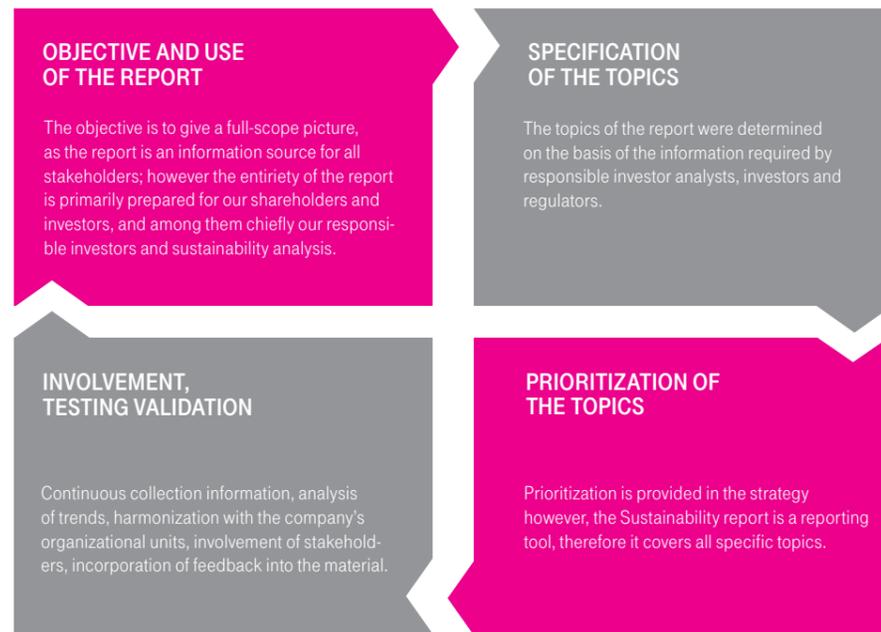
Our Sustainability report was compiled so that it contains information relevant mainly for our shareholders and investors, especially for responsible investors and sustainability analysts.

We provided full-scope information as required by responsible investor analysts, investors, and regulators, and we continuously expand the scope of the report on the basis of further incoming requirements to ensure that our stakeholders are informed in the most transparent way on corporate governance, environmental and social impacts, as well as exposures and opportunities. Our Sustainability strategy was defined on the basis of the Dow Jones Sustainability Index and RobecoSAM topics, therefore our Sustainability

report contains the corresponding discussion items. Although we set priorities in our strategy to ensure the effective use of resources, we do not want to narrow down the scope of the report only to these topics.

Naturally, our Sustainability report is prepared for all stakeholders, and in order to involve and inform all interested parties we also use various other information tools besides the report, like targeted communication, brief summaries, infographics, events, etc.

PROCESS FOR DETERMINING THE CONTENT OF THE REPORT



STRATEGIES AND POLICIES ACCORDING TO OUR SUSTAINABILITY APPROACH

HR-STRATEGY

One of the key challenges of the Sustainability strategy is human resource management, so Magyar Telekom's HR Strategy also plays an important role in achieving our sustainability objectives. In compliance with Magyar Telekom's 2011–2015 corporate strategy, the HR area also upgraded its strategic objectives. In 2011 we developed a new Human Resources Strategy, which brings complete structural change for the company, the employees and the HR team alike. The HR area's vision is to build a livable, lovable and successful company.

Magyar Telekom's HR Strategy from the company's point of view

- Efficient company – continuous revenue-aligned optimization of the personnel costs
- Competitive company – competitive edge with human capital: in training-development, career management areas
- Energized company – an international, diverse, healthy community sharing successes

Magyar Telekom's HR Strategy from the point of view of the employees

The development of the employees will be implemented through enhancement of the employee experience, which is the key element of our strategy. In 2011, we identified the stations of a Magyar Telekom employee's employment life cycle, and assigned the necessary HR tools to the implementation of each HR station. In 2012, we started the realization of the objectives, in 2013 we updated the Human Strategy, in line with the company's Telekom 2017 strategic objectives whereas in 2014 we put the emphasis on the fulfillment of targets and the implementation of the best solutions:

- Employer brand building: We build a livable and lovable place of work with which our employees are satisfied and which is attractive in the labor market. We earned the second place in the Best Employer survey.
- Selection: We will create a place of work with diversity by maintaining a healthy level of internal recruitment and by increasing the weight of non-typical employment. The company boasts 70% internal replacement rate, and some 12% of the employees work in a non-typical form of employment.

- Agreements: We create transparent, flexible and reliable frameworks. We maintain balanced partnership with the employee representation organizations and seek to standardize employee contracts.
- Orientation: The new colleagues become members of our team by sharing our knowledge, culture and experience. We have renewed our orientation program in order to make it an informative and efficient event for the new colleagues, which also facilitate their integration in the organization's culture. The rate of customer satisfaction with our orientation program was above 92%.
- Remuneration: We have introduced a simpler, more transparent and consistent employee remuneration model, which reflects the true value of the positions and not the hierarchy, and which is suitable for market benchmarking as the basis of a competitive remuneration policy.
- Improvement of training, organization development: We thank our competitive edge to our qualified employees. We provide human resources matching the international best practice for the development of our employees and ensure a significant part of the training with internal resources.
- Work, private life: Our energized employees make us successful. We develop and implement a complex stress management system which helps preserve the mental and physical health of our employees.
- Fair dismissal: We part with our colleagues in a fair and correct manner. We make our employees realize that keeping up marketability is everyone's own responsibility.

SUPPORT AND SPONSOR STRATEGY

Magyar Telekom has, for almost two decades, been making a special point of selecting and implementing its corporate social responsibility, and within that, its sponsoring programs. The company pursues its support activities in the framework of centrally regulated processes. Naturally, the changes in our economic, social and natural environment require continuous review of our support activities.

As a result of this process, in the past years we sought to operate our support activity in an integrated manner, to efficiently implement sponsoring projects that focus on our activities, to identify and tap the synergies in the group operation.

The company's sponsoring activities are mainly focused on sports and music and arch from the support of Hungarian top athletes, through donations to young students' and mass sport events to the support of pop music festivals and musical institutes. It is important for Magyar Telekom to harmonize its sponsoring activity with the other elements of its CSR activity. It is inevitable to sponsor cultural initiatives with other than financial forms of support, and seek to aid the realization of projects with the use of our core activity infocommunication solutions.

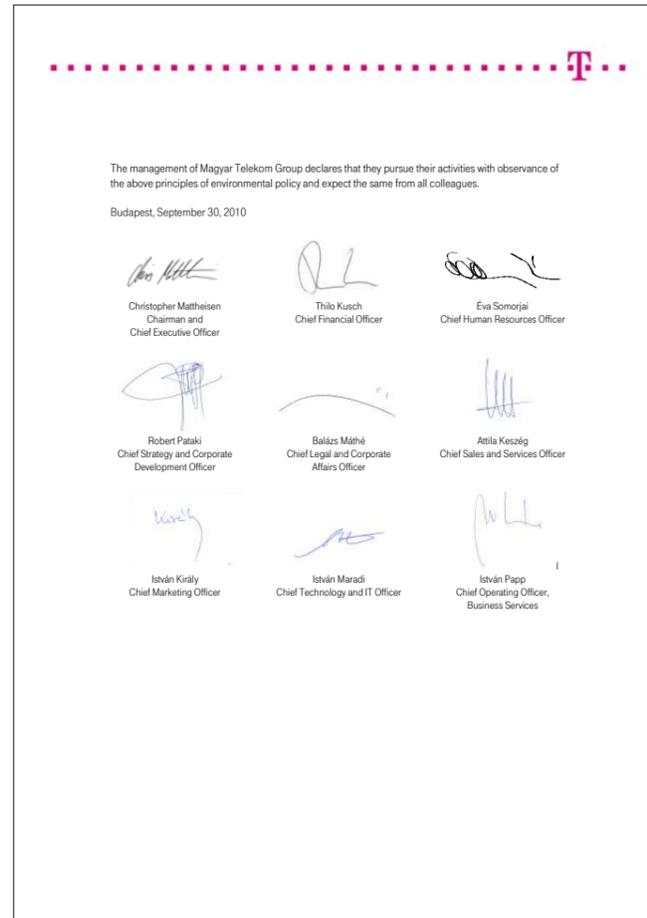
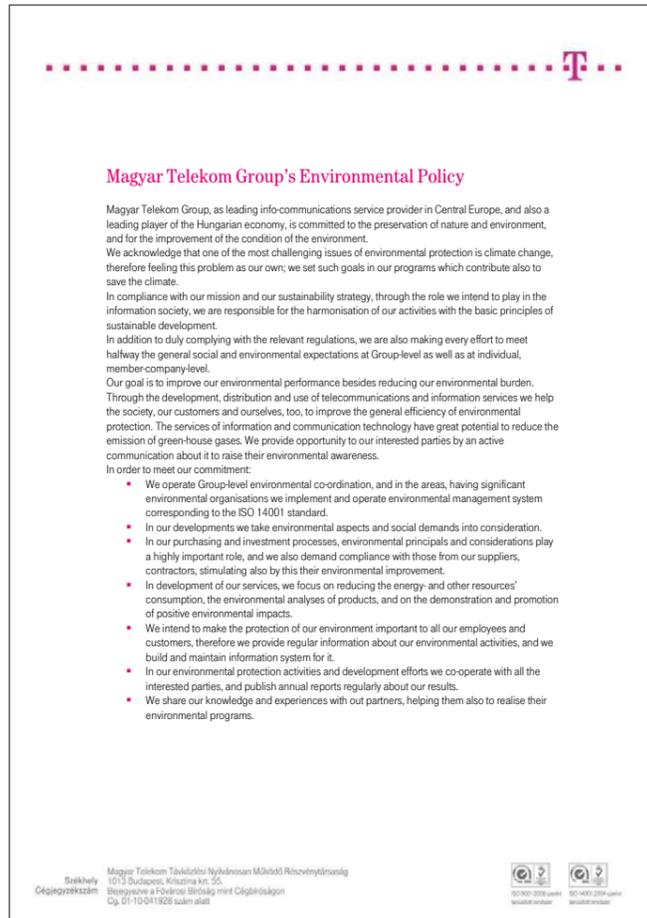
In view of the corporate social and economic responsibility also following from the size of the company, Magyar Telekom is trying to answer this challenge from all aspects. Magyar Telekom is trying to answer the challenge of making its CSR and support activities awareness-raising, so from the very start it pays distinguished attention to the communication of its CSR program and to the involvement and activation of its customers and employees. In the field of donations our support policy took a significant, forward-looking turn in 2013.

The company's management decided that in line with the corporate strategy we link our social responsibility practices to our core activity, i.e. we focus on digital education programs that develop the society's digital maturity in a way that we provide useful knowledge for everyday life. This led to the organizing Telekom Okosdigitális Program.

ENVIRONMENTAL POLICY

Magyar Telekom Group's commitment to the idea of sustainable development (within it to the environmental issues) and responsibilities assumed are published in Magyar Telekom

Group's Environmental Policy. The policy contains obligations for the Group members individually and for the Group all together:



http://www.telekom.hu/static/sw/download/Magyar_Telekom_environmental_policy.pdf

QUALITY POLICY

The full version of the Quality Policy of Magyar Telekom Group, approved in 2005 and renewed in 2009, is available on the following website: https://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf

MANAGEMENT SYSTEMS

Magyar Telekom Group's ISO14001, the ISO 9001, ISO14001, ISO 27001 management system certifications have been renewed in November 2014 without any remarkable observations, and Magyar Telekom Plc. became member of DT Group HSE certification (ISO14001, ISO18001). Magyar Telekom Plc.'s integrated management system was extended by a company health and security management system (MSZ 28001:2008 [BS OHSAS 18001:2007]).

MAGYAR TELEKOM GROUP ISO14001 CERTIFIED ORGANIZATIONS:

Organization	Validation of certificate
Magyar Telekom Plc.	December 8, 2017
T-Systems Magyarország Zrt.	June 25, 2016
Makedonski Telekom	March 29, 2017
DT HSE certification	December 9, 2016

(http://www.telekom.hu/static/sw/download/Magyar_Telekom_Nyrt_ISO_14001.pdf)

T-Systems Hungary has a certified ISO 50 001 Energy management system.

In order to achieve Magyar Telekom's strategic objectives it is imperative to ensure the company's profitable operation, the continuity of its services, the protection of the employees' health and the company's tangible/intangible assets in all reasonably foreseeable extraordinary circumstances that are inside or outside the company's competence (e.g. extraordinary weather, flood). Because of this Magyar Telekom Plc. started the Business Continuity project in 2013, the result of which is the successful ISO 22301 certification in 2014, firstly in Hungary.