

A large, leafy tree stands in a grassy field under a clear blue sky. A person is sitting on a branch of the tree. The tree's shadow is cast on the grass. The background shows a line of bushes and a path.

# SUSTAINABILITY REPORT

# 2022



Együtt.  
Veled



# CORPORATE GOVERNANCE



Publicly listed companies are increasingly expected to clearly state their corporate governance principles and the extent to which those principles are implemented. As a company listed on the Budapest Stock Exchange, Magyar Telekom is highly committed to measuring up to these expectations and to meeting legal and stock exchange requirements.

## Sustainability Coordination

The group-level governance of corporate sustainability operations in 2022 is shown on the diagram below. From 2020 to the end of 2021 the Sustainability Committee (SC) (previously: Group Sustainability Coordination Council) was responsible for group-level coordination.

From 2020 to 2022, the Chief People Officer (CPO) was the senior executive responsible for sustainability and the sustainability coordination was under the Corporate Communications Hub in the People Unit area. From 1 January 2023, the senior executive responsible for sustainability became the Chief Financial Officer (CFO) and the sustainability coordination was transferred to the Capital Market Relations Hub area.

In the operation of the Sustainability Squad<sup>1</sup>, strategy development and strategy management are separate, so sustainability activity is carried out at two levels:

### 1. Strategy development and strategy management

Within the Sustainability Squad, the strategic vision is developed, and the implementation of the strategy is managed, communications are prepared and relations with various national and international organizations are managed.

### 2. Operative implementation level

Operational activities, execution of tasks, data reporting, etc. are carried out within the organizations of the management areas and business lines.

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To increase the transparency of the company's corporate governance practices Magyar Telekom provides information on this [website](#).

Information on general meetings and the resolutions adopted at them is available on this [website](#).

The operation of the Sustainability Squad is regulated by a group level directive called "About the regulation of Magyar Telekom Group's sustainability operation and the responsibilities and competence of stakeholders".

In compliance with the directive the Sustainability Squad meets regularly, at least quarterly, to coordinate company and group sustainability tasks effectively, with decisions taken by Sustainability Squad members through voting.

The Sustainability Squad provides regular reports and presentations to the Chief Executive Officer (CEO) and the Chief People Officer (CPO) (from 1 January 2023: Chief Financial Officer), on the basis of which they set the main direction of the Magyar Telekom Group's sustainability activities and take decisions on the following topics, with the input of the members of the Leadership Squad:

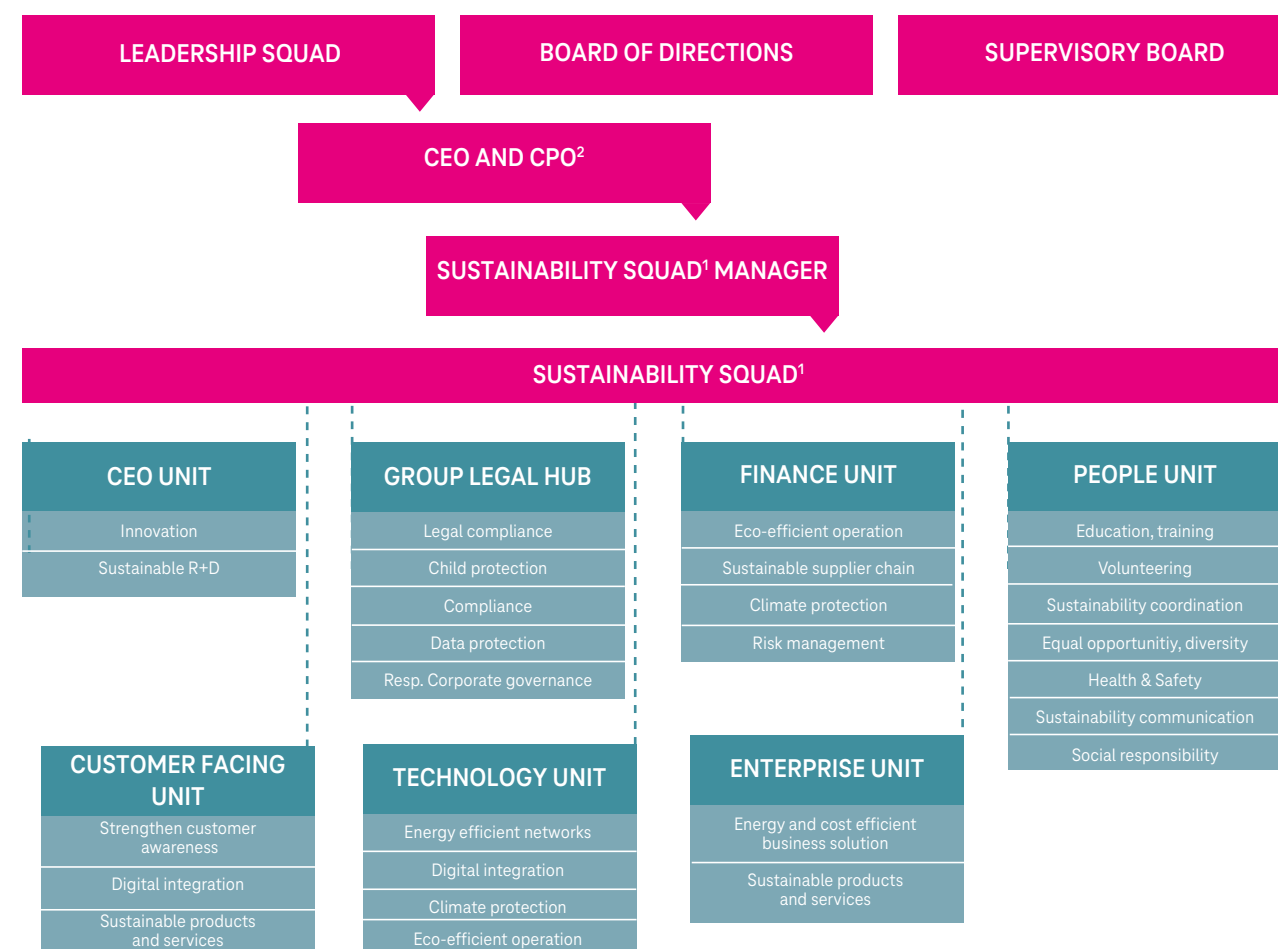
- Group policies
- Group sustainability strategy
- Group sustainability development tasks
- Group sustainability communication roadmap

The Leadership Squad liaises with stakeholders directly or through the Sustainability Squad. Inquiries received are channeled to the individual areas, with critical sustainability-related inquiries being forwarded by SC members to the relevant people.

Communication is based on the results of the above activities, one important element of which is the annual Sustainability Report, which in 2023 was overseen by the senior sustainability manager, the CFO, professionally managed by the Capital Market Relations Hub and with Planet Fanatics' Network LLC. as sustainability advisor.

COMPETENCE	RESPONSIBLE
Determination of main directions, decision on key issues	CEO and CPO <sup>2</sup>
Ensuring the necessary framework and supervision of the activities	CPO <sup>2</sup> , member of Leadership Squad
Making the decisions and resolutions necessary for the operation, ensuring the coordination for the performance of tasks	Sustainability Squad <sup>1</sup>
Professional management, harmonized implementation of group level tasks, participation in the Hungarian and international professional activities	Sustainability Squad <sup>1</sup> manager - a Corporate Communication HUB Lead
Implementation of tasks of the management area/organization/member company, information, participation in meetings, data supply, implementation of operative tasks	Sustainability Squad <sup>1</sup> members

## Management of Magyar Telekom from a sustainability aspect in 2022



<sup>1</sup> The Sustainability Squad will continue to operate under a new name, the ESG Squad, based on Internal Instruction 404, updated in Q1 2023.

<sup>2</sup> The responsibilities as defined in the internal instructions in force as of 31 December 2022 are included in this report. As of 1 January 2023, the CPO was replaced by the CFO and the Sustainability Squad leadership was transferred to the responsibility of the Head of Capital Market Relations HUB.

## Hierarchy of the sustainability activities

The changes in the hierarchy of Magyar Telekom Group's sustainability activities and in the structure of the Group as a result of the agile transformation are presented in the annual sustainability reports.

The sustainability strategy is determined in line with various policies of the Group, Hungarian and international trends (climate protection, electromagnetic fields, responsible content services, etc.) and in consideration of the stakeholders' expectations (i.e. proposals made at round-table discussions and various sustainability forums, email messages, survey results, etc.). The continuously updated strategy then serves as a basis of our tasks and objectives.

All our activities are supervised by the CEO and the CPO (from 1 January 2023: Chief Financial Officer), based on our regular reports. In order to manage risks that may have an impact on the business we established the sustainable supplier chain management process.

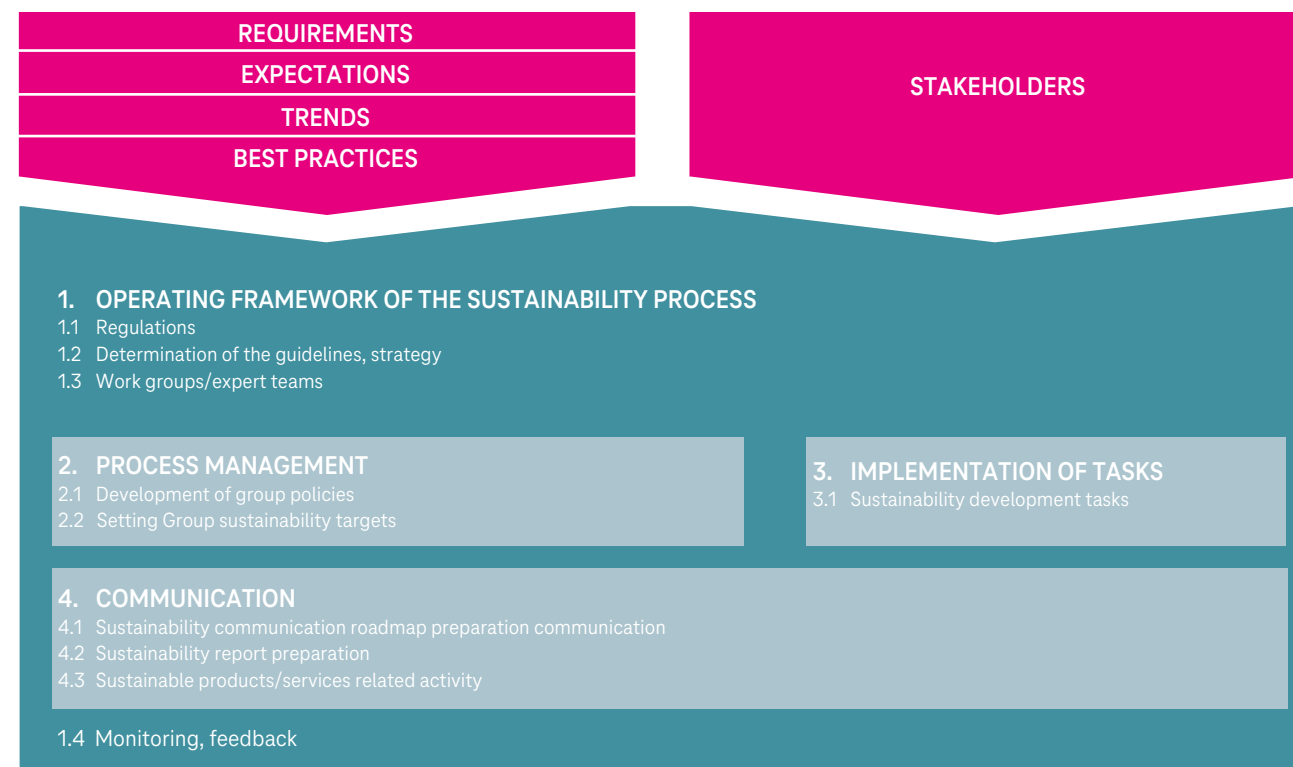
Incidents are managed by a work group established by the Sustainability Squad and based on them we elaborate measures to mitigate potential exposures.

### REGULATION OF THE SUSTAINABILITY ACTIVITIES, GROUP SUSTAINABILITY PROCESS, ENVIRONMENTAL COORDINATION

The sustainability management process covers Magyar Telekom Group's entire sustainability activity (including environment protection).



THE CONNECTION OF SUB-PROCESSES AND ACTIVITIES IS SHOWN IN THE FOLLOWING FIGURE:



## CORPORATE COMPLIANCE

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim of ensuring that Magyar Telekom Group conducts its business with maximum awareness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards.

To this end we have issued directives addressing the potential compliance risks, operate the procedures set out them and provide training for our employees on an ongoing basis. Clear processes are in place for whistle-blowing, investigation, monitoring and remedy of suspected cases of non-compliance.

The Corporate Compliance Program is supervised by the Group Compliance Manager. The Group Compliance Manager reports directly to the Audit Committee and is in direct contact with the Board of Directors, the Supervisory Board and the management. The central point of the Compliance Program is the Code of Conduct that summarizes the relevant requirements and the applicable ethical norms. Employees may ask compliance-related questions through the Kérdezz! (Ask) portal.

The Company verified the cases of unethical conduct reported during the year and launched appropriate investigations where necessary. In the cases where the action of fraud was verified, appropriate remedial actions were taken. Complaints and comments related to issues and violations of internal and external regulations can be submitted to Magyar Telekom Group's Mondd el! (Tell us) portal.

## INTERNAL CONTROL SYSTEM

The presentation of the system of internal controls, evaluation of the activity in the relevant period.

Magyar Telekom's management is committed to establishing and maintaining an appropriate level of internal control system to ensure the reliability of the financial reports and minimize operating and compliance risks. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in conformity with International Financial Reporting Standards (IFRS) adopted by the European Union.

Starting from year 2021 Corporate Responsibility is designated as a separate area within our control environment, for which we cover the related risks with dedicated controls.

For the business year 2022 we accomplished control documentation and evaluation in the IT supported ICS-Tool system. Transaction Level Controls describe the controls built into our business processes that have been designed and operated to ensure that material misstatements in each significant financial account and disclosure within the financial statements are prevented or detected in a timely manner.

*(Complete evaluation of our internal control system is based on the method established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The operation of the internal control system is supported also by the independent internal audit function. Beyond tasks regarding the risk based internal audit work plan, contributes to the enhancement of the internal control processes and to the reduction of existing risks through ad hoc audits and ICS testing. The Internal Audit area follows up the implementation of the measures defined based on the audits. The Supervisory Board and the Audit Committee also receive regular reports on the findings of the audits, the measures taken, based on the findings and the fulfilment of the tasks.)*

In line with the criteria of the adopted internal control framework, management evaluates the effectiveness of the internal control system in each financial year. Management's assessment for 2022 is finished and based on the collected information, the internal control system operated effectively in the respect that it prevented potential material misstatements in the financial statements and minimize operating and compliance risks.

## INTERNAL AUDIT

Magyar Telekom Group's Internal Audit organization is part of the Group Internal Audit and Risk Management HUB. Functionally, the chief audit executive reports to the Audit Committee and Supervisory Board and the organization belongs administratively to the Chief Financial Officer. The chief audit executive also regularly reports to the Board of Directors on the results of audit engagements or other activities.

Internal Audit works according to the International Standards for the Professional Practice of Internal Auditing and internal regulations such as the Group Auditing Charter and Group Auditing Manual, which documents are made available to all employees. The Internal Audit activity is independent and objective, which involves evaluating and improving the operations, processes, and effectiveness of organizations, providing advisory services, thus helping to achieve Magyar Telekom Group's objectives.

The chief audit executive is responsible for preparing the annual audit plan, submitting it to the Audit Committee and obtaining approval from the Supervisory Board, as well as regularly reviewing and modifying it to reflect changes in Magyar Telekom Group's business activities, risks, operations, programs, systems, and controls.

During the preparation of the annual audit plan, internal audit focuses on the trends and emerging risks that have a potential impact on the operation of Magyar Telekom Group. According to this methodology, among other important subjects, ESG topics have been incorporated into the annual audit plan for 2022, with which Internal Audit supported the organization in its ESG-related efforts, via mapping the effectiveness of the management framework, internal controls, and processes.

## RISK MANAGEMENT

The **Risk Management Guidelines of Magyar Telekom Plc.** is our policy that all our disclosures our shareholders and the investment community be accurate and complete, and fairly present our financial and operational results in all material respects. Such disclosures are made on a timely basis as required by the applicable laws, rules and regulations.

To achieve these objectives, we continuously develop and regularly review the functionality and effectiveness of the elements of our risk management system. Our risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results.

Magyar Telekom performs its risk management activities in accordance with the risk management guidelines developed by the Group level risk management organization and approved by the Boards of Directors.

The risk owners of the individual organizations are responsible for identifying, reporting, assessing and monitoring risks on a continuous basis, in line with the framework of the risk management process, under the governance of the central risk management organization.

Magyar Telekom's Group level risk report is regularly submitted to the Board of Directors, the Audit Committee and the Supervisory Board as well as to Deutsche Telekom's risk management organization.

During the annual planning process the management takes into account potential risks.

The chief audit executive has the responsibility to ensure that engagements of the annual audit plan are executed, including the establishment of objectives and scope, the documentation of work programs and testing results, and the communication of engagement results. Applicable conclusions, recommendations and measures are prepared as part of the published audit reports and Internal Audit actively monitors and supports the implementation of corrective actions.

The established risk management standard provides a process framework:

- following the identification of risks, they are analyzed, assessed and quantified in details, then they are quantified (by estimating their probability of occurrence and potential impact) according to a predefined methodology. The assessment of risk assessment enables the management to focus more effectively on those risks that have a significant impact on the company's strategic objectives.
- following the assessment, the decision is made on the specific measures to reduce risks,
- the relevant risk owner implements, monitors and evaluates the relevant measures, and
- these steps are repeated as necessary to reflect actual developments and decisions.

Risk items affecting our operations are reviewed regularly throughout the Company. All of our subsidiaries and entities are obliged to identify and report their operational risks. After evaluation of these risks, results are reported to the Company's management, to the Board of Directors, to the Audit Committee and the Supervisory Board. This regular reporting ensures that the most significant risks are monitored, up-to-date risk mitigation measures are implemented and regularly monitored.

Our risk reporting system is complemented by a continuous reporting procedure, which requires all of our departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the Chief Financial Officer is notified when a new material risk or information is identified.

An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.

The risk assessment is carried out for a two-year period. This is also our forecast period. If there are significant risks beyond the forecast period, such risks are monitored on a continuous basis.

Besides the systematic management of risks the identification of opportunities and their strategic and financial assessment are also essential part of our annual planning process. This allows us to take these opportunities into account in our forecasts.