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Thanks to the concentrated strategic efforts

Magyar Telekom successfully kept its leading position in the Hungarian fixed voice, broad-

band, pay-TV, mobile and ICT market in the fourth quarter of 2015 while improving the

nological development and new business models we leverage our capabilities to win a

Our strategy enables us to leverage and develop our extensive customer base, consid-

Having realized the importance of sustaining

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

The figure presents the complex relationship of the Group with sustainability on the triple

Within the three dimensions of sustainability the following values characterise the concept

the following values characterize the company's sustainability efforts:

- Company, integrity, transparency

- Vision, innovation
- Employees, team, dynamism

- Democracy, information society
- Future expectations, sustainable society

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

- Land

- Livable, healthy environment
- Nature, biological diversity

the organization, so it cannot be treated as the task of a single, specific organization unit. The task affects different parts of the organization

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- national and international regulations, requirements
- shareholder, investor, customer requirements
- local, regional and international expectations, trends
- market and competition frameworks

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- financial resource
- human resource
- natural resource
- material resource
- information resource

- material resource
- information resource

- compliance
- knowledge
- creativity
- innovation

- creativity
- innovation

- payments
- infrastructure
- bads (e.g. pollution)
- communication

- bads (e.g. pollution)
- communication

ICT PRODUCTS AND SERVICES

IMPACTS

- risks
- efficiency
- result
- market position
- brand value
- perception

Environment

Society

Economy

## Economy



## MATERIALITY

When preparing this report - in compliance with the “Comprehensive” level of the fourth generation Global Reporting Initiative (GRI G4) - we put the emphasis on materiality, stakeholder inclusiveness, completeness, accuracy, comparability, timeliness, reliability, balance and sustainability.

The scope and the content of the report was defined on the basis of Magyar Telekom’s materiality analysis and as an external resource we also used the questions of responsible investor analysts (RobecoSam, Oekom Research, Sustainalytics) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector (<http://gesi.org/portfolio/report/79>). Magyar Telekom’s materiality analysis helps to define all sustainability topics that are important and actual for the company and its stakeholders and supports the implementation of the stakeholders’ interests into business processes and strategic objectives.

The topics were defined, prioritized and grouped during the preparation of Magyar Telekom Group’s Sustainability Strategy in the first place, then the topics were 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.

When defining the scope, content and structure of the year 2015 report we took into account the results of the stakeholder survey. Our stakeholders are presented in details in the “Stakeholders” chapter.

Based on the comparison of the sustainability strategy priorities for the period between 2011 and 2015 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows:

### High priority topics

- Climate protection and energy efficiency
- Innovation for sustainability
- Sustainability in the supplier chain
- Procurement locally
- Involvement of our employees
- Initiatives to eliminate the digital divide
- ICT products for sustainability
- Customer satisfaction
- Supplier Relations
- Emissions
- Resource-consumption
- Human rights, equal opportunities

### Medium priority topics

- Protection of our children in the Digital Age
- Informing our customers
- Environmental targets, costs and compliance
- Our employees as corporate citizens
- Community investments
- Sponsorship
- Involvement of our customers
- Regulatory compliance
- Cooperation in environmental and social issues

### Low priority topics

- Corporate governance
- Occupational health and safety
- Safe use of mobile phones, electromagnetic fields
- Data protection
- Professional cooperation
- Talent management
- Management of customer complaints
- Service availability
- Addressing legal and ethical aspects of content service providing
- Risk management
- Managing changes
- Investor relations
- Corporate compliance
- DELFIN Award to responsible companies
- Operational data
- Political presence

Based on the analysis and the materiality ranking we believe that all topics have significance both inside and outside the company.

The structure of the report follows the priorities of the materiality analysis: high and medium priority topics are presented in details

whereas information on low priority topics are primarily provided in the GRI table of contents to provide as transparent information to all stakeholders as possible on the company’s corporate governance, environmental and social impact as well as the underlying risks and opportunities.

## STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH

### Human resources 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. Magyar Telekom’s human strategy for 2011–2015 was elaborated in line with the company’s strategy. The vision is to operate a livable, lovable and successful company. This strengthens our employees’ commitment, satisfaction and it is attractive in the labor market.

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 the human capital (training-development, career management)
- Energized company - an international, diverse, healthy community, sharing successes

Magyar Telekom’s HR strategy from the employees’ point of view:

The development of the employees will be implemented through enhancement of the employee experience, which is the key element of our strategy. 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 sta-

tion. In 2012 we earned the second place in the Best Employer survey in the big enterprise category and proudly held the title for three years.

- 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: New entrants 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 our new colleagues, which also facilitates their integration in the organization’s culture.

- Remuneration: We operate 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. The financial resources devoted to the development of our employees are in line with the best international practice. We gave high priority to internal knowledge sharing and the majority of trainings are provided from internal resources.

- Work, private life: Our energized employees make us successful. We help to keep our employees’ mental and physical health with programs organized by the company as well as various benefits.

- Fair dismissal: We part with our colleagues in a fair and correct manner. Fair dismissal is a key value, we make our employees realize that keeping up marketability is everyone’s own responsibility.

In 2015 the implementation of the objectives was evaluated and the Y2016 new human strategy was elaborated.

### Support strategy

Magyar Telekom has, for almost for two decades, been making a special point of selecting and implementing its corporate social responsibility, and within that, its sponsoring programs. The company provides the support in a centrally controlled way, in line with audited 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 activity is primarily focused on sports and music and embraces the support of Hungarian professional sports, amateur sportspeople, pop music festivals and music institutes. It is important for Magyar Telekom to harmonize its sponsoring activity with the other elements of its CSR activity. This also means that we attach much importance to sponsoring initiatives with other than financial forms of support, and seek to aid the realization of the projects with our core activity info-communication solutions.

### PROCESS FOR DETERMINING THE CONTENT OF THE REPORT

#### OBJECTIVE AND USE OF THE REPORT

The objective is to give a full-scope picture, as the report is an information source for all stakeholders; however the entirety of the report is primarily prepared for our shareholders and investors, and among them chiefly our responsible investors and sustainability analysis.

#### SPECIFICATION OF THE TOPICS

The topics of the report were determined on the basis of the information required by responsible investor analysts, investors and regulators.

#### INVOLVEMENT, TESTING VALIDATION

Continuous collection information, analysis of trends, harmonization with the company’s organizational units, involvement of stakeholders, incorporation of feedback into the material.

#### PRIORITIZATION OF THE TOPICS

Prioritization is provided in the strategy however, the Sustainability report is a reporting tool, therefore it covers all specific topics.

Since 2013, in line with the senior management's decision and the corporate strategy, the company's social responsibility practices are linked to the core activities. i.e. Telekom supports digital education programs that develop the society's digital maturity and conveys knowledge that can be used in our everyday lives. This is why we established the Telekom Smart Digital Program in 2013 that was amended with the Become an IT expert! program at the end of 2015.

Magyar Telekom Group upholds its commitment to sustainable development and the environment protection in the environmental policy. The policy contains obligations for the members of the Magyar Telekom Group both individually and as a Group:

[https://www.telekom.hu/static-tr/sw/file/Magyar\\_Telekom\\_environmental\\_policy.pdf](https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf)

The Quality Policy of Magyar Telekom Group, approved in 2005 and renewed in 2009, is available in full length on the following website: [http://www.telekom.hu/static/sw/download/minosegpolitika\\_en.pdf](http://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf)

In November 2014 Magyar Telekom Group renewed the ISO 9001, ISO14001, ISO 27001 certificates; in the same year DT extended its HSE (ISO 14001, OHSAS 18001) certificate to Magyar Telekom Plc. as well. The integrated management system of Magyar Telekom Plc. includes a company health and security management system too (MSZ 28001:2008 (BS OHSAS 18001:2007)). T-Systems has its ISO 50001 energy management system and an ISO 20000-1 IT service management system too.

For further information on Magyar Telekom Group's quality guarantees, please visit [http://www.telekom.hu/about\\_us/about\\_magyar\\_telekom/principles/quality\\_guarantees](http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees)

| MAGYAR TELEKOM GROUP'S ISO14001<br>CERTIFIED MEMBER COMPANIES: |                             |
|----------------------------------------------------------------|-----------------------------|
| Member company/Organization                                    | Validity of the certificate |
| Magyar Telekom Plc.                                            | December 8, 2017.           |
| T-Systems Hungary Plc.                                         | June 25, 2016               |
| Makedonski Telekom                                             | March 29, 2017              |
| DT HSE-certificate                                             | December 9, 2016            |

([http://www.telekom.hu/static-tr/sw/file/ISO\\_14001\\_2004\\_Nyrt\\_E.pdf](http://www.telekom.hu/static-tr/sw/file/ISO_14001_2004_Nyrt_E.pdf))