SUSTAINABILITY REPORT 2016

EGYÜTT. VELED

TABLE OF CONTENTS

LETTER FROM THE CEO 3

OUR APPROACH 5

CORPORATE STRATEGY 5
SUSTAINABILITY APPROACH 5
BE SMARTER – SUSTAINABILITY STRATEGY (2016 – 2020) 6
MATERIALITY 7
STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH 8

STAKEHOLDERS 10

1. CLIMATE AND ENVIRONMENTAL PROTECTION 17
1.1. Climate protection and energy efficiency 18
1.2 Resources management 19
1.3 Emissions 22
1.4 Environmental objectives, costs and compliance 23

2. RESPONSIBLE SERVICE 24
2.1 Closing the digital divide 25
2.2. ICT for sustainability 27
2.3 Innovation for sustainability 28
2.4 Protecion of our children in the digital age 29
2.5 Data Protection 30
2.6 Safe use of mobile phones, electromagnetic fields 31

3. SUPPLIERS 33

4. CUSTOMER RELATIONS 37
4.1 Customer satisfaction 38
4.2 Customer Complaint Management 39
4.3 Involvement of our customers 40

5. EMPLOYEES 42
5.1 Human rights, equal opportunities 43
5.2 Involvement of employees 46

6. SOCIAL ENGAGEMENT 48
6.1 Community investment 49
6.2 Our employees as corporate citizens 51
6.3 Sponsorship 52

7. CORPORATE GOVERNANCE 54
7.1 Sustainability coordination 55
7.2 Regulatory complianc 56
7.3 Corporate compliance 56

KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP 57

ASSURANCE STATEMENT 60

GRI CONTENT INDEX 61

COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL COMPACT 81

LIST OF ABBREVATIONS 82

IMPRESSUM 84

LETTER FROM THE CEO

DEAR READER,

The Sustainable Development Goals adopted by the United Nations' member states in September 2015 for the years through 2030 set forth the building blocks of our shared, sustainable future. Besides NGOs and governments, businesses also bear great responsibility when making the decisions relevant to their investments, business policies and growth strategies. In my capacity as CEO of Magyar Telekom Group, I am proud that having completed our second 100% carbon-neutral year of operation, we successfully address the above challenge, too.

Being a service provider to 8 million Hungarian customers and a large corporation of almost 10 000 employees, we are especially responsible for exploiting our state-of-the-art innovative solutions with the purpose to make their everyday lives connected, livable and easier, as well as to diminish the divide in space and time, between skills and societal disadvantages.

The successes we achieved in 2016 pursuant to our consistent, sustainable corporate governance policy proved again what has always been our conviction. i.e. that corporate sustainability translates into financially measurable profit for Magyar Telekom Group, and constitutes an organic part of our overall business success.

A total of 8% of our floated shares are held by responsible investors, who consider it a topmost priority when compiling their portfolios to invest into companies that are leaders in the area of sustainability. To name a few major responsible analysts, in addition to the Oekom Prime B rating, we were also included in the FTSE4Good Emerging Index, which measures the performance of companies that have efficient environmental protection, social and corporate governance systems in place. We were recognized by Trucost, and have been part of the CEERIUS (Central and Eastern European Responsible Investment Universe) index from the beginning. Based on our commitment to sustainability, we report every year to the CDP (Carbon Disclosure Project) independent analyst organization, too, which is monitored by investors representing 100 trillion USD.

One of the greatest professional challenges we faced in 2016 was to elaborate and launch our fourth five-year Sustainability Strategy. We have set the goals set forth by the strategy along the principles laid down by the above-mentioned UN Sustainable Development Goals. The present document gives a summary of the first year's achievements in the 2016–2020 strategic period, as well as how we performed along the principles defined by the UN Global Compact.

The main objective of the fourth Sustainability Strategy launched in 2016 is to make sustainability an integral part of Telekom's business. On top of having completed our second 100% carbon-neutral year, we continue to decrease our pollutant emissions, to rationalize our energy consumption and to make our work processes more efficient by relying upon smart solutions. Volunteer work and creating value for the society form part of our corporate culture, which we firmly adhere to under any circumstances. In line with our commitment to eliminating the digital divide, we put in many volunteer hours to teach people about conscious internet use, cyber security and even the range of diverse opportunities offered by a career in IT. We helped students choose careers, and enabled the elderly to learn about and make use of the benefits offered by the digital world, as we firmly believe that we must contribute to digital equality not only by our services, but also by sharing knowledge.

ICT allows us to promote accessibility for our customers living with disabilities. In 2016, we added some new discount-rate features to the "hello holnap!" tariff packages designed specifically for them. We also established a partnership with Autistic Art Foundation, as well as adopted a letter of intent to cooperate with the Hungarian Paralympic Committee.

Our primary focus remains to be to retain our leading positions on the Hungarian fixed voice, broadband, pay-TV, mobile and ICT markets, as well as to improve our customer retention ability and to increase our base significantly. In 2016, we provided a 4G network quality outstanding in global comparison, and greatly increased the coverage of our HSI-capable fixed-line network, too.

The increasing platform-based competition we have experienced so far on the telecom market is further intensified by the Digital Hungary Program launched by the Government, which aims to cover all Hungarian households by high-speed internet (HSI > 30 Mbit/s) networks by the end of 2018. On top of digital coverage, it is also important that users be competent to use the internet and mobile technologies safely, as well as be aware of the features that can make their lives easier and simpler.

Our business strategy enables us to rely upon and expand our already extensive customer base, to significantly improve our efficiency and to seize the growth opportunities in IT and communication technologies, as well as the related industries. The purpose of our sustainable supplier chain management process is to make sustainability a part of the operations of our suppliers, too. We analyze their operations, the requirements they impose on their own suppliers and the portion of their energy consumption and pollutant emissions related to their business with Magyar Telekom in the context of our relevant principles.

We are prepared for and are looking forward to meeting the always changing customer demand, development of technology and emergence of new business models, while drawing on our capabilities, our main goal is to assume a leading role in providing digital services to the homes of our customers. We continue to explore and exploit new business opportunities in areas, among others, like e-health, IoT, cloud, financial and insurance services, which serve the purpose of retaining customers.

You can learn more about Magyar Telekom Group affiliates' year 2016 achievements in research-development, environmental protection and sustainability in our company's consolidated business report of 2016, which you can find starting on page 105 of Magyar Telekom Group's IFRS annual financial report by clicking on the following link: https://www.telekom.hu/static-tr/sw/file/IFRS_Csoport_2016.pdf.

It is my pleasure to take to opportunity, offered by my position of leading a really responsible and successful company committed to creating community value and to sustainability, to draw your attention to Magyar Telekom's Sustainability Report and the achievements described therein.

Christopher Mattheisen
Chief Executive Officer

Budapest, June 14, 2017

OUR APPROACH

Vision

First now, first forever.

Mission

We make the digital world more understandable and accessible for everyone. We enable people to have a more effortless, colorful and successful life.

Corporate strategy

The telecommunications industry is undergoing a major change globally. Worldwide trends are driving towards an integrated telecommunications, information, media and entertainment market. The increasing need for mobility and interactivity together with local specifics create a new set-up in our economic environment in terms of infrastructure, servicing and new types of business models.

The expansion of the economic environment in the past few years had a positive effect on household budgets, but it is an increasing challenge for telecommunication service companies to receive larger portions of consumer spending in an environment where the market proportion of traditional telco services is shrinking on midterm. The fixed voice market as a major revenue and profit source is declining mobile has started to follow this trend with stagnant customer base and lower prices. The fixed market is characterized by fixed-mobile integrated bundles, with broadband becoming a core element of service offerings. We expect continued consolidation in the fixed arena with network developments and growing competition.

As a result of our focused strategic efforts, Magyar Telekom maintained its leading position in its Hungarian fixed voice, broadband, pay TV, mobile and ICT businesses in 2016, we successfully improved customer retention and delivered strong volume figures. We built a word class 4g mobile network and massively improved our fixed line HSI coverage in the past years.

Based on our improved network capabilities we aim to provide services to all segment and customer on voice, TV broadband and IT markets 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 behaviour, 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 customers and third parties. We continue to identify and leverage new business opportunities in e-health, cloud, IoT, finance and insurance services, support customer retention and new revenue streams both in the residential and business segments. As a result of the changed market environment we decided to exit from the residential gas market. At the same time, we established a joint venture that provides energy services for business customers in order to improve and optimize our energy operations.

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.

In the Macedonian market the competition in mobile and the fixed-line business is increasing. Makedonski Telekom as introduced new growth strategies in 2016 in its Consumer & Business Segments called “GoDigital” corporate program. The strategy is based on the aim of digitalizing customer journey and business architecture, keeping stable core revenues in all traditional telco segments, the increase of postpaid value and optimizing market invest. Key aim is to increase technological leadership and further develop an empowering corporate culture towards an agile and efficient telco company.

Sustainability approach

As Magyar Telekom Group has recognized the overall importance of sustainable development, as well as the fact that it is specifically critical for future business operations, it remains committed and continues to accept responsibility for pursuing its operations, corporate governance and other activities in the above spirit in Hungary and in all countries where the Group is present through its operations or partnerships, which is not only a token of our future business success, but one of our major assets in light of the Group’s role in the region and its social, environmental and economic influence.

Sustainable development is not a challenge for one. It affects everyone across the whole corporate Group. Therefore, it cannot be approached as a task dedicated to one organizational unit. The different entities of the Group learn about and then apply the sustainable practices applicable in their respective areas through the policies governing internal operating procedures. Our newly hired employees familiarize with and start to apply the sustainable operating principles that govern the whole Group and are present as an organic part of our corporate culture. The specific tasks often involve totally different entities within the Group, and require the cooperation of organizations far from each other. Magyar Telekom’s sustainable corporate governance practice is described in **Chapter 7 on Responsible Corporate Governance.**

Values identified by our sustainability approach in the environmental, economic and social dimensions:

Economic dimension

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

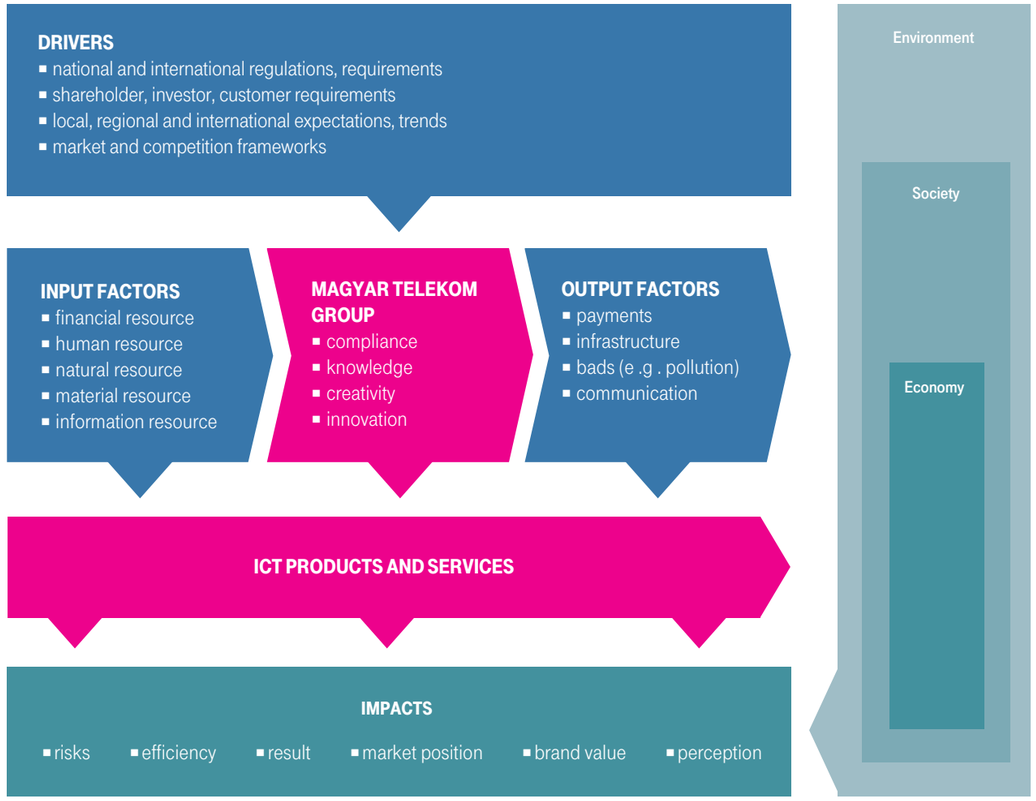
Social dimension

- 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

STRUCTURAL APPROACH OF SUSTAINABILITY



In 2015, Magyar Telekom Group became the first company in Hungary, and one of the first internationally, to achieve carbon-neutrality. In 2016, our operations remained carbon-neutral. Of course, drawing inspiration from the success of the past two years, we continue to strive for carbon-neutrality.

The combined rate of achievement of the high-priority and medium-priority objectives set forth by the new Sustainability Strategy, prorated for the first half year, is 81%. Among our high-priority objectives, the rate of achievement of climate protection is 89%, that of education it is 80%, and that of sustainability is 70%.

BE SMARTER – SUSTAINABILITY STRATEGY (2016–2020)

In 2016, Magyar Telekom Group started its new five-year sustainability strategic cycle. Our most important sustainability task at the beginning of the year was to finalize our new direction and gain approval from the top management for the same.

In addition to the results of our Sustainability Strategy 2011-2015, the goals and tasks defined for the period through the end of 2020 have been determined by the goals and directions applied internationally in terms of sustainable development (**SDG, CDP, GeSI SMARTer2030, EU2020 climate package**), which we, as a Group, adhere to. When identifying our priorities, we have focused on the expectations of the responsible investors monitoring our company and the current corporate trends. Of course, local market conditions, as well as consumer behavior and demand have also been taken into account, so that we be able to proactively meet our customers' needs.

When identifying our strategic goals, we kept in mind that our sustainable operation has a significant impact on the society, the economy and the environment. In addition to being responsible for the livable future of our several million customers and more than 10 000 employees, as a market leader ICT provider and a large enterprise of regional proportions, we are aware that our business and operational decisions influence the economy and the society of the future, too. It is our firm belief that we, as a company, are responsible for all the groups of people whom we can enable by ICT solutions, and that we have to make social, economic and environmental responsibility a part of our corporate genetic code to thus promote sustainable development and opportunities for future generations.

In the past 15 years, Magyar Telekom Group has laid the ground for the ambitious goal of making sustainability an organic part of Telekom's business in three strategic cycles. The goal can be achieved only, if we take a comprehensive, authentic and innovative approach to all the three pillars of sustainability. As part of this process, we strive to make Magyar Telekom even more well-known for its sustainable nature, while promoting smart, reliable and responsible corporate processes in our operations. Our commitment translates into achieved goals along the "Sustainable Telekom for all" principle.

Climate protection

It is our goal to make our customers more climate-conscious, too, and to be the authentic and responsible ICT company that helps them along that way. It is our ambitious objective to generate profit on our climate protection activities, and to lower Magyar Telekom Group's actual CO2 emissions below 100 000 tons.

So, decreasing Magyar Telekom Group's CO2 emissions remains a high-priority task for us, while we also strive to promote that our customers and vendors also decrease their emissions.

Education

We wish to put greater emphasis on improving the digital competencies of the public. It is our goal to reach out to 100 000 people through our trainings by the end of the strategic cycle in 2020, and to help them better their digital skills directly or indirectly. Our programs focus on closing the digital divide and developing the industry's succession pool.

It is our goal to enable students and pedagogues, people living in disadvantaged regions, as well as pensioners to acquire and improve their digital competences, and to thus close the existing digital divide.

Our academic training efforts and ones aimed at developing the industry's succession pool focus on sharing professional knowledge and skills required in ICT areas, as well as on making ICT jobs attractive.

Digital sustainability

Being a digital large enterprise, we clearly strive to promote that our customers use sustainable digital services. However, to make that a differentiating factor, we need to achieve that Magyar Telekom's recognition rate as a sustainable company reach 50%.

For that, we strive to pursue responsible marketing and to demonstrate and implement enabling, inspiring and sharing activities. It remains one of our key objectives to provide devices and services to our customers that bear sustainable features, to inform them about those features and to exploit the opportunity offered by ICT technologies to popularize our relevant initiatives, like the hello holnap! mobile app or the hello holnap! fleet tariff packages designed specifically for customers living with handicaps.

The year 2016 was a defining period for Magyar Telekom in terms of sustainability not only for the fact that the new strategy was launched, but also because of our many sustainability achievements. Our operation remained carbon-neutral in 2016, as it had been in 2015. We organized our ninth Sustainability Day festival conference, attended by a record number of 5 000 people at Akvárium Klub. Visitors learned at the break-out sessions about the opportunities that opened up in terms of the environment, the society and the economy due to the achievements of the smart era, as well as got an insight into the work of more than 40 organizations offered by their exhibitions.

In 2016, Magyar Telekom also embarked upon new paths in equal opportunity. In March 2016, it established an NGO strategic partnership with Autistic Art, in the framework of which it provides, among others, digital devices to the foundation, and enables the public to learn more about autism and people affected by it in the framework of a sensitization campaign ("Our worlds may differ. Still, we understand each other."). In July, we renewed the discount-rate hello holnap! tariff packages designed for people living with disabilities, and on August 31, Magyar Telekom signed a letter of intent with the Hungarian Paralympic Committee, under which the company shall support the Hungarian team in the next Paralympic cycle.

On October 15, close to 1 000 Telekom and T-Systems colleagues planted 500 trees at 29 locations across the country. The results of the tree planting project can be seen at **hello holnap! pagony**, where one can look at trees planted by others or upload photos of trees they planted themselves.

As a listed public company and a responsible corporation that has been working on sustainability on a strategic level for more than 10 years, we must also keep in focus our responsible investor evaluations. The international responsible investor indexes assessing large corporations exceling in sustainability address Magyar Telekom Group in the global large enterprise category. Based on our audited results, the Group is among the most sustainable companies every year. We meet the strict requirements posed by responsible investors that consider corporate sustainability an important feature.

In 2016, Magyar Telekom was selected from the start to be a part of the FTSE4Good Emerging Index launched that year, and based on its environmental and social performance, Oekom Research awarded it a **Prime** status with a B-grade, i.e. recommends the company as a responsible investment. We have also been part of the CEERIUS (Central and Eastern European Responsible Investment Universe) index from its launch.

COMPLIANCE WITH THE SUSTAINABLE DEVELOPMENT GOALS

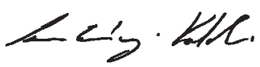
In order to effectively address global challenges, the UN adopted its Sustainable Development Goals (SDG) in September 2015. The main objective is to support economic development and well-being, in harmony with social justice and in consideration of ecological limitations on global growth. The achievement of the 17 Sustainable Development Goals is our joint task, on which political decision makers, the NGO community and businesses must work together.

Through its products, services and operation, Magyar Telekom Group contributes to the achievement of the SDGs. Most of the high-priority tasks set forth by our Sustainability Strategy contribute to the achievement of SDG 13, i.e. a quick and effective action to be taken against climate change. The measures we adopt to decrease the company's emissions, to retain our carbon-neutrality, to decrease the emissions associated with our supplier chain and the devices used by our customers all serve the purpose of climate protection. We help cities become sustainable or further develop along the way (SDG 11), when we support livable and sustainable, digital communities by means of our ICT developments and smart city solutions. With our education efforts aimed at closing the digital divide, making the use of ICT solutions accessible and stopping disadvantaged social layers from being left behind, we address digital poverty, quality education (SDG 4) and social inequalities (SDG 10). By the achievement of our strategic goals, we contribute to long-term, comprehensive and sustainable economic growth (SDG 8).

By its operations, the company contributes directly or indirectly to the achievement of several more, in total 15 Sustainable Development Goals. In our Sustainability Report 2016, we indicate by the use of the respective SDG symbol which sustainable development goal is addressed by the actions listed in the specific chapters.

ÉVA SOMORJAI

Chief HR Officer
and executive in charge of sustainability[1]



KATALIN SZOMOLÁNYI

Head of the Corporate Sustainability Center,
in charge of supervising sustainability operations

(1) Éva Somorjai held the position through December 31, 2016. At the time the Report is published, Zsuzsanna Friedl holds the CHRO position and is the executive in charge of sustainability (from May 16, 2017).

MATERIALITY

When preparing this report - in compliance with the "Comprehensive" level of the Global Reporting Initiative Standard (GRI Standard) - 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 (Oekom Research, FTSE4Good Emerging Index, Trucost, 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 2016 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 2016 and 2020 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows:

MATERIALITY OF SUSTAINABILITY TOPICS OF MAGYAR TELEKOM IN 2016

High priority topics	Medium priority topics	Low priority topics
Climate protection and energy efficiency	Environmental targets, costs and compliance	Corporate governance
Innovation for sustainability	Our employees as corporate citizens	Regulatory compliance
Sustainability in the supplier chain	Community investments	Occupational health and safety
Protection of minors in the Digital Age	Management of customer complaints	Local procurement
Involvement of our employees	Involvement of our customers	Supplier relations
Initiatives to eliminate the digital divide	Safe use of mobile phones, electromagnetic fields	Informing our customers
ICT products for sustainability	Data protection	Sponsorship
Customer satisfaction	DELFIN Award to responsible companies	Professional cooperation
Emissions		Talent management
Resource-consumption		Service availability
Human rights, equal opportunities		Addressing legal and ethical aspects of content service providing
		Cooperation in environmental and social issues
		Risk management
		Managing changes
		Investor relations
		Corporate compliance
		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.

PROCESS FOR DETERMINING THE CONTENT OF THE REPORT

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. Our objective is to build a liveable, likeable working environment as a basis for a successful company. This empowering professional environment builds up to employee satisfaction, and a more dedicated team. It also enhances positive employer brand positioning Magyar Telekom among the most attractive employers of the region.

Company perspective of People Strategy

Efficient company – focus on Total Workforce Management (TWM) cost, thus enabling flexible and efficient management of expenses

Competitive company – elaboration and safeguard of competitive edge based on human capital through recruitment-selection, supported by training development and remuneration

Energized company – international, diverse and healthy organization focused on wellbeing (physical, mental and social wellbeing), that experiences success

In 2016-2017, we build our People Strategy around 4 pillars:
- employer brand and recruitment,
- training and development,
- remuneration,
- wellbeing

Employee perspective of People Strategy

We have renewed our People Strategy and identified its pillars we wish to focus on in 2016 and 2017 in line with Magyar Telekom's Business Strategy. Prior to and in preparation for that, we transformed our HR organization and operating model in the second half of 2015 in order to support the achievement of the ambitious goals set forth in our Business Strategy by an efficient and customer-focused HR. The implementation of our corporate-level People Strategy encompassing two years is a task shared by the whole company, i.e. managerial and non-managerial personnel alike. HR facilitates the process by actions, tools and solutions.

- Employer brand building – we create a livable and likeable workplace, which is satisfactory for our employees and offers an attractive perspective in the labor market through its future oriented methods of work. We put greater emphasis on using social media solutions in building the brand.
- Recruitment-selection – We use segment-based online recruitment channels and means to select the best candidate for the specific positions. During the selection process, we seek the attitude and personal traits defined as requirements for future Telekom employees.
- Remuneration – We retain our competitive edge in the market with our total compensation package and we are forerunners in the market with our innovations in compensation methods. We make our company attractive for employees by means of our wide range of benefits. We have a transparent, simpler and consistent job grading model, which reflects primarily the respective values of jobs, and provides for market comparison, as a basis for a competitive remuneration policy.
- Training development– We are building a digital Telekom, thus put an increasing emphasis on collaborative digital tools and solutions that enable and inspire self-development. Online training catalogue, online training materials, online coachbank and mentoring, online knowledge sharing (Share).
- Wellbeing – We take action for each other and ourselves in order to maintain our physical, mental and social wellbeing. Energized employees make us successful. We draw employees' attention to conscious preventive health efforts, volunteer work, sustainability and work-life balance.

The principles of justice and equal footing are set out in the basic standards articulated in our Code of Ethics. Alternative forms of employment like telework, part-time work, flex-work, employment of disabled persons provide possibilities for the practical implementation of the principle of equal footing.

Equal opportunities in Life and Work

Magyar Telekom and T-Systems has accepted its 4th Equal Opportunities Plan, according to its routine since 2010 and in compliance with the option stated in the Law for the Advancement of Human Rights and Equal Opportunities (2003/CXXV.). The Equal Opportunities Plan of the Group states the core values of equal treatment and equal opportunities together with the tracking and improvement of the career cycle of particular under privileged employee groups.

The definition of the goals of the 2016-2020 Equal Opportunities Plan was synchronized with other strategies, policies and directives that determine our corporate operations Thus it was designed in accordance with the 2016-2020 Human Strategy of Magyar Telekom Plc., and the 2016-2020 Group Sustainability Strategy, integrating the results of the previous 2013-2015 Equal Opportunities Plan as well.

Along the implementation of the 2016-2020 Equal Opportunities Plan the company focused on the introduction of measures to improve the position of particular under privileged employee groups such as women, employees with families, employees on childcare leave, employees with disabilities, employees with changed working abilities, fresh graduates entering the labor market and senior employees over 50 years of age.

Support strategy

Magyar Telekom has, for almost for two decades, been making a special point of selecting and implementing its corporate social responsibility and its sponsoring programs for almost two decades. 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.

In view of the corporate social and economic responsibility arising from the sheer size of the Company, 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.

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 Plc. has become a strategic partner of Autistic Art Foundation on March 30, 2016. The company supports the work of the foundation with volunteer activities, equipment, communication platforms and by providing services to help their efforts in the support, development and maintenance of residency centers for Autistic people in the country.

Environmental policy

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

Quality policy

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

Management systems

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 that was obtained by Magyar Telekom Plc. as well in 2016.
In order to achieve Magyar Telekom's strategic objectives it is essential to operate successfully, to sustain the continuity of services, to preserve the health of employees, to protect the company's physical and intellectual property in any and all circumstances, both within and outside the competence of the company (e.g. extraordinary weather conditions, flood). Telekom was the first company in Hungary that obtained the ISO 22301 business continuity management system certificate (in 2014).

MAGYAR TELEKOM GROUP'S ISO14001 CERTIFIED MEMBER COMPANIES:

Member company/Organization	Validity of the certificate
Magyar Telekom Plc.	December 8, 2017.
T-Systems Hungary Plc.	September 15, 2018
Makedonski Telekom	March 29, 2017
DT HSE-certificate	September 14, 2018

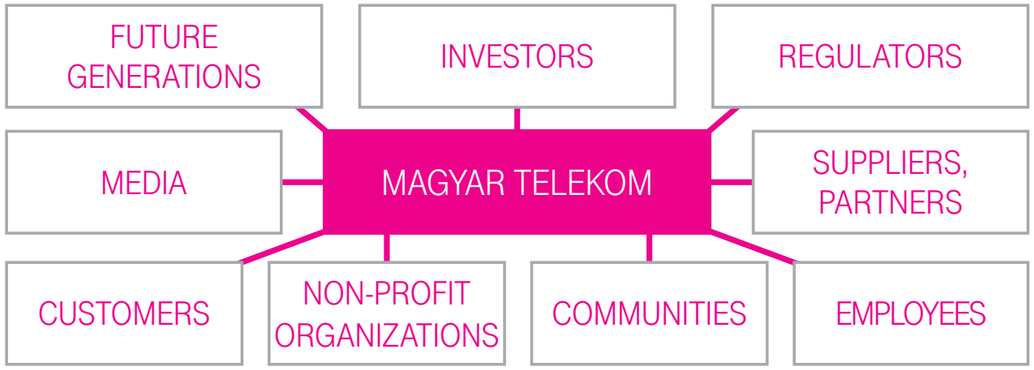
(http://www.telekom.hu/static/sw/download/Magyar_Telekom_Nyrt_ISO_14001.pdf)

For further information on Magyar Telekom Group's quality guarantees, please visit (only HU)
http://www.telekom.hu/rolunk/vallalatrol/iranyelveink/minoseg_garancia

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 comments are important for us in respect of our sustainability activities. We had the opportunity to meet with our stakeholders on several occasions at forums and surveys as well as in person where we could discuss our sustainability activities and challenges.

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



In 2016, we organized the 17th Sustainability Roundtable, which aimed to host an open discussion platform in order to get a better insight about the expectations of different stakeholder groups towards Magyar Telekom Group. We also use this opportunity to carry out fruitful discussions about the problems raised, and also to provide an appropriate background for the presentation of our sustainability achievements and further goals. Organizers and participants have a free platform to share their thoughts and cooperate in building a sustainable future together.

Within the frame of the sustainability roundtable discussion corporate sustainability and equal opportunities came up for discussion by Éva Somorjai Chief HR Officer[1] as top executive in charge of sustainability, Katalin Szomolányi Head of the Corporate Sustainability Center, Diana Ürge-Vorsatz Vice Chair of WGIII of the IPCC and Attila Till film director and television presenter. The participants could familiarize with the main objectives of the 4th sustainability strategy of Magyar Telekom (2016-2020).

The most important issues discussed with the stakeholders are contained in the memorandum of the Sustainability Roundtable (only HU):

http://www.telekom.hu/rolunk/fenntarthatosag/esemenyek/2016/kerekasztal-beszelgetes

MATERIALITY EVALUATION BY STAKEHOLDERS

As part of the preparation process of Magyar Telekom's Corporate Sustainability Report we rely on our preliminary research findings and regularly monitor the opinions of our stakeholders concerning the importance of our sustainability topics. We conduct an annual survey along which we wish to find out how different stakeholder groups evaluate the corporate sustainability practices of our company. Our questionnaire offers the rating of 37 topics on a 1-5 scale where 1 stands for the least important and 5 for the most important topic.

The analysis and evaluation of the answers plays a crucial role in the evaluation and materiality rating of our sustainability activities for this report. All of the topics are important contributing elements to the successful delivery of our strategic goals, nevertheless we pay particular attention to those that our stakeholders pointed to with high level and medium level importance.

Next to the rating of topics our stakeholder survey asks the following questions as well:

- suggestion of other relevant sustainability topics that are not listed
- examples of important scientific findings that would be important and worth for consideration for ICT companies.
- threats and opportunities for companies in relation to their sustainability approach
- the most commonly used communication platforms of Magyar Telekom from where its sustainability activities and approach is accessible.

In relation to the important scientific findings, several stakeholders mentioned factors of safe mobile phone use and electromagnetic fields, a topic which deserves a separate subchapter in our current report at 2.6. Safe use of mobile phones, electromagnetic fields.

According to our stakeholder feedbacks Magyar Telekom is in leading position when it comes to mapping key threats and opportunities of sustainable corporate operations, whereas they suggest the company should continue its joint work with the NGO community, it should put increased efforts in the increase of cyber safety education. Further suggestions were to synchronize innovations with measures to protect natural resources, which is also a crucial part of our corporate 2016-2020 sustainability strategy. Most of our stakeholders get information about our sustainability approach and activities through our corporate sustainability website, our dedicated social media channels and the public media.

According to the answers received for the above questions in 2016 we can state that most of our stakeholders confirm the importance of the goals of our corporate Be Smarter (2016-2020) Sustainability Strategy. They found that apart from the continuing importance of reduction of our emissions our contribution to digitally enabled sustainability and to bridge the digital divide also plays a crucial role in contributing to our shared and sustainable future.

TOPICS EVALUATED BY THE STAKEHOLDER GROUPS AND THEIR IMPORTANCE

	NGO	Supplier, partner	Regulator	Employee	Media	Customer	Future generation	Investor	Local community
Customer satisfaction	3,42	3,32	4,00	3,33	3,36	2,94	2,76	2,73	2,49
Management of customer complaints	3,47	3,32	4,00	3,27	3,36	2,70	2,69	2,91	2,49
Corporate governance	3,53	3,46	4,00	3,23	3,36	2,80	2,57	2,58	2,44
Data protection	3,18	3,05	4,00	3,30	3,20	2,89	2,61	2,67	2,60
Protection of minors in the Digital Age	3,53	3,31	4,00	3,24	2,36	2,69	2,87	2,47	2,40
Informing our customers	3,18	3,16	3,00	3,21	3,04	2,80	2,70	2,55	2,37
Service availability	3,10	3,34	4,00	2,98	2,84	2,66	2,29	2,62	2,17
Occupational health and safety	3,20	3,01	3,00	3,20	3,16	2,77	2,63	2,51	2,46
Climate protection and energy efficiency	3,12	3,06	3,00	3,14	3,04	2,85	2,70	2,55	2,39
Sustainability in the supplier chain	3,28	3,00	4,00	2,95	2,72	2,55	2,56	2,42	2,17
Innovation for sustainability	3,23	3,19	3,00	3,05	3,20	2,60	2,55	2,47	2,21
Resource consumption	3,08	3,06	3,00	2,93	3,04	2,72	2,50	2,75	2,21
Supplier relations	3,02	2,99	4,00	2,95	2,68	2,49	2,30	2,47	2,10
Human rights, equal opportunities	3,05	3,11	2,00	3,14	3,36	2,64	2,81	2,47	2,35
Initiatives to eliminate the digital divide	3,07	3,05	3,00	2,81	2,84	2,60	2,57	2,35	2,24
Emissions	2,97	2,92	3,00	2,88	2,88	2,66	2,45	2,53	2,17
Safe use of mobile phones, electromagnetic fields	3,03	3,07	3,00	2,91	2,72	2,64	2,30	2,20	2,42
Risk management	2,87	2,88	4,00	2,91	2,16	2,56	2,23	2,49	2,13
Talent management	3,08	2,94	3,00	2,90	3,00	2,40	2,40	2,22	2,20
Addressing legal and ethical aspects of content service providing	2,83	3,08	3,00	2,81	3,04	2,47	2,23	2,33	2,28
Environmental targets, costs and compliance	3,10	3,16	3,00	2,84	2,88	2,50	2,23	2,15	2,15
Regulatory compliance	2,67	2,46	4,00	2,71	2,24	2,35	2,16	2,40	1,92
Involvement of our employees	2,90	3,14	2,00	2,85	2,56	2,56	2,37	2,35	2,12
Local procurement	3,03	3,20	1,00	2,89	2,88	2,55	2,60	2,27	2,34
Corporate compliance	2,67	2,58	4,00	2,76	2,04	2,32	2,21	2,27	1,90
ICT products for sustainability	2,92	2,66	3,00	2,80	2,20	2,33	2,37	2,02	1,93
Managing changes	2,85	2,87	2,00	2,68	2,32	2,29	2,10	2,35	1,94
Professional cooperation	2,83	2,75	2,00	2,81	2,32	2,24	2,23	2,24	1,95
Our employees as corporate citizens	3,23	2,61	2,00	2,70	2,52	2,18	2,26	1,89	1,91
Involvement of our customers	3,02	2,67	2,00	2,61	2,52	2,00	2,15	2,09	1,95
DELFIN Award for Responsible Companies	2,45	2,95	3,00	2,24	2,20	2,22	2,15	1,76	1,83
Cooperation in environmental and social issues	3,05	3,00	1,00	2,45	2,52	2,15	2,19	1,76	2,05
Donation	2,98	2,71	1,00	2,39	3,00	2,09	2,18	1,56	2,01
Sponsorship	3,13	2,53	2,00	2,15	3,00	1,76	1,86	1,58	1,79
Investor relations	2,57	2,47	2,00	2,50	2,20	2,08	1,97	2,36	1,64
Political presence	1,18	1,49	1,00	1,50	1,32	1,37	1,53	1,55	1,15

We wish to continue on joint thinking and cooperation with our stakeholders therefore we encourage everyone to share their comments, ideas and opinion with us by sending them to the fenntarthatosag@telekom.hu email address.

STAKEHOLDER INVOLVEMENT

In order to successfully operate the company it is essential to have strong relations with stakeholders. Below you will find a list of our key activities with our stakeholders the details of which are elaborated in the respective chapters of this Report:

- Investors – Investor (and responsible investor) assessment
- Customers – Sustainable products and services
- Employees – hello holnap! points and club
- Regulators – conformity, regulatory relations
- Local communities – Digital Bridge, voluntary work
- Non-profit organizations – sustainability panel discussions
- Suppliers – sustainable supplier chain
- Media – Sustainability Media Club
- Future generations – Telekom Smart Digital Program, Become an IT expert! sustainable innovation, hello holnap! mobile app

FREQUENCY OF THE INVOLVEMENT OF OUR STAKEHOLDERS AND KEY EVENTS IN 2016

CUSTOMERS

On November 30, 2016 T-Systems Hungary Symposium was organized for the fifth time in the Budapest Congress Centre with almost 2000 registered guest. The Symposium, considered as the biggest whole-day professional event of the industry, presented how digitization can bring businesses and communities closer to their own success. In 2016 the motto of Symposium was "Technology for sustainable future".

The presenters of the plenary morning session of the Symposium included Neil Jacobstein, Chair, Artificial Intelligence and Robotics Track, Singularity University, who gave a presentation on the Artificial Intelligence Revolution and Bernd Storck, Head of National team of Hungarian Football Federation. The presenters also included Adam Philpott, Director, EMEAR Security, Cisco and Tibor Szpisják Sales manager, HPE.

During the evening session of the Symposium the "Partner" Awards were distributed for the third time along with the "Project of the Year" Award. The nominees of the latter award were presented by Mihály Németh, T-Systems Hungary's Chief Officer, and the participants could vote on the best project through the Symposium mobile application. This time the winner was The Coca-Cola Hellenic data center migration.

Beside the "Project of the Year" Award, Zoltán Kaszás, chief officer of T-Systems Hungary also handed over awards for partners in three categories. The transformation partner prize was awarded to ServiceNow, while the prize for the biggest growth went to Cisco System. This year as a new category – in line with the targets of T-Systems to promote innovation – and innovation partner prize was also awarded at the event. The prize was received by MOHAnet, the company that T-Systems cooperated with during the year, establishing and boosting the sales of mostly IoT type services.

The results of the T-Systems Okosp@d (Sm@artBench) brainstorming competition was also announced at the event. Zoltán Kaszás, chief officer of T-Systems Hungary welcomed the winner, Dániel Bendegúz Horváth, student at the Budapest Technical University.

Within the confines of Contact person satisfaction survey at the end of each quarter the T-Systems Hungary asked their customers who used T-Systems' telephone or email based service deficiency reporting and administration processes. The T-Systems Hungary summarized results of the research quarterly. Based on these they made the contact person satisfaction report which is presented to the management of the company.

Within the frame of the Omnibusz survey we ask Telekom and non-Telekom customers about their consumption habits four times a year. We survey core services, such as TV, internet, telephone service as well as energy and insurance too. Four times a year we include questions on sustainability as well. We normally involve 1430 persons in the survey.

Tibor Rékasi giving his talk at T-Systems Symposium 2016.

SHAREHOLDERS

The Chief Officer and the Chief Financial Officer presented quarterly results to the representatives of investors and professional financial journalists four times during 2016 (24/25 February 2016: Release of fourth quarter 2015 results; 3/4 May 2016: Release of first quarter 2016 results; 4/5 August 2016: Release of first half 2016 results; 9/10 November 2016: Release of third quarter 2016 results).

On 12 April 2016 the Annual General Meeting was held, convened by the Board of Directors of Magyar Telekom Telecommunications Public Limited Company, at which the AGM approved the audited consolidated and standalone financial statements of the Company, as well as the Corporate Governance and Management Report of the Company for the business year of 2015, and decided on the use of the profit after tax earned in 2015.

In 2016 we participated at several investor conferences and roadshows around the world, the most significant were:

- 28 January 2016: Erste conference – London
- 3 March 2016: Concorde investor lunch – Budapest
- 17 March 2016: Citi European and EM Telecoms investor conference - London
- 6 April 2016: Concorde investor conference – Budapest
- 18-19 May 2016: US roadshow organized by Berenberg – New York, Boston
- 6-7 September 2016: HSBC EEMEA Investor Forum - London
- 11-13 October2016: Erste Group CEE investor conference - Stegersbach
- 16-18 November 2016: Morgan Stanley TMT conference – Barcelona
- 30 November - 2 December 2016: Wood EMEA Investor Forum – Prague

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 company's 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 of the final results of the survey is prepared by the Investor Relations department, and presented to the members of the Management Committee.

Magyar Telekom continues to be assessed by responsible investor ratings. Responsible investors are those who consider each company's environmental and social performance in addition to financial and risk analysis during their investor's assessment processes.

Magyar Telekom has been listed among the **CEERIUS** (Central Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange that offer outstanding performance. In 2016 Magyar Telekom was listed immediately in the **FTSE4Good Emerging Index** from its inception. Due to its environmental and social performance Magyar Telekom was assessed by **Oekom Research**. Their responsible investors rating listed Magyar Telekom as Prime B category, recommended for investment. **Trucost** has also rated the company in 2016, and we have continued our participation in the **Carbon Disclosure Project (CDP)**, in the framework of which the largest companies report on their climate protection measures, the related risks and opportunities and their CO_2 emissions to the key investors.

REGULATORS

Magyar Telekom regularly harmonizes the following topics with ministries (in particular with the following ministries: Ministry of Interior, Ministry of Justice, Prime Minister's Office, Ministry for the National Economy, National Development Ministry, as well as with authorities (in particular with the following authorities: National Media and Info-Communications Authority, Hungarian Energy and Public Utility Regulatory Authority):

- industry-specific draft strategies;
- comments to draft legislations 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 on the practical interpretation of the law to obtain the authority's standpoint to ensure full compliance with the intentions of the lawmaker.

Next to the above Magyar Telekom keeps contact with market players and competitors too. Harmonization with interest representation forums (in particular with the: Communications Reconciliation Council [HÉT], IVSZ Alliance for the Digital Economy) where the company's key objective is to establish a common legal opinion on the legislative process. HÉT is the dedicated consultation partner of the telecommunication industry in respect of the Digital National Development Program (DNFP), launched as a result of the InternetKon national consultation that determined the future of the domestic internet market, and from December, 2015 the Digital Welfare Program (DJP). During the planning and implementation of the government decree, issued to ensure the implementation of the DJP, the HÉT represents the standpoint of the industry.

Magyar Telekom's regulatory area organizes the so-called Regulatory Forum event in every six months where in-house stakeholders are informed on the most important regulatory changes and processes.

A LIST OF THE MAIN MEMBERSHIPS OF MAGYAR TELEKOM GROUP OF INDUSTRIAL AND OTHER ASSOCIATIONS, NATIONAL OR INTERNATIONAL ADVOCACY ORGANIZATIONS

Name of Association	Strategic membership	Holding position in the governance body
Magyar Telekom Nyrt.		
European Telecommunications Network Operators Associations (ETNO)	✔	
GSMA Association	✔	
Joint Venture Association	✔	Curatorium membership
German-Hungarian Chamber of Industry and Commerce	✔	Curatorial membership
Telecommunications Advocacy Council	✔	Chairmanship
ICT Association of Hungary	✔	Chairman of multinational department, Zsófia Bánhegyi
Hungarian Association of International Companies		
T-Systems Hungary		
ICT Association of Hungary	✔	
American Chamber of Commerce in Hungary	✔	
Hungarian Outsourcing Association (HOA)		
Hungarian Hospital Association	✔	
Hungarian Water Utility Association	✔	
Hungarian Project Management Association	✔	Kiss Mihály-vice president
Scientific Association for Infocommunications		
Hungarian Librarian's Association	✔	
Lobby Club Association		
Hungarian Chamber of Engineers		

A LIST OF THE MAIN MEMBERSHIPS OF MAGYAR TELEKOM GROUP OF INDUSTRIAL AND OTHER ASSOCIATIONS, NATIONAL OR INTERNATIONAL ADVOCACY ORGANIZATIONS

Name of Association	Strategic membership	Holding position in the governance body
Agro ICT Claster	✔	Gombos Szilárd Agro ICT Claster chairman
Buday Business Club		
Association of Health Technology Suppliers and Medical Device Manufacturers (ETOSZ)		Németh Mihály member of the board
itSMF		
Chamber of Bodyguards, Property Protection and Private Detectives		
Crnogorski Telekom		
Montenegrin Foreign Investors Council(MFIC)		CT is a member of the Council Mr Milija Zekovic, the CEO is the representative in the governing bodies of MFIC(Assembly and Board of Directors)
Chamber of Economy of Montenegro		Mr Milija Zekovic, the CEO of Crnogorski Telekom is a Board member
Montenegro Emplyers Federation		Mr Milija Zekovic,the CEO of Crnogorski Telekom is a Board member
AmCham Montenegro		CT is member, CT representative participate at AmCham Montenegro General Assembly meetings
Makedonski Telekom	✔	
ITU	✔	
ETNO	✔	
RIPE		
GS1 Macedonia (bar code association)	✔	
Economic Chamber of Macedonia		MKT representative is BoD member
AmCham - USA [illegible]		MKT representative,
Macedonian-German Business Association		
European Business Association		
MASIT/[illegible](Macedonian IT Chamber)		MKT representative is BoD member
GSMA assosiation	✔	
Chamber of authorised architects and engineers of Macedonia	✔	

SUPPLIERS

Magyar Telekom has invited 17 suppliers in 2016 to fill out the EcoVadis assessment, which evaluates companies in terms of their economic, environmental, social and responsible procurement operations. Together, with the results of pervious hears we have received 40 responses from our direct and indirect suppliers.

Magyar Telekom Sustainability questionnaire is a series of questions on environmental, social and business ethics topics. 18 companies participated directly in the survey in 2016. Respondents were informed about their results, where they have received topic specified feedback on their performance.

T-Systems Hungary organizes every year the T-Systems Symposium ICT 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 2016 a total of 31 indirect Magyar Telekom suppliers were audited.

Deutsche Telekom's cross-border initiative 'Together for Strong Brands' (previously known as 'Together for Sustainability') was created in 2014. This is a supplier development program, and this cooperation expanded by four key ICT product suppliers to 11 members in 2016.

EMPLOYEES

Social responsibility and a sustainability mindset are key elements of everyday life within the company. Individual commitment to these values is something that we pay attention to during our recruitment processes. Our employees engage in multiple events and activities that involve volunteer work, opportunities to donate and several other forms of taking part in corporate social giving. In 2016 Magyar Telekom supported the 31-year old Telekom Vivicittá city run as a naming sponsor. The event was simultaneously held in Budapest, Kecskemét and Pécs. More than 30 000 people from 1001 cities and 72 other countries came to participate in the big run. Our colleagues were encouraged to take part in the city run with preliminary internal campaigns and by an option of preferential admission. More than 1000 employees - together with their families - took part in the biggest sport event of springtime. Depending on the distance completed the participants were awarded with hello holnap! points and could collect one extra point only for cheering.

Several hundreds of employees took part in the Y2016 "It is good to give!" cookie campaign. The event was organized by 60 volunteers in 15 sites where 230 employees made cookies that were sold to several thousands of employees on December 5. On the day of the event almost 1.7 million HUF was raised for the Autistic Art - Smile Fund.

Within the frame of our Smart Digital Program 55 Telekom volunteers gave lessons in 64 schools in 24 cities across Hungary. In 2016 2360 children attended our interactive presentations on the safe use of the internet and mobile communication.

Several thousands of employees attended the Kick-Off event at the beginning of the year. At the Kick-Off event the Group CEO presented the Y2015 results and outlined the objectives and expectations for 2016. The participating colleagues received tree voucher for planting. The **hello holnap! pagony** (boscage) was debuted by this action.

Magyar Telekom organized a whole month border "Health Weeks" in 2016 too to preserve the health of employees. T-Systems also joined the program. The motto of 2016 was: We live SMART and work SMART ("Okosan élünk, okosan dolgozunk"). Within the frame of the program we provided mental health programs, presentations, trainings and free consultation to our employees at 18 sites in Budapest and throughout the country.

This was the third year that the Magenta team of Makedonski Telekom participated in the Skopje Marathon for a humanitarian cause. The runners in our team dedicated the race to increasing awareness of Wilson Disease. The team raised a total of 5,000 euros for the Citizen's Association for Support of People with the rare Wilson Disease Macedonia (CAWDM).

For more information about the community investments of Magyar Telekom Group please visit chapters **5.2 Involvement of employees** and **6.1 Community Investments**.

We have planted 571 trees so far in hello holnap! pagony virtual boscage.

COMMUNITIES

Within the frame of our Smart Digital Program Telekom volunteers gave lectures for 2360 students about the safe use of the internet and mobile communication. Magyar Telekom Digital Bridge initiative is designed to bring the accomplishments and inherent opportunities of information and communication technologies to those areas where the digital gap is present and may widen to a dangerous extent within course of time. In 2016, we held 7 Digital Daycare events in Debrecen during the summer school holiday and we organized a Digital Bridge for Small Settlements event in Hajdúsámson.

The agreement fits into the Telekom general sponsorship objectives and aligns with the mother company's international support system: Hungary's leading telecommunication service provider supports the biggest and most successful clubs and their athletes - like the Hungarian Olympic Committee, MVM Veszprém, the Hungarian Swimming Association and FTC. On 31th August Magyar Telekom has signed a memorandum of understanding of cooperation with the Hungarian Paralympic Committee, pursuant to which the company is going to help the Hungarian team prepare during the next paralympic cycle

László Szabó, President of the Hungarian Paralympic Committee, Zsanett Adámi paralympic swimmer and Christopher Mattheisen CEO of Magyar Telekom.

Following almost 20 years of cooperation Magyar Telekom became naming sponsor of the Veszprém Handball Team. On 23th May Telekom signed a sponsorship agreement being of imminent importance from the aspect of the future of the Veszprém handball team, according to which the cooperation between the leading ICT service provider of Hungary and the team reaches the highest possible level. According to the agreement, from the 2016/2017 championship season the teams operated by the Veszprém Handball Team Zrt. – from U10 to the adult team – will participate at all Hungarian and international tournaments under the name of Telekom Veszprém Handball Team.

Ferencvárosi Torna Club (FTC) and Magyar Telekom signed a long term, three-year sponsorship agreement in 2015. The company has been sponsoring the youth development of FTC and from November 28, 2015 supports the first division football team as its main sponsor thereby contributing to the club's success even more than before.

Crnogorski Telekom is the golden sponsor of the Montenegrin national football team and a general sponsor of the Telekom Montenegrin Football First League. Additionally, in 2016 Telekom supported and sponsored Buducnost Basketball Club.

Makedonski Telekom's Smart City project delivered in 2015 and still in effect in 2016, was performed in cooperation with the municipality of Skopje. With the Smart City project we enable smart transport as the main bloodpipe in the city, we inform citizens on latest technologies and innovative infocommunication solutions. The use of these technologies does not only make their lives easier but also contributes to them shaping a more sustainable and conscious lifestyle. Following the success of the first phase, the smart transport project was extended in all city busses, leaving paper tickets in the City's history and contributing towards the environment protection.

Makedonski Telekom started another environment-friendly project in the field of smart lighting. Our smart lighting systems, brings significant electricity saving and enables real-time monitoring and control of the city infrastructure. However, the key environmental impact comes from the lower energy consumption and decreased emission of CO_2.

For the 14th year in succession, the Telekom for Macedonia Foundation organized a humanitarian New Year's Caravan for the most vulnerable groups of children in December, 2016. The caravan visited more than 2,000 children without parental care, children with special needs, impaired hearing and vision or other physical disabilities, and children from socially vulnerable families. A special New Year's play was staged and gift bags handed out to the children. The caravan was organized and managed by about 50 volunteers from Makedonski Telekom, who visited 45 institutions. The Caravan did not only brighten the lives of these needy children but also raised awareness among the employees for the importance of corporate volunteering.

Magenta Team of Makedonski Telekom participated third time in the Skopje Marathon in 2016. The runners in the team dedicated the race to increasing awareness of Wilson Disease. The Magenta team raised a total of 5,000 euros for the Citizen's Association for Support of People with the rate Wilson Disease Macedonia (CAWDM) to provide resources for genetic testing of Wilson Disease.

The Telekom for Macedonia Foundation and the Red Cross started a donation hotline and collected more than EUR 100,000 to support people affected by the floods in Skopje on 6 August, 2016. Our volunteers took away waste and debris that had been deposited by the flood waters. Alongside the volunteering work carried out by our employees, we also donated EUR 32,000 toward reconstruction of homes in the municipality Gazi Baba.

NON-PROFIT ORGANIZATIONS

Everyone had the opportunity to exchange ideas and experience with NGOs at the annual **Sustainability Roundtable** discussions, in Budapest. In 2016 the panel discussion was organized on 10th June.

The Sustainability Day of Magyar Telekom has been organized for ninth time on the last Saturday of September. In 2016 there was a record number of visitors, 5000 people wanting to know more about the topics raised. They could visit more than 40 exhibiting stands at the event, and receive information about the work of non-profit organizations who were also present.

As a preparation for the year 2016 Sustainability Report we distributed a survey sheet among non-profit organizations trying to find out which topics of the report are most useful and important for them. The survey was sent to all non-profit organizations that were granted donations from Magyar Telekom in the past four years as well as the partners and beneficiaries of the hello holnap! mobile application, the organizations that took part in the elaboration of the hello holnap! fee package, the organizations representing people with disabilities, the organizations participating in the 9th Sustainability Day and the winners of the Civil and Civil Net Application for Funds.

9th Sustainability Day

In the process of the preparation of the hello holnap! mobile application Magyar Telekom had non-profit organizations as cooperation partners: the "Szatyor" consumer community, the 30km.hu and the Oszkár car sharing service, the Amnesty International, the Suhanj! Foundation, the Budapest Bike Maffia and the Hungarian Bird Science Association.

In 2016 the following organizations became beneficiaries: Autonómia Foundation, Budapest Bike Maffia, "Heti Betevő" (Weekly Meal), BirdLife Hungary (MME) and the Suhanj! Foundation.

Magyar Telekom launched its Civil Tariff Package service for NGOs in March, 2004 with beneficial rates and service package. In 2016 the Company invited applications on one occasion and provided discount schemes to 21 organizations in an overall value of 1.5 million HUF.

In 2016 Crnogorski Telekom organized its annual donation contest "Za svako dobro" ('For All Good'), which is supporting socially responsible projects of special importance for the community, for the third year in a row. Total amount of funding for this year's contest was EUR 30,000.

The contest was open to all NGOs from Montenegro that could apply with projects in the fields of education, arts and culture, environmental protection and the creation of equal opportunities for inclusion in digital society.

Among 33 NGOs that applied for grants, 6 projects were selected and awarded with funds for implementation. In November 2016, the Employee's Union of Montenegro awarded Crnogorski Telekom the Annual Award for Social Responsibility in 2016, in the area of community support, for the project "Za svako dobro".

The company also supported a number of initiatives dealing with the problems of socially vulnerable groups or promoting good causes for society, especially regarding the health system in Montenegro. The donation line was opened by Crnogorski Telekom in cooperation with Humanitarian Foundation „Budi human", to provide support to citizens of Montenegro that need help in collection funds for medical treatments.

FUTURE GENERATIONS

The objective of Telekom's Smart Digital Program is to support the development of Hungary's digital maturity and literacy. Our volunteer employees teach practical tips and tricks on the use of the internet, call children's attention to potential dangers on the web, show them useful browser settings and discuss the etiquette of communicating through electronic channels. In 2016 Telekom volunteers visited and educated 2360 children.

The interactive sessions are organized as 45 minute school lessons and considering the interests and special position of the age group they have discussed topics like password security, how to avoid dangerous web content and issues of cyber bullying.

On the 9th Sustainability Day in 2016 – where the target group was young, educated city-dwellers within the age group of 18–35 – a record number of 5000 persons visited the event that was comprised of four panel discussions.

Music and festivals are among the main targets of Magyar Telekom's sponsoring efforts. The company has been supporting the VOLT, the Balaton Sound, the Campus, the EFOTT and the Sziget Festival. Besides offering a great opportunity to present our brand these events are also important occasions for the event-specific presentation of our ICT products and services.

By way of supporting festivals Magyar Telekom reached almost 1 million young adults in 2016: 148,000 persons partied at the VOLT, 157,000 at the Balaton Sound, almost 200,000 at Campus Festival and EFOTT, and 496,000 at the Sziget Festival.

Deutsche Telekom's very popular and successful electronic music festival, Telekom Electronic Beats was organized again between November 3-5th , in Budapest. The main events were organized in the Aquarium club, but the program included several exciting daily events and some of the exhibitions, concerts and all night parties were organized by partners as Premier Kultcafe, Központ Bar, Omnivore Gallery and The Garden Studio. The multiple-day event makes life more colorful in Budapest not only with music programs but also with various arts, technology, gastronomy and fashion shows.

The Become an IT expert! career orientation program was launched by Magyar Telekom and T-Systems Hungary where the companies use their knowledge base to inspire students to choose the IT profession. In 2016 the program reached 11,438 students.

Within the frame of the program Telekom volunteers present the advantages and characteristics of the IT and engineering profession in 45 minute school lessons, mainly in secondary and primary schools.

Through its initiatives Magyar Telekom Group has also joined the Digital Thematic Week with two of its programs: Become an IT Expert! and the Telekom Smart Digital programs, in the framework of which close to 100 presentations were delivered in all over 60 schools all over the country. Magyar Telekom's programs reached over 4000 students. The Digital Thematic Week was held for the first time in 2016 from April 4 to 8, organized by the Ministry of Human Resources and coordinated by IVSZ.

Makedonski Telekom has been a partners of the one and only Skopje Jazz Festival and in 2016 we continued our partnership with Karolina, Elena and Adrijan Gaxha – famous Macedonian music stars. In 2016 we also supported the most important cultural events: Ohrid summer festival, Novel of the Year, Milingona e Arte and many others.

Makedonski Telekom in line with its strategy for connected life and work, supports projects for support and development of the digital society and promotion of the life and the education of young people. Thus the company donated computer equipment for the "Goce Delchev" Dormitory (State Dormitory "Skopje"). The computer equipment, TV sets, printers and telecommunication services are available for all students in the reading room in the renovated block "B". The value of the donated equipment is over 900,000 MKD. Moreover, 20 new desktop computers, two TV sets and two printers were installed and networked. Also, wireless internet equipment and packet services of Makedonski Telekom such as Telekom HotSpot, MaxTV packages and two Max Sport+ TV packages were provided.

MEDIA

Magyar Telekom's sustainability center and the organization responsible for media relations organized two meetings for the members of the Sustainability Media Club. The participants, besides Magyar Telekom, were: CEMP-group, TV2, RTL Klub, Class FM1, Ringier AxelSpriger, Forbes, Origo-group, Metropol2, Médiaworks and Centrál Média. In early 2017 a new member joined to the Club, the WMN.hu.

In 2016 62 applications were submitted to Magyar Telekom's Sustainability Media Award. Projects could be nominated in three categories: "Bottom View", "Wide-angle View" and Blog. The projects were required to address environmental, social or economic phenomenon. The awards were distributed among the winners on the ninth Sustainability Day.

CHARTERS AND INITIATIVES OF COOPERATION ACCEPTED AND SIGNED BY MAGYAR TELEKOM GROUP

Besides professional challenges, the Group also seeks cooperation opportunities for the solution of social and environmental problems.

The Group is a member of several working groups of the Hungarian Business Leaders Forum (HBLF):

- Partnership and Volunteering Working Group
- HBLF for Diversity HR Working Group
- Equal Opportunities Working Group
- Health Working Group
- Environmental Protection and Sustainability Working Group
- Community Programs Working Group
- Business Ethics and Transparency Working Group

The Group has been an active member of **ETNO's (European Telecommunications Network Operators Association) Sustainability Workgroup** for years. The members work closely towards solving all kinds of sustainability-related programs. In addition to the three meetings held each year, an internet portal also helps our joint work and contributes to the sharing of best practices.

In respect of the **hello holnap! Fee package** we held various forums with the involved organizations (SINOSZ, MVGYOSZ, MEOSZ, ÉFOÉSZ, AOSZ). Our cooperation with these bodies is continuous, active and based on the proposals we continuously improve our relationship with the disabled people and develop our relevant services. In 2016 we implement the latest version of the fee package that provides several services at the cheap price for disabled people. Our most important new initiative is that each entitled member can use two hello holnap! subscriptions to involve a family member or an attendant.

We supported the work of the Environment Protection Committee of the Hungarian Academy of Sciences as well as the scientific work of the National Adaptation Center. Our colleagues are in close relationship with several higher education institutes and we help the universities with consultancy for writing theses, expert education and giving lectures.

OECD-Guidelines – Magyar Telekom has been the first among the Hungarian companies to accept OECD Guidelines for Multinational Enterprises and set them up as mandatory guidelines for its operations.

European Union's Diversity Charter – has been signed by the company and considered as a mandatory guideline inherent in the corporate Human strategy.

UN Global Compact has been signed by the company and the current report also stands to report our achievements in the 10 principles

UN Sustainable Development Goals – Magyar Telekom has acknowledged the SDG and through incorporating them as guidelines in its 2016-2020 the company finds the contribution to the goals a mandatory element of its operations.

Carbon Disclosure Project (CDP) – Magyar Telekom has signed the global initiative and fulfills its annual reporting obligations

ROMASTER – Magyar Telekom is a member of the program together with other major players of the business sphere (IBM, Raiffeisen Bank, Holcim, Magyar Telekom, etc.). This is the first initiative aiming to join forces, without any state involvement, in order to address the urgent and sensitive social issue of roma people's integration and working closely together in improving or solving the situation.

In addition to these the company group has been involved in several environmental, social (e.g. **The Environmental Protection Committee of AmCham**, **National Human Policy Association**) and professional (e.g. **EURESCOM**, **ETSI**, **ITU-T**) initiatives and cooperation.

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

SUSTAINABILITY DAY

The **Sustainability Day (FN9)** was organized on the ninth occasion on September 24th. The conference with the slogan "smartup – you could be smarter" was organized in a new location, the Aquarium club and a record number of 5000 visitors were interested in. It was opened by the quiz master, **István Vágó**, who presented the differences between clever, intelligent, educated and smart through his own experiences.

István Vágó giving his inspiration talk at the 9th Sustainability Day.

In the **environmental section** the experts discussed smart climate protection and environmental awareness issues as well as smart cities, smart farming and future impacts of renewable energy using and robotics. After the discussion of the environmental section the participants of the **economic section** discussed the justification of economy indices, the economic role of digitization, the impacts of robotization on the labor market and the effects of refugee crisis and migration.In the **social section** the topics of discussion were generation. During the discussion the participants highlighted the differences of X, Y and Z generation and how they relate to the smart solutions. The **+1 section** was organized around the individual in 2016. This time it was looking for the answer to the basic question of how smart devices have transformed our lives in the past five years.

The participants highlighted that the smart solutions interlinked with every moment of life today, for example waking up, keeping contacts, bill payment or working. They also talked about net addiction and opportunities in the field of accessibility which are provided by smart devices.

The attendees of the event could visit many of reputable organization who presented their sustainability activities. During the day more than 40 exhibitors waited visitors with interactive presentations, games and informational materials. The exhibitors informed people about sustainable transport, renewable energy using, urban gardening, waste management and recycling, sustainable food and conscious consumption, equal opportunities and accessibility, but there were a lot of children's program for the little ones.

Several awards were distributed at the FN9 event. For example the winners of the "Nincs több nem tudom" ('No more I don't knows') application for funds were announced as well as the awardees of the Sustainability Press Award.

Within the frame of the Sustainability Press Award the applications were submitted in three categories. The winner of the Bottom View category was a journalist from 24.hu, **Bea Belicza** with his "Összefogásból ötös – abból főznek, ami van" ('A for Collaboration – they cook with what they have') report. In the Wide Angle category the members of the jury, delegated by Telekom and the Sustainability Media Club, gave the first prize to **András Nagy and Bálint Tóth** for the „Why not? / The false indigo" film while in the E-world category the first prize was given to **Mónika Pintér** from Origo.hu for her article series in the technology column.

In line with our traditions acknowledgments were given to the three most popular exhibitors on the basis of the attendees' votes. This year the acknowledgment was given to the **Meixner School**, the **SHARE – The charitable beer** and the **SUHANJ! Fund**.

The all-day event was closed by a huge party to the music of Blahalouisiana and the PASO soundsystem.

THE HELLO HOLNAP! APPLICATION

Magyar Telekom concluded donation contracts with six non-profit organizations for years 2015–2016. The **Autonomy Fund,** the **Budapest Bike Maffia**, the **Heti Betevő**, the **Hungarian Bird and Environment Protection Association (MME)**, the **Hungarian Environment Protection Association** and the **SUHANJ! Fund** could collected donation until 31th December, 2016.

At the end of 2016 new tender was announced for the year 2017. 35 applications were received. In 2017 9 organizations can collect donation from the hello holnap! application: **ArtMan Association, Autistic Art Foundation, Budapest Bike Maffia, Heroes of Responsible Dining, Humusz Szövetség, Hungarian Food Bank Association, Hungarian Environment Protection Association, SUHANJ! Fund,** and **WWF Hungary.**

The hello holnap! application is available for iOS, Android and Windows phone. This is one of the most popular Magyar Telekom application and has been downloaded more than 7500 times.

DELFIN AWARD

In 2008 our company established the DELFIN Award: The award stands in Hungarian for a Committed, Sustainable, Inovative Generation. With the DELFIN Award Magyar Telekom wants to promote the idea of sustainable development among all companies in Hungary and recognize efforts made towards this goal. The award is given to suppliers offering outstanding performance in the field of sustainability, on the basis of applications judged by a board of professionals.

Any Hungarian enterprise could apply for the DELFIN award in 2016 – with implemented and running programs in 4 categories.

- sustainable innovation category,
- equal opportunity category,
- climate protection category,
- awareness category

Members of the professional jury:

- Péter Bodó – founder of the Route4U wheelchair navigation application
- Bence György – chief editor of origo.hu, delegate of Sustainability Media Club
- Dr. György Pataki – dean of the Corvinus University of Budapest
- Katalin Szomolányi – head of Magyar Telekom's sustainability center

The eighth award ceremony was held on June 10, 2016 at the 17th Sustainability Roundtable discussion. The roundtable discussion and the DELFIN Award ceremony was organized in the headquarters of Telekom. The professional jury of the event rewarded exemplary sustainability solutions and performance among the competing companies.

Winners of the DELFIN Award in 2016:

- In the Sustainable Innovation category the **Házikó Farm Kft.** won with activities whick make a bridge between rural and urban.
- In the Awareness category the winner was **Naplopó Kft.** with many years effort in the awareness.
- The **RS Bt.** also won in the Sustainable Innovation category with the innovative grain drying project called **Videokontroll**

The application materials can be found on the following website (only HU):

http://www.telekom.hu/rolunk/fenntarthatosag/esemenyek/2016/kerekasztal-beszelgetes

PROFESSIONAL COOPERATION

Upon the initiative and by funding of T-Labs (Telekom Innovation Laboratories, Berlin) the faculty Data Science and Engineering began to operate at Eötvös Loránd University from September 2016. The objective of the initiative was to create a researcher network of EU Labs, of which Hungary shall be the first pillar. The inauguration of the faculty took place on September 6th, 2016, on the day of innovation at ELTE. The role of Magyar Telekom will be manifested in the support of education (apprenticeship positions, knowledge transfer, an external consultant role) and research (R&D funding) activities. In 2016 the MT's R&D Committee has already approved two R&D themes fitting to the competencies of the faculty.

An additional data mining activity is the Big Data Hackaton, held on December 9th, 2016, where 100 candidates started, organized in 25 teams. The Big Data Hackaton was realized jointly organized by the new ELTE Faculty and KIBU. The idea of one of the winner groups will be implemented by MT in a live production environment in 2017. http://bigdata.kibu.hu/

In recent years the international cooperation between DT companies has come to the forefront to exploit synergy opportunities within the group. We are playing an important role in the international program started for transformation of the parent company's operating model. Its objective is the development of an infrastructure and a range of services to support future operations, contributing to DT Group's being Europe's leading service provider, and to that the optimization of network infrastructures and resources takes place at group level.

For this, we took and still take part in a number of international projects:

1. In harmony and sync with the company's strategy our special emphasis is on customer satisfaction and on how we can further improve it on the network side. In order to achieve this, we launched the CNE (Customer Experience Network) project jointly with DT, within the framework of which are starting several actions for to increase the satisfaction of our customers.

2. In the field of TV service development, international cooperation is of particular importance, since exploiting of the synergies between European member companies of the DT group allows greater efficiency both in quality and speed, and in price and in the management of our suppliers by magnitudes than what would be possible if those countries would deploy projects alone. The complete system software update of the so-called Mediaroom platform being technological basis for our IPTV service has taken place. Such a successful international project led by TVSC was completed in March 2016. The international project implemented in three countries - Macedonia, Montenegro and Hungary - during several months of work driven by domestic leadership affected more than 650,000 customers.

3. Our colleagues participate in the DT PANNET project in which the single infrastructure and the necessary operational model will be developed.

Within the framework of PSTN replacement project launched in 2014, our PSTN/ISDN clients have been migrated onto an IP network using a modern, long-term sustainable MSAN technology, by the end of 2016.

It is characteristic for MSAN that while the devices are operating on a cheaper and more energy-efficient IP network, the former services are available with unchanged quality and parameters for the customers.

In year 2016 the massive migration was completed and thanks to this we spared significant energies.

The exchanges were demolished environment consciously by assigned subcontractors, with the sustainability in mind. All "parts" of the exchanges have been recycled.

In March 2015 cooperation with Telenor Hungary started, in the scope of which we are going to build the LTE800's rural network together. In areas east of the Danube Telekom, in the western areas Telenor will design and build out the network. No common construction in Budapest is included in the collaboration.

Our main objective is to jointly achieve the coverage commitments towards NMIAH. With a joint construction we can make the currently most advanced mobile technology faster accessible to the countryside subscribers, while due to built-in process balances none of the companies will have to miss that developments important for it are realized, even if the partner would not prefer them.

Additionally, the 10-10 MHz band obtained by the two companies will be shared and thus both of us can build a 20 MHz bandwidth LTE, resulting in a double nominal speed. By the end of 2016 more than 2,200 stations have been put into operation within the frameworks of the joint project.

Overall, one may state that the winners of the cooperation are the subscribers of both companies. They are enabled to use the net faster, with a higher bandwidth, while doing it cost-effective because of the shared construction.

1. CLIMATE- AND ENVIRONMENTAL PROTECTION

1.1 Climate protection and energy efficiency 18
1.2 Resources management 19
1.3 Emissions 22
1.4 Environmental objectives, costs and compliance 23

3 GOOD HEALTH AND WELL-BEING

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

As a leading provider of info-communications services in the region, Magyar Telekom's commitment to sustainable development with a focus on preserving the environment lies in the centre of its mission. In our new Sustainablility Strategy 2016-2020 we set the ambitious goal to reduce de level of our carbon dioxide emission below 100 000 tons.

2016 marked the second year in which Magyar Telekom Group (together with its foreign subsidiaries, Makedonski Telekom and Crnogorski Telekom) set the objective of carbon-neutral operation – and reached it. Our electricity consumption was covered by renewable energy and we offset 50 000 CER units. Our performance exceeded our expectations, therefore 7409 tons ✔ of CO_2 will be included in the offset of our 2017 emissions.

In celebration of going carbon neutral for the second year in a row, our colleauges planted more than 500 trees on the first Telekom Volunteer Day and planted the same amount of virtual trees in the hello holnap! pagony (www.hellopagony.hu)

In 2016 we continued our carbon offset project. We spent half of the income of our company car policy regulated bonus-malus system to carbon offset. Our aim was to become carbon neutral again in 2016 too. We have reached our goal by using 100% renewable energy for our electricity and we offset the rest of our emissions, by purchasing and retiring CER (Certified Emission Reduction) units. The reduction came from a Chinese project, we offset 50 000 tons of CO_2. In 2016 Magyar Telekom Plc. has purchased 201 GWh of renewable energy that is equal with 100% of the total amount of electricity used by the Company.

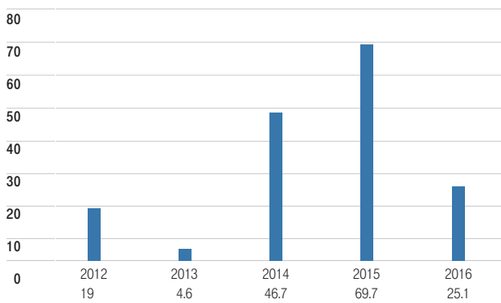
Magyar Telekom's new sustainability strategy for the period 2016-2020 points to the focus of climate protection and the reduction of CO_2-emissions. Our highlighted environmental and operational ecoefficiency goals are:

- Reducing our CO_2 emissions (target set below 100 000 tons of CO_2 by 2020)
- Energy consumption: saving energy (reduce consumption), increase of energy efficiency levels, using green energy,
- Increase the energy efficiency of our buildings
- Decrease our fleet consumption, promotion travel replacement solutions, and dematerialization solutions,
- Introduction of sustainable and climate friendly products and services
- Waste management: reduction of waste (increased recycling-rate)
- Measure the climate footprint of our customers and suppliers

The company pays incrased attention on supplying its network with energy-efficient equipment. All of our products and services must comply with the requirements of environmental sustainability. We aim to provide our customers with solutions they can benefit from, allowing them to use less energy and protect the environment. For more information, please refer to chapter **2. Responsible Service, section 2.2 ICT for Sustainability.**

Based on the Business Continuity Management System (BCM) we have identified the critical climate risks (floods, heat waves) that might affect our operations and we have prepared action plans for possible risk management. According to our annual assessment the rate of climate damage in the network did not reach the level of intervention (HUF 50 million damage/month). In 2016 we have identified 364 ✔ climate related cases (storm damage). In 2016 during the heatwave we allowed our colleagues to work remotely in order to reduce the energy consumption of our offices, and we increased the core temperature of our datacenters and base stations.

STORM DAMAGE (HUF M) ✔



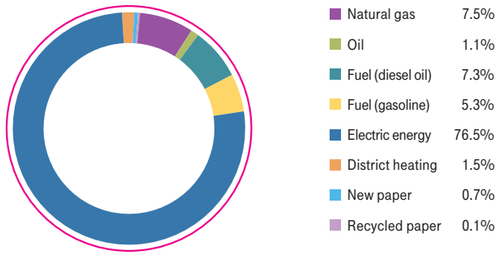
1.1 CLIMATE PROTECTION AND ENERGY EFFICIENCY

To present the quantitative greenhouse gas emissions of Magyar Telekom Group's activities we use a CO_2e (carbon dioxide equivalent) as an indicator. (We do not measure greenhouse gases separately and we do not have biogenic CO_2-emissions.)

The details of Magyar Telekom Group's CO_2-emissions are given in the following table. The CO_2-conversion factors were determined on the basis of the 2007 recommendations of the International Energy Agency Data Services (electricity), the UNEP guidelines (heating oil, fuel, natural gas), DEFRA's coefficients and by the data provided by a prominent Hungarian paper factory. We present our real emissions with and with out carbon offset.

AGGREGATED CO_2 IMPACT MAGYAR TELEKOM (t CO_2) ✔

SHARE OF CO_2 BY SOURCE ✔



MAGYAR TELEKOM GROUP'S TOTAL CO_2-EMISSIONS ✔

CO_2 IMPACT [t CO_2]	2011	2012	2013	2014	2015	2016
Direct energy consumption						
Natural gas	16 051	10 922	11 400	9 824	8 910	8 266
Oil	2 604	3 001	2 600	2 004	1 629	1 206
Fuel (diesel oil)	8 853	8 315	8 217	8 317	8 364	8 109
Fuel (gasoline)	6 669	6 359	6 436	6 631	6 590	5 866
Fuel (total)	15 522	14 673	14 653	14 949	14 954	13 975
CO_2 emission of direct energy consumption	**34 177**	**28 596**	**28 653**	**26 777**	**25 493**	**23 447**
Indirect energy consumption						
Electric energy	98 517	94 483	91 361	86 655	87 010	84 725
Green energy	17 381	18 228	11 516	11 516	63 337	68 145
Electric energy (adjusted with renewable energy consumption)	81 136	76 255	79 845	75 139	23 673	16 580
District heating	2 367	1 957	2 156	1 863	1 918	1 690
CO_2 emission of indirect energy consumption (adjusted with renewable energy consumption)	**83 503**	**78 212**	**82 001**	**77 001**	**25 591**	**18 270**
Total energy consumption						
CO_2 emission of energy consumption (adjusted with renewable energy consumption)	**117 680**	**106 808**	**110 654**	**103 778**	**51 084**	**41 717**
CO_2 emission of paper consumption						
New paper	1 038	1 455	1 078	961	813	755
Recycled paper	162	162	146	144	122	119
CO_2 emission of total paper consumption	**1 200**	**1 618**	**1 223**	**1 106**	**935**	**874**
Cumulated CO_2 emission						
CO_2 emission of indirect energy consumption (adjusted with renewable energy consumption)	117 680	106 808	110 654	103 778	51 084	41 717
CO_2 emission of total paper consumption	1 200	1 618	1 223	1 106	935	874
CO_2 emission eliminated by the Carbon offset project			**-3 520**	**-17 135**	**-52 189**	**-50 000**
Cumulated CO_2 emission (adjusted with renewable energy consumption and carbon offset)	**118 880**	**108 426**	**108 358**	**87 749**	**0**	**0**

Comments:* With carbon offset we managed to induce CO_2-emisson above the actual emissions, as a result of which 7409 tons of CO2 will be used as part of our emission's offset in 2017.

Magyar Telekom takes all necessary measures to treat the risk from operation of the fluorinegreenhouse gas conintaining equipment. Based on the inspections carried out in accordance with the regulations there was no leakage in 2016. 49% of the replacement of R22 greenhouse gasses within Magyar Telekom Plc. has been done so far. Most of the remaining air conditioners operating with regulated greenhouse gasses will be subject to dismantling in 2017 due to energy reduction operations or selling property. Magyar Telekom Plc. is meeting the deadline for replacement disclosed in the related legislation.

1.1.1 CLIMATE PROTECTION RESULTS

Taking the purchase of green energy and carbon offset into account, total carbon dioxide emissions was offset by the Magyar Telekom Group. Our Scope 1 emission decreased by 8% due to the significant decrease of the fuel consumption, while the Scope 2 emission decreased by 3% due to network modernisation.

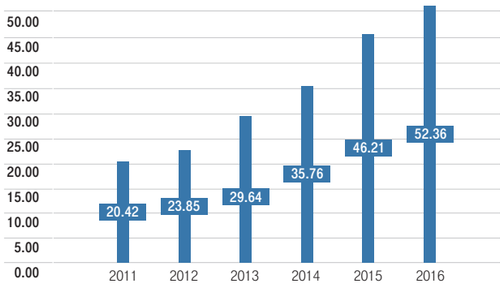
At Makedonski Telekom recent optimizations provide a better utilization of working space with increased usage ratio which also leads to decrease of the electricity consumption and improvement in the energy efficiency.

1.1.2 ENERGY EFFICIENCY

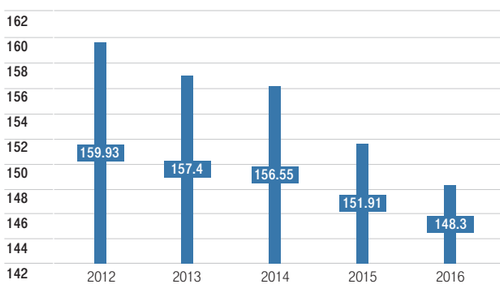
In order to measure our energy efficiency, in our 4th Sustainability Strategy we continue to use a Gbit/kWh indicator. Our goal is to reach the 100 GBit/kWh, in 2016 it was 52.4 GBit/kWh ✔.

We apply three kinds of energy intensity indicators in order to show the changes in three factors that amount to the largest proportion of our CO_2-emissions: the electricity consumption of the network, fuel consumption of the fleet and the ratio of the revenue and the energy consumption. The effectiveness of the energy consumption of Magyar Telekom Plc.'s operation is characterized by the Gbit/kWh (transmitted bits/electricity consumption) energy efficiency indicator. The indicator shows that as the quantity of transmitted information grows the energy consumption proportionally reduces (i.e. we transfer more information with less energy). The fuel consumption efficiency is characterized by car pool average CO_2-emissions in g/km. For the revenue related energy consumption indicator we use the GJ/HUF M. We would like to increase the first and reduce the second and the third indicator.

BITS TRANSMITTED / ENERGY CONSUMPTION (GBIT/KWH) MAGYAR TELEKOM PLC. ✔



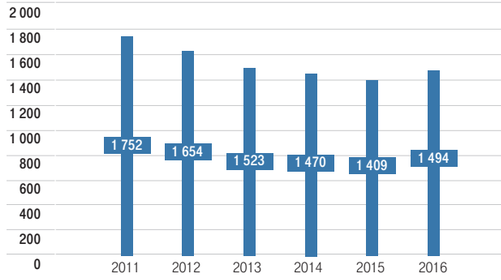
THE AVERAGE CO_2 EMISSIONS OF THE FLEET (gCO_2/KM) MAGYAR TELEKOM PLC. ✔



Average carbon dioxide emissions from vehicles have furhter decreased from 151.91g to 148.3g CO_2/km ✔, due to the introduced restriction in our bonus-malus system. We limited the emissions of the employee benefit cars and maximized their power. We introduced new financial incentives to make the hybrid and electric cars more favourable.

The revenue related energy consumption was 1494 GJ/HUF M , (GJ/KWh) .

REVENUE RELATED ENERGY CONSUMPTION GJ/HUF M MAGYAR TELEKOM GROUP



1.1.3 EQUIPMENT IN CUSTOMERS' PREMISES

Our customers generate significant energy consumption by operating our CPEs, but that consumption is essential for using our services. We identified three major areas where the energy consumption is significant: the use of mobile phones, TV services, internet services. In 2016 we conducted a precise calculation on the number and performance of CPEs (set-top-boxes, modems, terminals). We have no information about the exact kinds of mobile phones, that our customers use, therefore our calculation is based on an average smartphone's energy consumption (1 kWh/year). Taking the number of subscriptions in 2016 into account, the energy consumption of our CPE's was 55 GWh, which is equivalent to 52 510 tons of CO_2 emission. It has increased by 5.5% compared to the estimated data of 2015, due to the increased number of customers.

EQUIPMENT IN CUSTOMERS' PREMISES

	PIECE	PERFORMANCE KWH	
CPE	2 595 463	149 700 824	
mobile subscription	5 331 986	5 331 986	
sum		155 032 810	kWh
		52 510	t CO_2

Previously the Magyar Telekom-related emissions of our suppliers have not been monitored. In 2015 the monitoring of our suppliers' Magyar Telekom-related emissions have already been included in the sustainable supply chain management process within their sustainability evaluation on energy use and emissions. So far, only 4 of our suppliers provided their energy consumption data. Their emission was 1394 tons of CO_2 that covered 1.67% of all procurments. Thus as a non reliable estimation the Telekom-related emission of our suppliers was 83 473 tons of CO_2 in 2016. A more precise calculation could be carried out on a larger set of sample elements in 2017.

1.2 RESOURCES MANAGEMENT

1.2.1 ELECTRICITY CONSUMPTION

Magyar Telekom Group In 2016 Magyar Telekom Group continued with its efforts to energy-efficient operations. As a result our electricity consumption contiuónued to decline by a further 3% ✔ compared to 2015. We continue to improve our energy efficiencyin accordance with our Sustainability Strategy and in compliance with the ISO 50001 standard.

At Magyar Telekom the aggregate of several smaller transformations and development projects may jointly help us to further reduce our energy consumption:

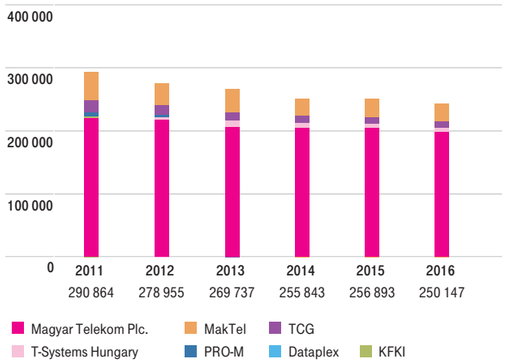
- Our attested building ventilation technology has been upgraded in 2016: we implemented the so-called wardrobe type equipment thus reducing the operation time of air-conditioners and saving electric energy. Currently the main objective is to fine-tune the existing solutions but new solutions are also implemented as a result of the global PSTN (Public Switched Telephone Network) replacement project. With this we take a huge step forward in the field of air conditioner replacement together with the implementation of lower performance power supply equipment.
- We have replaced our power supply equipment in several huge machine rooms; we continued the merge of fixed line and mobile power supply operation at specific sites. As smart cooling technology evolves, it brings new results in more sustainable cooling strategies.
- The increase of machine room temperatures is managed as a global project concerning operation spaces of all sizes, from minor containers up to the large exchange centres. The use of temperature resistant accumulators and accumulator coating is a preparatory phase of the project.

The PSTN replacement project was carried out within the CTIO governance area. Launched on April 15, 2015, the three years long network modernization project, had the target for 2016 to cut-over 321 thousand telephone lines onto IP-based (MSAN) exchanges. The switch to modern, lowconsumption devices will result in 300 000 000 kWh energy saving within 10 years – this volume is equal to the quantity of the annual electricity consumption of 100 000 households – thus 100 000 tons of CO_2 emission reduction could be achieved. By the end of 2016 the mass customer migration has been completed.

In the last year of the data storage modernization program we have achieved further significant electricity savings, continuing to reduce our harmful impact on the environment. In 2016 we have replaced 25 pieces of high operational cost data storages, representing 1.6 Petabyte capacities. The operation has already resulted in a saving of HUF 12M in the implementation year. We have carried out the replacement of the entire storage infrastructure with devices incorporating current, high level technologic innovations. Their upgraded performance and reliability will contribute to the quality of our IT system-services to a large extent. The modernization program proved to be succesfull in terms of meeting our sustainability targets as well. We have reached the ojective of reducing the energy consumption of data storage by 30%.

The scope of our energy saving target is global: at the core of our each and every development, there is the inherent aim to reduce our energy consumption. This is how we ensure a clear trend of consumption-decrease in the long term.

ELECTRICITY CONSUMPTION (MWH) MAGYAR TELEKOM GROUP ✔

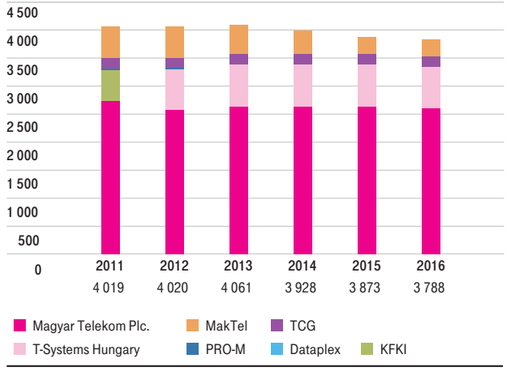


1.2.2 FLEET MANAGEMENT, FUEL CONSUMPTION

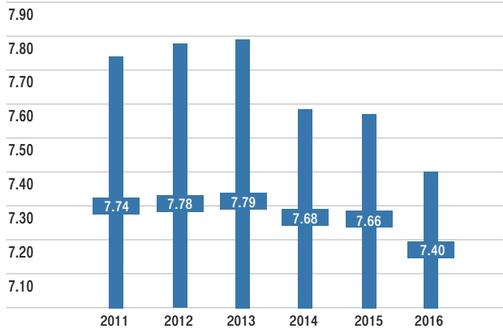
The number of vehicles in the fleet on a Group level continued to drop, while the types of usage and distribution of fuel has not changed. The number of hybrid cars decreased slightly, the number of electric cars has increased to 5.

NUMBER OF VEHICLES BY FUEL AND USAGE TYPE AT MAGYAR TELEKOM GROUP ✔	2013	2014	2015	2016
Fuel type	4 061	3 928	3 873	3 788
Diesel	2 369	2 261	2 244	2 181
Gasoline	1 600	1 572	1 541	1 490
Hybrid	89	92	82	112
Electirc	3	3	3	5
Benefir cars	1 636	1 428	1 423	1 359
Service cars	2 425	2 500	2 450	2 429

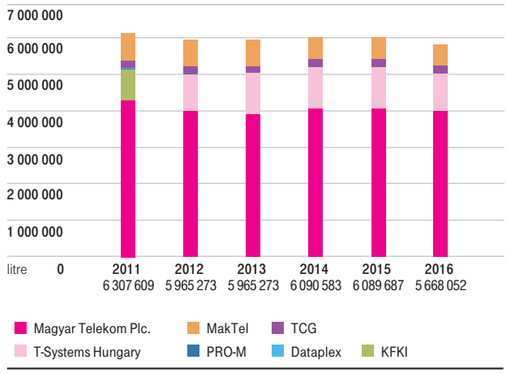
TOTAL NUMBER OF VEHICLES MAGYAR TELEKOM GROUP ✔



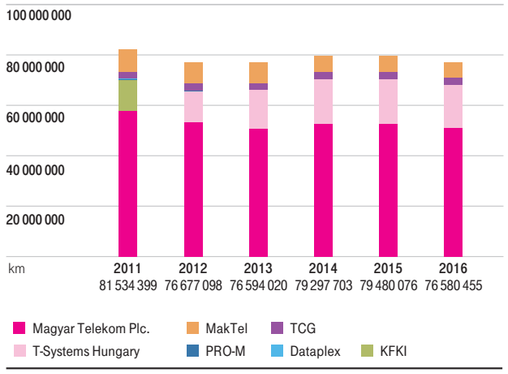
AVERAGE FUEL CONSUMPTION, (l/100km) ✔



FUEL CONSUMPTION (LITRE) MAGYAR TELEKOM GROUP ✔



MILEAGE OF VEHICLES (KM) MAGYAR TELEKOM GROUP ✔



The fuel consumption (-7% ✔), average fuel consumption of vehicles (-3% ✔), the mileage (-4% ✔) has decreased at group level as compared to the previous year.

The electric cars' consumption increased from 2.36 MWh to 3.38 MWh ✔. (Personal use is more significant due to the lack of refill-station capacity of the national network.)

An electric car of the fleet

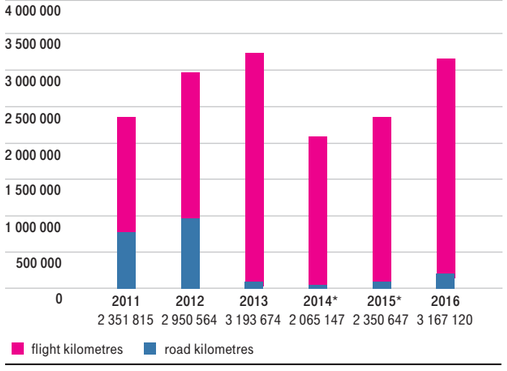
Travel replacement solutions

Mileage, as the measure of business trips has significantly increased (2015: 6 190 403 km 2016: 8 361 494 km) due to two large volume European projects, that required personal participation. Share of business travels was the following: 90% by plane, 9 % by car, 1% by train.

TelePresence video conferences

The proportion of travel replacement has increased by a significant 34.7% ✔ compared to year 2015. Video conference and TelePresence systems are now available in Magyar Telekom headquater, T-Systems Hungary's Budafoki str. headquarter and in regional offices. In 2016 more than 2 899 940 ✔ flight and 267 180 ✔ road kilometers of travel have been saved, thereby reducing our CO_2 emission with 298 tons ✔.

TRAVELS REPLACED BY VIDEO-CONFERENCES (KM) MAGYAR TELEKOM GROUP ✔



*Due to the introduction of an unified calculation methodology our 2014 and 2015 data have been modified comapred to previous reports.

Teleworking

Magyar Telekom has been supporting telework for years as it is beneficial for the employer and the employee alike. In 2017 we strated monitoring the commuting habits of our employees (based on a small sample, but for a large office building in a good location in terms of public transport): approximately 1/3 of the employees choose to come to work by car, driving a daily average of 40 kilometres and 2/3 choose community services communing a daily average of 30 kilometres. In 2016 there were 87 276 telework days registered, saving 3 million kms of travel and 15 years of traveltime. Considering this result, teleworking has a significant role in replacing travel. For additional information on teleworking see **Chapter 5.1 Human rights and equal opportunities**.

TeleBike

In the spring of 2016, we re-launched TeleBike, Magyar Telekom's employee bike rental system with extended working hours. In 2016, TeleBike offered 53 bikes, and six new electric bikes. Employees can commute between the offices of the company and six T-Systems Hungary sites that are located within the city limits of Budapest. Some key figures: 5965 rents, 10 683 kms, saving 2 035 kg of CO_2 emission in 2016.

Bicycle courier service

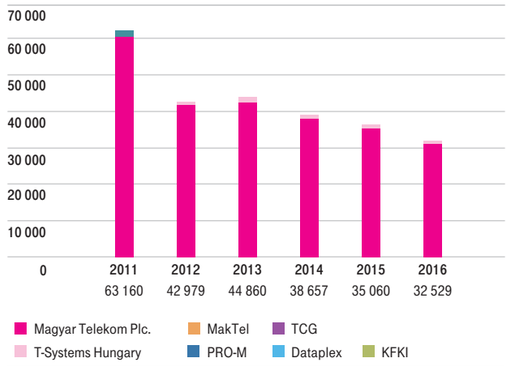
Since 2012 Magyar Telekom has been sending some of its consignments using bicycle courier service. In 2016 we used bike carriers 554 times and saved 2833 km ✔ of car travel.

1.2.3 FOSSIL FUEL CONSUMPTION

The Group also continued to decrease its natural gas consumption (by -7% ✔), thanks to initiatives that have been introduced during the strategy period, as describen in our previous reports. https://www.telekom.hu/about_us/society_and_environment/sustainability_reports

At Makedonski Telekom the use of fuel oil has significantly decreased along the optimization/modification of HVAC systems, meaning that the systems for heating based on heating oil were being closed down and replaced with inverter split system units and panel board for heating.

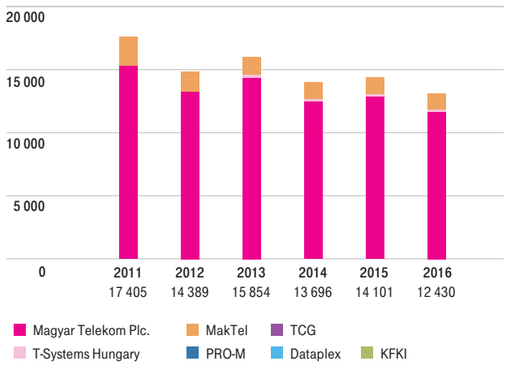
GAS CONSUMPTION (MWH)
MAGYAR TELEKOM GROUP ✔



1.2.4 DISTRICT HEATING

At Group level, the district consumption continued to decrease (by -12% ✔) compared to the previousyears.

DISTRICT HEATING CONSUMPTION (MWH)
MAGYAR TELEKOM GROUP ✔

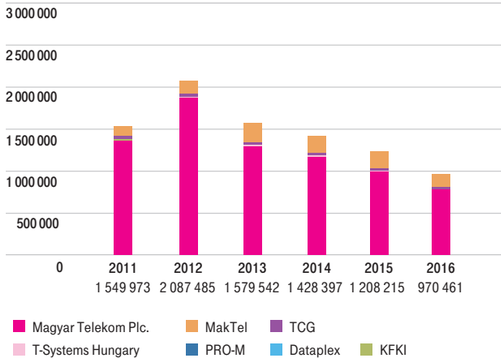


1.2.5 PAPER CONSUMPTION

Magyar Telekom Group's paper consumption continued to decline with more than 20% maintaining the trend of previous years. The usage rate of recycled paper has not changed.

In the part two years Magyar Telekom has introduced e-signature and e-Terms of Service in its stores thus renewing personal customer service operations.This innovative solution may considerably reduce the amount of printed documents, the working time and costs of printing, filing and storing. This will also improve the operational efficiency and reduce the environmental impact as well. Telekom's aim is to set up a full range electronic customer service in the future where legally binding documents with electronically recorded signatures will replace all paper-based contracts. The introduction of e-signature through tablets marks the first step of this process, as a result of which we were abe to reduce the number of printed pages by -62% ✔.

TOTAL PAPER CONSUMPTION (KG)
MAGYAR TELEKOM GROUP ✔



We report on paper consumption primarily not to reflect on its use, but rather to provide as accurate data on our CO_2-emissions as possible. In accordance with Deutsche Telekom's expectations we aim to provide a more accurate calculation of the carbon dioxide emissions coming from the use of our products and services.

In Hungary, despite of the increase in our public relations related marketing activities in recently connected areas, our paper consumption has further decreased due to the use of non paper-based marketing and PR tools. For more information on network development **consult chapter 2. Responsible services.**

E-billing

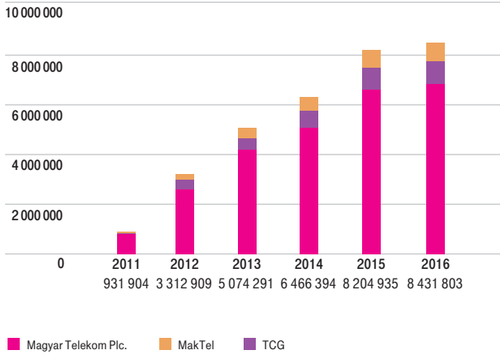
Thanks to the campaigns our Hungarian branches have achieved outstanding growth: in Hungary the number of users is over half a million. Electronic invoicing constitutes more than 21% of all residential billings, 7% of SMB, 3.4% of enterprise bilings.

PAPER CONSUMPTION OF THE GROUP [KG] ✔

	2011	2012	2013	2014	2015	2016
Total paper consumption [kg][4]	1 549 973	2 087 485	1 579 542	1 428 397	1 208 215	970 461
Packaging paper [kg]	0	73 913	128 114	175 479	97 371	14 551
Office paper [kg]	519 908	566 138	544 134	481 009	459 653	84 897
Bills [kg]	583 506	617 089	653 966	662 409	799 757*	823 798
PR and marketing material [kg]	446 559	830 345	253 328	109 500	335 231	47 215
Recycled paper [kg]*	215 384	216 499	194 056	192 456	162 789	158 669

*The indicated data was estimated 315 959 kg in the 2015 Sustainability Report.

ELECTRONIC BILLS
MAGYAR TELEKOM GROUP ✔



The decrease in group-wide office paper use is attributable to the continued improvement and automatization of processes, the spead of paperless office solutions, the consolidation of the printer pool and the maintenance of our achievements in this area.

The amount of paper used for packaging has significantly decreased, but it is this area that we can influence the least because it greatly depends on the projects and the sales portfolio. The clickshop.hu no longer in our portfolio, so the related packaging-paper usage was eliminated. Over the past two years the amount of printed promotion material was reduced to a minimum.

1.2.6 BIODIVERSITY

Magyar Telekom Plc.'s developments are generally not obliged to prepare impact assessment studies (EIA). In 2016 there were six investments that concerned protected areas and/or Natura 2000 areas. In each case our investments were subject to impact assessments. Along our operations no damage occured on the natural habitat and biodiversity of the concerned territories. We continue to pay increased attention to the protection of our shared natural heritage, by planning all of our developments in compliance with the relevant rules and regulations.

Land use, landscape impact

It is important to the Group to implement its projects with only the absolutely necessary proportion of landuse, thereby preserving the original biodiversity of the natural environment. Along our property investments we also make sure that our buildings fit in the original landscape.

The composition of the mobile network represents a slight change at group level: the number of base stations grew by 29% (2013: 5173, 2014: 5462, 2015: 6102 and 2016: 7894 on Group level). The number of towers shared with other operators increased significantly by 4.5% (2016: 1827 pieces).

In March, 2015 Magyar Telekom and Telenor Hungary have agreed on joining their forces to develop their 800MHz 4G mobile networks in all parts of Hungary except Budapest. In accordance with the agreement and in line with the common rollout plan Telenor will design and operate the network in areas west from the Danube whereas Telekom will do the same in the eastern part of the country. The joint construction effort will help us to provide the highest quality mobile technology to our customers in the countryside in a quick and cost-effective way, with less use of the land.

Our colleagues planted 500 trees at the Telekom Volunteer Day

We contribute to local communities by creating community gardens and taking uncultivated land in use, thereby increasing the diversity of the area: in 2014 Magyar Telekom Plc. started the development of three community gardens, the first of which was opened near the company's site on Csárda Street, where the local gardeners started their work on 28 plots. In 2015 we opened two more community gardens near the company's site in Soroksári Street and Ceglédi Street. The community garden in Soroksári Street is the largest in Budapest, where garden owners can work on almost 100 plots. We continued our coorperation in 2016.

Noise and vibration protection

In Magyar Telekom Group sites we have to pay increased attention to the following potential noise sources: outdoor air-conditioning equipment and emergency diesel generators. Last year 3 complaints have been issued about the noice level of Magyar Telekom. Two of them were closed to the satisfaction of the complainant while the solution of the last case is extended to 2017.

Water consumption

The water consumption at Magyar Telekom Group is exclusively for social purposes. Group-level water consumption decreased by more than 11%, in part due to the water-saving solutions (perlators) introduced in the previous year, and in part due to decreasing space and headcount. As for Magyar Telekom Plc.'s water consumption experienced a minor increase of 5%. Magyar Telekom Plc. sites that do not have connection to public sewer system pays environmental charges to the local council. The amount of the environmental charge in 2016 was HUF 152 800 payed after 235 m³-s of water used.

1.3 EMISSIONS

1.3.1 WASTE

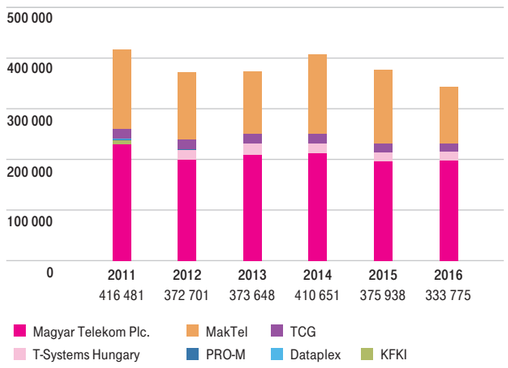
The quantity and quality of waste generated greatly depends on the current telecommunication projects and developments: on Group level in 2016, compared to 2015, the total amount of waste increased by 8%. Due to the finished projects the Group level recycling rate has doubled to 27.1%.

Within Magyar Telekom Group the largest proportion of generated waste (close to 57.91% ✔) – is still the municipal waste. Second by volume is technological waste (18.9% ✔); the proportion of hazardous waste is 5.3% ✔; paper waste is 2.3% ✔

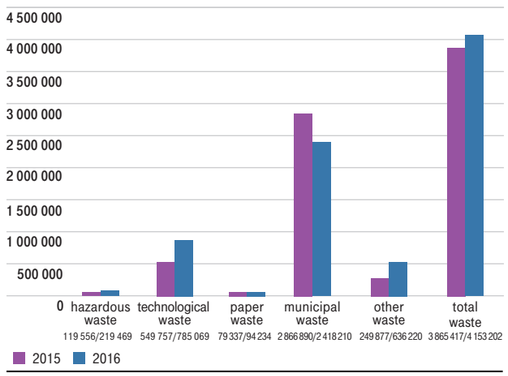
In order to reduce the harmful effects of waste on the environment:

- We make sure that unused equipment gets reused either within the company, or by trading them to employees or external partners, or by renting, leasing or transfering them without compensation (donation).
- We collect waste selectively in more sites
- We improve their effectiveness through the revision of our existing contracts, the regular revision of collection points and through communication
- We continue to operate in accordance with the DT group level policy, released in 2015, for the regulation of management cables.

WATER CONSUMPTION (M³)
MAGYAR TELEKOM GROUP ✔



WASTE BY TYPE (KG)
MAGYAR TELEKOM GROUP ✔



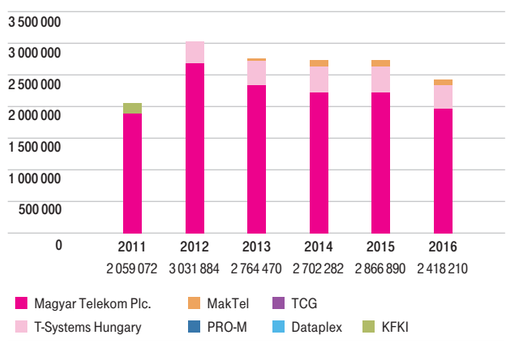
* In 2017 we sold Crnogorski Telekom, due to reorganization, their waste data are esmimated.

QUANTITY OF WASTE BY TYPE AND RECYCLING RATE AT MAGYAR TELEKOM GROUP, 2010–2016 ✔

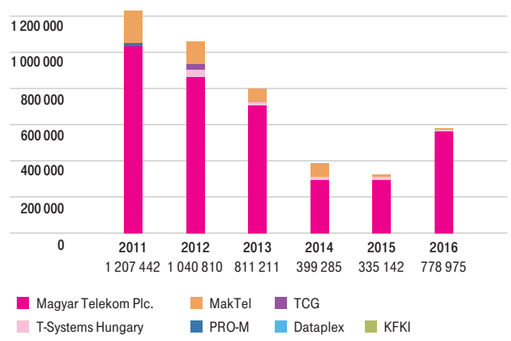
	2011	2012	2013	2014	2015	2016
Hazardous waste [kg]	149 852	290 929	148 923	104 058	119 556	219 469
Recycled hazardous waste [kg]	99 264	135 088	95 794	56 303	85 194	164 327
Technological waste [kg]	1 206 442	1 233 708	1 079 417	628 656	549 757*	785 069
Recycled technological waste [kg]	1 207 442	1 040 810	811 211	399 285	335 142	778 975
Paper waste [kg]	251 780	292 832	149 894	134 828	79 337	94 234
Recycled paper waste [kg]	251 780	269 443	143 874	125 248	78 637	94 234
Municipal waste [kg]	2 059 072	3 031 884	2 764 470	2 702 282	2 866 890	2 418 210
Recycled municipal waste [kg]	-	7 000	2 916	1 140	-	13 317
Other waste [kg]	149 960	343 274	241 550	356 145	249 877	636 220
Recycled other waste [kg]	23 000	35 000	24 768	28 394	29 334	77 103
Total waste [kg]	3 817 106	5 192 627	4 384 254	3 925 969	3 865 417*	4 153 202
Recycled waste total [kg]	1 581 486	1 487 341	1 078 563	610 370	528 307	1 127 956
Recycling rate (%)	41%	29%	25%	16%	14%	27%

* there was a typing mistake in the Technological waste and Recycled technological waste data received from Crnogorski Telekom in 2015, that we have corrected in the current report.

MUNICIPAL WASTE (KG)
MAGYAR TELEKOM GROUP ✔



RECYCLED TECHNOLOGICAL WASTE (KG)
MAGYAR TELEKOM GROUP ✔



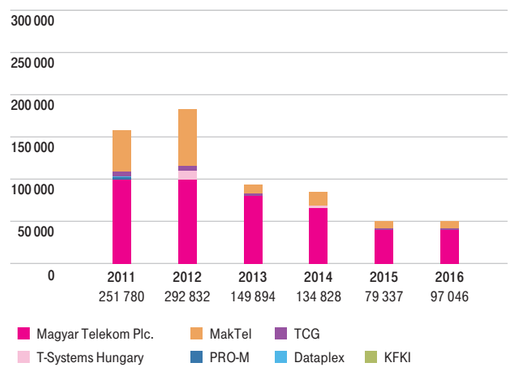
Hazardous waste

The amount of hazardous waste increased by 84% ✔ at Group level, including a significant increase of the amount of technological hazardous waste by almost 88%, due to network upgrade and maintenance (e.g. batteries, replacement of network elements). Non technological waste decreased by -54% on group level and by -60% at Magyar Telekom Plc. The reason for the decrease of the later is the fact that the hazardous waste generated from building maintenance or power supply equipment maintenance is being handled and removed by the subcontractor responsible for maintenance.

Paper waste

The quantity of paper waste increased at Group level by 22% ✔, partly due to the expiration of the Macedonian law enforcement of paper-based contracting. As a result Macedoski Telekom managed to discard some of its archives.

PAPER WASTE (KG)
MAGYAR TELEKOM GROUP ✔



Other waste

The quantitative increase of other waste at Magyar Telekom Plc. is in part due to building renovations.

At Magyar Telekom Plc. the recycling rate is nearly 27% ✔. In the case of municipal waste, local public services must be used, so only estimated data is available; the waste is disposed into licensed landfill sites. The company does not transfer waste directly to incineration or composting. 15% ✔ of our waste falls into the 'other waste' category, in the case of which the handler performs prehandling operations. A selection process is part of this process, where the reusable parts of waste are being extracted, and waste is being prepared for final use or disposal.

1.3.2 PRODUCER'S AND DISTRIBUTOR'S RESPONSIBILITY

In cooperation with equipment manufacturers Magyar Telekom is committed to environment friendly equipment manufacturing and recycling processes. For more details on our procurement requirements, please see chapter **3. Suppliers**. Sustainable products are elaborated in detail in chapter **2. Responsible Service**.

The major aim of the company is to carry out its operations with the least possible impact to the environment; we pay special attention to the revision, repair and re-use of the equipment in our network. The re-use rate of CPE devices is 59%.

Hungarian companies are obliged to comply with producer's responsibilities as follows:

- In the case of electronic equipment subject to product fee regulations most companies choose the payment of the product fee payment and the use of the national collection system. Magyar Telekom Plc. paid the mandatory product fee for electric and electronic equipment in 2016. The national collection rate requirement was 45% in the IT sector (the national system does not report company-level data.)
- In the case of batteries, in accordance with the provisions of law, Magyar Telekom Plc. partly transferred the obligation to intermediary organizations. Each year, our contracted partner, ReLem Limited iability Non Profit Corporation fulfils its obligation above the law enforced level. The amount reported by ReLem and legally admitted by Magyar Telekom Plc to the General Environemtal Inspectorate was 1037.5 kg in the category of 'portable chargers and batteries'. Magyar Telekom Plc. marketed 10 kg of batteries subject to product fee.
- In compliance with the provisions of law Magyar Telekom Plc. offers special collection points for custmers to dispose their used chargers and batteries (in Magyar telekom stores and buildings). The thus recollected amount in 2016 was 919 kg.

In accordance with the legislations in force we inform our customers on our websites about the various waste disposal options for used equipment and batteries. In spite of ensuring the opportunity to exchange returned waste and thus receive a discount from the price of new devices the volume of such waste showed a decreasing trend.

All of our commercially available products are certified with energy efficiency certificates according to the requirements of the European Union and in compliance with the environmental standards set by Hungarian law. Manufacturer's statements with detailed information about the life-cycle, reuse, the recycling of the product, the used materials and the repairability features are available in all of our stores. All of our procured network equipment should meet our high energy efficiency standars.

1.3.3 EMISSIONS TO AIR

Magyar Telekom pays an air pollution fee in accordance with the national legislations. The amount of pollutants emitted by Magyar Telekom Plc., and the respective fee paid in 2016 was: 649 000 HUF (NOx: 5197.33 kg, COx: 459.71 kg). The decrease of emission is due to reduced hours of operation.

1.4 ENVIRONMENTAL OBJECTIVES, COSTS AND COMPLIANCE

	KPI BY 2020
CO_2 emission	**<100 000 tCO2**
fixed network	min -44% by 2008
mobile network	max +35% by 2008
data center	max +3% by 2008
buildings	min -16% by 2008
Energy efficiency	**100 Gbit/kWh**
Fleet	
fuel consumption	min -34% by 2008
average emission	<100 gCO2/km
share of hybrid and electric carsw	min 30%
CPE's emission	**general decrease**
Waste reduction	**min -10%**
Paper usage in the shops	**min -90%**

Magyar Telekom Group's CO_2 emission decreased from 115 356 tons of CO_2 to 110 736 tons of CO_2. Our energy efficiency indicator followed the increasing trend to 52.36 GBit/kWh ✔. Our fleet average emissions are experienceing a stable decrease, while the share of the hybrid and electric cars in the fleet has increased to 9.5% by the end of 2016. The results of the freshly introduced incentive measures will first be monitored in 2017. Thanks to the new paperfree solutions in the stores the amount of printed paper has dropped by 62%.

The management of our stakeholders' environmental complaints is the responsibility of the Group Environment Protection Manager. Complaints and messages could be directed to: sustainability@telekom.hu (Our Hungarian e-mails addresses are fenntarthatosag@telekom.hu and kornyezetvedelem@telekom.hu). We are dedicated to respond to all proposals, complaints and enquiries as soon as practicable.

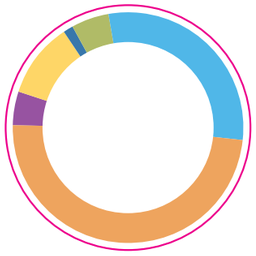
In 2016 Magyar Telekom Plc. received – and succesfully closed the case of – four complaints regarding waste management. In four cases, related to electromagnetic fields we have conducted radiation biology tests upon citizens' requests and found that the measured rate stays under the limit stated in the relevant law No.63/2004. (VII.26.) ESzCsM on the healthy limits of electric, magnetic and electromagnetic fields between 0 Hz and 300 GHz relevant to citzens' health.There was no penalty declared upon these cases as the emission levels were beyond limit. As common sensitivity toward electromagnetic fields is high we continue to conduct the related complaint management cases with utmost care to deliver reasurring solutions for our stakeholders.

We have received 5 citizen notifications about damage claim in the subject of electromagnetic fields. One of the cases was closed due to lack of legal relevance, one of the cases was answered by our Law Deapartment. In relation to one of the cases we have terminated our concerned investment until the satisfactory closure of the case. The resolution of two cases is still in process. See our noise-protection related cases in the **Noise and vibration protection** section of this chapter.

In 2015 market surveillance examined if the set-top-boxes marketed by Magyar Telekom Plc. comply with the relevant electricity consumption regulations. The controlling process ended in 2016 with a positive result.

T-Systems Hungary Plc. did not receive any environmental complaints in 2016 that required investigation.

ENVIRONMENTAL PROTECTION COSTS IN 2016 (HUF) MAGYAR TELEKOM GROUP ✔



2.

RESPONSIBLE SERVICE

2.1 Closing the digital divide 25
2.2 ICT for sustainability 27
2.3 Innovation for sustainability 28
2.4 Protection of our children in the digital age 29
2.5 Data protection 30
2.6 Safe use of mobile phones,electromagnetic fields 31

2.1
CLOSING THE DIGITAL DIVIDE

4 QUALITY EDUCATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

10 REDUCED INEQUALITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Digital divide is the phenomenon when different groups of society have differing opportunities to access information technology (due to geographical location, social situatedness or other reasons).

Access to information and communication technologies is crucial for economic development in today's world. The transformation of social relations and communication makes it important for us to be familiar with new technologies and the opportunities offered by them.

With its digitally enabled sustainability program Magyar Telekom aims to overcome the digital divide and enable communities to access benefits of communication technologies and access to information.

Supporting people living with disabilities

Magyar Telekom set an objective to offer comprehensive services for people with disabilities. Working closely with support organizations, we created the hello holnap! fleet tariff packages that are available to people living with physical impairments, visual impairments, intellectual disabilities and autism.

For further details on the tariff packages, please visit (HU only): https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok

HELLO HOLNAP! TARIFF PACKAGES

We recognized that access to and use of telecommunication services make disabled people's lives easier as everyday electronic services become available to more and more people and their homes are more livable and accessible. Magyar Telekom was the first to offer specific, comprehensive services to people with disabilities in Hungary. In order to use hello holnap! tariff packages one only has to be a registered member of one of the support organizations (AOSZ, ÉFOÉSZ, MEOSZ, MVGYOSZ). The services are offered on a lower price, than our other residential tariff packages – in the form of prepaid and postpaid packages.

In 2016 we initiated discussions with the involved organizations to redesign the hello holnap! tariff packages allowing them to become even cheaper and more suitable for our customers. As a result of the renewing process hello holnap! gives access to more services, and allows a person to buy 2 subscriptions, providing easy access to a helper or a family member as well.

Supporting isolated, disadvantaged groups and small settlements

The Digital Bridge for Small Settlements program allowed the volunteer team of Magyar Telekom to visit disadvantaged settlements of less than 3000 residents to offer efficient and customized IT education.

The purpose of Magyar Telekom's Digital Bridge for Small Settlements Program (Digitális Híd Kistelepüléseken) is to increase awareness of the opportunities offered by information and communication technologies. It aims to enable disadvantage groups and regions to bridge their digital gap, which over time could deepen into a serious divide. The local participants of the program gain an understanding of the multiple ways their lives could be made easier through making use of the advantages of getting along in the online world. Another important task of the Digital Bridge activities is to develop, maintain and foster relationships with participants, keeping track of their development in the long term.

hello holnap! tariff packages to people with disabilities

Digital Bridge Fest

In 2009 the Digital Bridge for Small Settlements Program was supplemented by a new element, called Digital Bridge Fest (Digitális Híd Fest). Within the frame of the event volunteers of Magyar Telekom continue to educate local people about the benefits of digital literacy. As a new component, Telekom is facilitating a talent contest among local participants and the winners are offered the opportunity to show their talents and perform their art to the online community.

Along the program, during the summer school holiday we have organized 7 Digital Daycare events. In addition to the events of daycare service, we have provided an interactive education program to increase the digital literacy of the attendants.

For videos, pictures and further information about the Digital Bridge program visit: https://www.telekom.hu/about_us/society_and_environment/society/digital_bridge www.facebook.com/DigitalisHid

Digital Bridge

Telekom Smart Digital Program
Conscious use of the internet - for children and adults

We believe that as a responsible large enterprise we do not simply provide services to our customers but also help them in the safe and responsible use of the internet while exerting efforts to close the digital divide in Hungary. The objective of the Telekom Smart Digital Program is to educate as many customers as possible on the safe and conscious use of content and to facilitate the use of electronic communication tools.

We strive to ensure that future generations should not simply use the internet but also be able to take advantage of the opportunities offered by the digital world in a smart and knowledgeable way.

Within the frame of the Telekom Smart Digital Program the company's volunteers visit various schools and educate children about the underlying risks of mobile phone and internet use, also showing them how to avoid these risks in a safe and responsible way. The success of the program is enhanced by offering the opportunity to discuss these topics with experts who have hands-on work experience and extensive practical knowledge in this area.

When designing the lessons we give priority to topics that would require professional knowledge but are seldom discussed in details at school or at home. Along with the key aims of the program, the content of these lessons is continuously updated. On the one hand it is due to the advancement of technology and on the other hand each sequence of lessons is based on the feedback provided by children and their teachers. Last year we updated the format and the content of our curriculum: we created an interactive Prezi presentation to focus on topics that proved to be the most interesting for the young generation.

The Telekom Smart Digital program presentations were delivered to more than 2300 children in 64 schools across the country.

The Telekom Smart Digital program was part of the Digital Theme Week (Digitális Témahét) events and during the summer holiday the program was taken to the Interchurch summer camp, too. This November our colleagues took part in the "Parents' Academy" (Szülők Akadémiája) open education series, organized for parents by the local municipality of the 12th district of Budapest.

Several education initiatives have been combined in the Telekom Smart Digital Program where volunteering professionals teach children, parents, grandparents to the use of the digital world across the entire country. It is our mission to actively contribute to the development of Hungary's digital maturity, digital literacy and the safe, conscious use of the internet by future generations.

We would like to educate as many people as possible, allowing them to become confident digital citizens of the digital world. We use our best efforts to reach out to everyone who is interested in the opportunities offered by the internet, making this knowledge accessible to different generations in larger cities and small municipalities alike. This is facilitated by our complex, modular and free education program.

During the 45 minute lessons our expert volunteers drive their students' attention to the different factors they have to pay attention to while using their mobile phones. They discuss topics like passwords, muted operation mode, Facebook data

protection and safe chatting. Our presentation to secondary school students - besides the safe use of the internet - also touches topics of personal branding and online etiquette. One of the most important factors in furthering the knowledge of children is the expertise and knowledge of their teachers. If teachers are well prepared and authentic to the digital world that surrounds their students, they can influence their digital maturity to a large extent. Our lessons, designed to schoolteachers is there to help this interaction (2 x 45 minute lessons and two-day trainings).

Not only children but their parents should also be aware of the rules of conscious and safe use of the internet. We also prepared a lesson series for parents too, so that we equip them with the knowledge with which they can help their children to find their way in the digital world. In the course of these lessons - besides basic online topics – we also discuss key topics like internet security and cyber bullying.

Telekom forum

Telekom Forum is an online social platform where our existing and potential customers can chat, find information about our services, and about the use of internet, smart devices and smart devices, and also information about access to various online contents. The page is public and worth to visit for all who wish to gain first-hand information about Telekom products from the most reliable experts: the users themselves. The page is moderated and supported by Magyar Telekom experts.

Mobile Experts

Our Mobile Experts (Mobiltudósok) are to be found in Telekom shops offering help and support to visiting customers in the use of our devices and services. They provide information on how the internet can improve the customers' lives (administration, banking, online shopping). Our experts can also be found online: they share their knowledge about the latest technical improvements, products and interesting facts. Their blog can be found on the Mobiltudós blog and on Telekom's Facebook page.

Become an IT expert! training

Internet Academy Lectures

Our Internet Academy Lectures are targeting the elderly focusing on practical issues such as online citizenship and administration, communication through the web, reading the news, searching for recipes, etc. After each presentation we offer the chance for private consultations. All participants also receive printed handouts to help them understand the presentation and as an aid in their self-education.

Become an IT expert! – Career-guidance program

We have designed the Become an IT expert! (Legyél Te is informatikus!) for high-schoolers and their parents, providing them an easy, hands-on introduction to the world of IT, and to the range of career opportunities that are there for everyone who chooses this path as their profession. Teenagers who need to make choices about their higher education and their parents who support their children in finding a career both profit from the benefits of this program. We aim to discuss the opportunities and the future of this sector by erasing all the blocks, stereotypes, providing answers to concerns and supporting the career-planning process of individuals. The program has finished its first successful year in 2016. For the detailed results and our plans for the future, please visit chapter **6.1. Social investments** of this report.

Partnership for Digital Hungary

The Hungarian Government and Magyar Telekom, a subsidiary of the Deutsche Telekom Group, have entered into a partnership of cooperation to enhance Hungary's digital development. As outlined in the official document, Magyar Telekom intends to make further investments so as to foster the provision of high-speed broadband internet in Hungary. The intense use of innovative technologies and information and communications technology (ICT) solutions contributes to improving the quality of life for people in Hungary, the efficiency of businesses and the international competitiveness of the country's economy. Furthermore, the company aims to promote digital literacy and the widespread adoption of safer internet use. (Digital Bridge, Telekom Smart digital Program.

> The aim of the Partnership for Digital Hungary is to make high-speed broadband internet available for every home by 2018.

As a result, Hungary could achieve the objectives specified for 2020 in the Digital Agenda for Europe before the deadline, and could serve as an example for other member countries.

Magyar Telekom is strongly committed to innovation, and keeps developing its newest and most advanced services. Besides the full implementation of a high-speed broadband internet network, future plans include a number of other developments that could elevate the domestic digital infrastructure and the associated services to be among the best in the world by 2018. Magyar Telekom's subsidiary, T-Systems Hungary serves business and public administration customers and therefore actively contributes to enhancing the digital economy and utilizing EU funds spent on ICT projects that could increase the competitiveness of Hungary's economy.

Plans include improving the safety of homes and residential areas with intelligent and user-friendly solutions; providing devices that ensure simple management of energy needs for the population and businesses; introducing convenient and secure mobile payment solutions; and making business and public administration processes simpler, more transparent and faster with the help of the most up-to-date internet-based services. In addition, Magyar Telekom significantly supports the acceleration of digitalization processes at enterprises and SMBs alike by means of the latest ICT technologies ranging from IT infrastructure to application solutions.

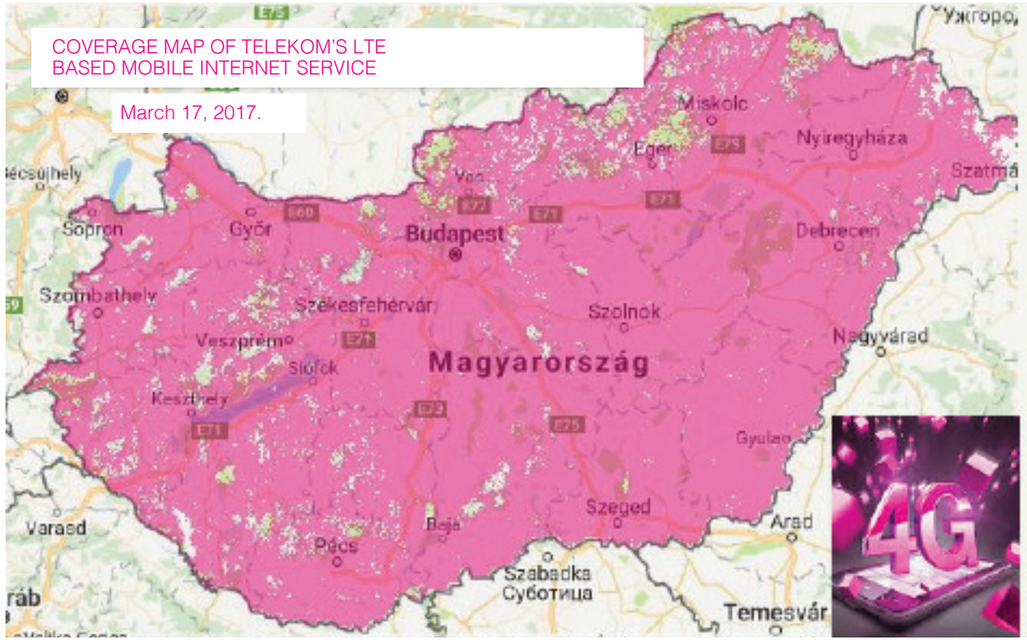
Access to broadband internet is an important, but in itself by no means sufficient basic condition to creating equal opportunities digitally, which is one of the general objectives of this strategic partnership. Most internet users in Hungary still only use the basic services and many of them abstain from online shopping, electronic transactions and other advanced solutions. Magyar Telekom focuses on increasing consumer awareness and cooperates with its partners to ensure that the number of citizens using the modern services in Hungary may reach the EU average and then exceed it. Furthermore, Magyar Telekom plays a pioneering role in facilitating digital literacy.

In March 2015 we started our cooperation with Telenor Hungary within the frame of which we jointly build the LTE800 network in the countryside of Hungary. The network will be built by Telekom in the areas east from the Danube while Telenor will design and build the facilities in the western part of the country. The cooperation does not involve operations in Budapest area.

Our main objective is to jointly achieve the coverage commitment made to the National Media and Info-Communications Authority (NMHH). With the joint effort we can build cutting-edge mobile technology facilities for our customers in the countryside and the cooperation scheme was designed in a way that none of the companies have to abandon their plans to complete important developments, not even if it is not a preferred option by the given partner.

Besides, the 10-10 MHz bands, acquired by the two companies, will be shared thus both enterprises can build 20 MHz bandwidth which results in double nominal speed. By the end of 2016 we put 2,200 stations into operation within the frame of the joint project.

As a summary of the joint effort we may conclude that the actual winners of the cooperation are the subscribers of both companies. As a result of the combined effort users may enjoy higher bandwidth from an earlier as a result of a cost-effective, joint network-development process.



SERVICE AVAILABILITIES

Annual availability (%)	2012	2013	2014	2015	2016
Cable television analogue/digital	99.95 ✔/99.93 ✔	99.94 ✔/99.88 ✔	99.94 ✔/99.90 ✔	99.93 ✔/99.84 ✔	99.97 ✔/99.89 ✔
SatTV	99.86 ✔	99.94 ✔	99.948 ✔	99.924 ✔	99.92 ✔
IPTV	99.82 ✔	99.86 ✔	99.83 ✔	99.898 ✔	99.85 ✔
Fixed line internet (ADSL/GPON/CableNet)	99.93 ✔/ 99.99 ✔/99.90 ✔	99.89 ✔/ 99.96 ✔/99.87 ✔	99.89 ✔/ 99.90 ✔/99.86 ✔	99.90 ✔/ 99.97 ✔/99.92 ✔	99.88 ✔/ 99.96 ✔/99.90 ✔
Mobile internet (2G/3G/4G)	99.40/99.55	99.40/99.57/99.67	99.66 ✔/ 99.74 ✔/99.67 ✔	99.66 ✔/ 99.74 ✔/99.67 ✔	99.56 ✔/ 99.79 ✔/99.35 ✔
Telephone/VoIP/VoCa	99.95/99.93/99.84	99.93/99.90/99.87	99.94 ✔/ 99.88 ✔/99.90 ✔	99.94 ✔/ 99.92 ✔/99.91 ✔	99.94 ✔/ 99.90 ✔/99.91 ✔
Mobile telephone (2G/3G/4G)	99.93/99.88	99.91/99.88/99.84	99.907 ✔/ 99.883 ✔/99.849 ✔	99.907 ✔/ 99.883 ✔/99.870 ✔	99.907 ✔/ 99.901 ✔/99.844 ✔

We are in lead position in terms of quality of mobile networks

In 2015 we won the 'P3 Best in Test' certification, with what the P3 company carrying out the independent measurements, on the basis of its measurement test results, has proven that in Hungary Magyar Telekom has the best mobile network. In 2016, the network of Magyar Telekom again proved to be the best, achieving 862 scores from the maximum 1000 scores.

The data of OpenSignal also reconfirm that the mobile internet network of Hungary is ranked among the cutting-edge networks of the world.

In 2016 we could countrywide further increase our 4G coverage in the residential customer segment.

As a result of the one-year common work of IP and Transport Networks branches, we have implemented with success one of the key milestones of Magyar Telekom's IP core network modernization project, a first project initiated at DT-level by an international tender.

In the frame of the project, with the devices of the winner of the common tender valid for the entire DT Group, we have implemented Telekom's 100 Gbps IP network, which meant installation and network adaptation of Cisco's at the present most advanced state of the art network switches in 2 key locations in Budapest and 3 rural locations. The backbone connections of devices deployed within the IP-EDGE project in the recent years have been moved over onto this new network. In the backbone network – serving the IP network with wide area optical connections – it meant relocation and establishing of more than 220 pieces of10 Gbps and 12 pieces of 100 Gbps links! The new 100 Gbps connections have been implemented already as a fully integrated network, i.e. the optical connectors form part of the routers (IPoWDM concept), so thus we could avoid using additional devices and could save significant costs.

Digital development in the region

In order to close the digital gap, Makedonski Telekom has made the following contributions in 2016:

- The 98% of households are covered with fixed access network. In rural areas where we do not have coverage, any customer request for Voice service is considered with FGSM solution or with Satellite based solution as ASTRA.
- With 398 locations where xDSL equipment is installed, broadband access is provided on the whole territory of Macedonia with 92.8 % Households reachable (more than 3Mbps). Starting from 2016 and continuing in the next years we have implemented VDSL Vectoring equipment that can offer increased BB access speed for households in already covered low speed areas. Also for increased speed demands in the low speed areas hybrid access solution (xDSL+LTE) was implemented.
- MKT fiber optic network (as of EoY 2016) provides more than 26 % of coverage of households enabling access speeds >40Mbps and we will continue with its further rollout.
- Mobile BB access to our customers is provided using 3G network with 99.5% and 4G networks with 80% coverage of population respectively. LTE Advanced using Carrier Aggregation was also implemented on several locations enabling speeds with more than 200 Mbps.
- Additionally, BB access in rural areas will be improved with implementation of UMTS 900 and LTE 800 MHz

At Crnogorski Telekom along with offering the most advanced technologies, both services and products, the company continued enabling the internet to become a part of everyday life for the majority of Montenegrin citizens. By the initiative "connecting the unconnected", as a part of the Company's CSR strategy, Telekom continued to provide free of charge services to selected subjects in 2016 as well. The beneficiaries of these donations were preschool institutions, elementary schools and high schools as well as associations and organizations which gather persons with disabilities. For the tenth year in a row, Crnogorski Telekom is enabling free internet access via ADSL to all elementary and high schools in the country.

2.2 ICT FOR SUSTAINABILITY

One of the key priorities of the sustainability strategy of Magyar Telekom Plc. is to increase the revenue from sustainable products.

In line with this objective, in 2011 we incorporated the product sustainability assessment into the regulation of the sustainability coordination process; defined the process players as well as their tasks and their layers; then in 2012 the sustainability assessment of our handset portfolio was also made part of the regulations so that this information is accessible to our customers. The process players were identified again in the new organization structure, building daily contacts with them for the implementation of the objectives. In 2014 we reviewed our products and services. Within the frame of the revision the sustainable product database was updated, i.e. cancelled products were deleted whereas new products–upon their assessment–were entered in the database of sustainable products and services. We expand the sustainability assessment for the T-Systems' portfolio, too.

Our revenue from sustainable products and services increased year by year, while in 2011 it was only 13% in 2016 we reached the 28% ratio.

http://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (HU only)

List of the most important products and service groups with a sustainability impact in 2016:

- Technology for health
- Climate-friendly and cost-effective business
- Sustainable digital solutions
- Equal chances in a digital world
- Sustainable products

The purpose of the sustainability assessment is to identify the sustainability impacts of our products and services and determine whether the given product or service has favorable environmental and social impacts, or whether it contributes to long-term economic growth and is favorable for the customer.

Magyar Telekom assesses its products and services from sustainability aspects, too. The assessment reveals whether the product or service in question has any favorable environmental or social impact, whether it contributes to long-term economic development and if it is beneficial for the customer. The sustainability impact of products/services is measured in 3 dimensions, in 15 topics and through 42 questions. According to related regulation sustainability assessment covers all products and services of the company

- For years we have been using the same methodology for the sustainability assessment of our products and services, based on three pillars of sustainability:
- Social pillar: assessment of the contribution of the product/service to health, access to information, equal opportunities and personal growth.
- Economic pillar: assessment of the contribution of the product/service to sustainable consumption, competitiveness and actual needs.
- Environmental pillar: assessment of the contribution of the product/service to the preservation of resources, reduction of the environmental footprint and climate protection.

For further details please read the Sustainability Report of 2009: http://www.telekom.hu/static-tr/sw/file/Sustainability_report_2009_eng.pdf

At Crnogorski Telekom ICT sustainability also represents the responsible acquisition, installation, use and disposal of information and communications technologies and services in order to utilize resources more effectively, improve efficiency and increase productivity, and reduce the environmental impact of operations. It also includes the effective use of information and communications technology and identifies the steps of applying available environmental standards in ICT industry, in order to promote more sustainable practices in the community.

Translated to our everyday work routine, this means the development of skills and knowledge of staff responsible for the purchase, deployment and disposal of ICT equipment and consumables.

Some activities in that direction are:

- managing energy consumption in sense of power usage effectiveness (for example, VDI instead of traditional PC devices),
- reduction of Carbon monoxide,
- energy savings (LED lighting instead of traditional bulbs) with Smart cities, homes and offices projects,
- reducing the number of equipment in data center by consolidating and virtualizing servers,
- reduced hardware obsolescence,
- deploy wireless networks to facilitate more flexible work environments and reduce cabling and power requirements,
- replace power-hungry cathode ray tube (CRT) monitors and televisions in hotel industry with more efficient Light-Emitting Diode (LED) monitors,
- intelligent energy management in buildings, etc.

Being one of the best ICT providers and system integrators in the country, one of Makedonski Telekom's key strategic priorities is to assure that the products from the ICT portfolio as well as the activities and projects in the system integration area align with the principles of sustainability.

However, implementing technology per se is not our main objective. Although we possess strong technical capabilities, our aim is not to position ourselves solely as technology experts, but rather as business partners who have an understanding of the customers' business and master the most suitable technology in service of their success.

Supported by our best technology network, we develop sustainable and cost-effective ICT solutions that address customers' needs and help them utilize their resources more effectively, while improving efficiency and increasing productivity, and reducing the environmental impact of all operations.

Our ICT products and services are based on our solid network and reliable infrastructure, which helps us to design and develop an innovative product portfolio. By utilizing the benefits of our infrastructure, we offer a range of solutions to reduce the operational costs of businesses, increase efficiency and reduce the initial investments, thus saving energy, contributing to the growth of the local economy and protecting the economy.

2.3 INNOVATION FOR SUSTAINABILITY

Research and development

Tender Project

In 2016, the Research and Development activities at Magyar Telekom covered the maintenance of R&D grant project launched and won in the frame of a tender obligation of the National Research, Development and Innovation Office. In 2016, several prototypes had further developments, within the framework of a tender project entitled "Info communication R&D&I umbrella" implemented by Magyar Telekom.

Own Risk based Research and Development

In 2016, in addition to the tender obligation, we have launched several product and service developments of projects, based on our R&D activities earlier in 2015, such as the Big Data related "Mobile Insight" data acquisition module. Along with that development, certain smart-watch R&D functionalities have been made available in operation (for example: Smart Watch Mobile Payment application)

In 2016, we have launched new, smaller R&D projects, especially in the area of Big Data, IoT, TV/ Entertainment and Transport. Their first results are expected in the first half of 2017.

R&D cooperation

In addition to innovative domestic SMEs, the R&D tasks are performed by Magyar Telekom's own research, product and service development staff. Along this line, the Company elaborates on further synergies utilizing its internal and external knowledge base, and engages in partnerships with well-known innovation centres and institutions of university education. Our main partners are renowned Hungarian universities, research institutes such as Budapest University of Technology and Economics, Corvinus University of Budapest, University of Szeged, University of Debrecen, and the Hungarian Academy of Sciences.

Magyar Telekom deems it important to support knowledge transfer projects of R&D nature as well; thus it participates actively as a professional cooperating partner and in the EU knowledge transfer program EIT ICT Labs KIC the Company joined in 2012, they are working together in more international R&D tender initiatives.

In-house incubation programme – Mission Telekom

Mission Telekom is an in-house incubation programme for employees. During the process, we are looking for ideas and project propositions in support of Telekom's strategic focuses.

Our goal is to bring the best tenders into practice, selected by a professional jury, with the active cooperation of the project initiators and professional/technical mentors in the year 2017.

A key element of the jury selection criteria is the sustainable value and of the proposals importart element of the jury's point of view during the selection is the sustainability (CSR) of the project propositions.

The development of the concept of Mission Telekom program started at the end of 2016 and the Program was launched 6th February, 2017.

Footfall Analytics

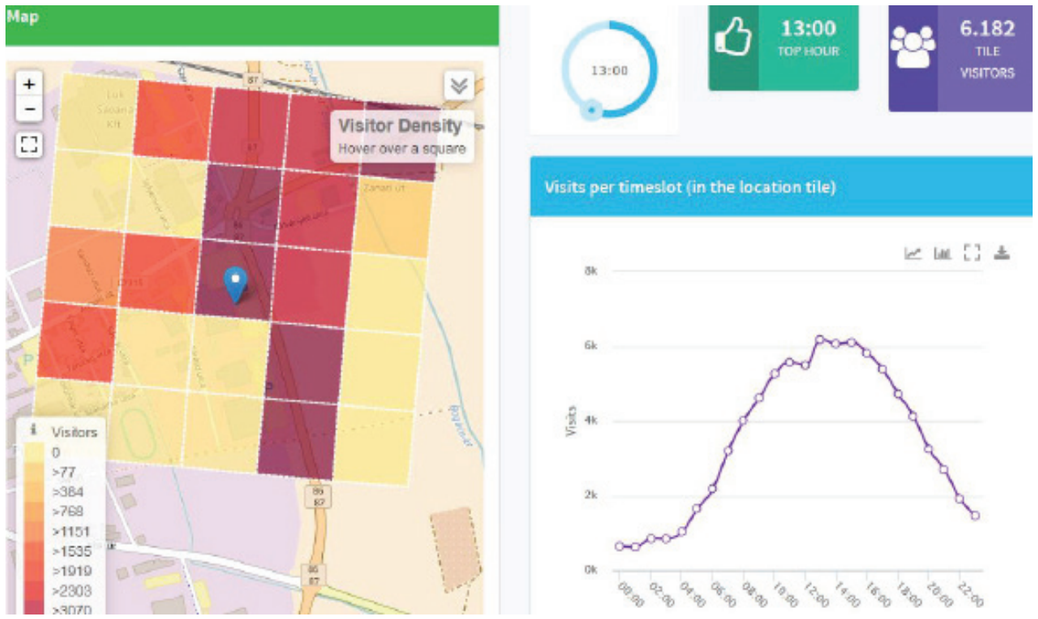
Our Footfall Analytics device is active at the Hungarian market since September, 2016. The product is part of the Telekom Leading Data portfolio (https://www.telekom.hu/uzleti/leading-data) since November, 2016. We have already collaborated with OMV and Penny Market among others, but we are continuously serving requests from other sectors as well (e.g.: finance, tourism, transport).

The solution is based on that mobile phones leave a trace behind in the network systems. We create heat maps from the originated location data that we complete and compare with demographical data (e.g. gender, age) for further increase in value.

To increase costumer experience, we visualize the analyses that also help in the easier, but all-out comprehension of the results. Thanks to the web-based visualized surface we insure access to the analyses that can be found there during any time of the contract period. Besides, after the specialization of the demands, with the help of our analyst team, with pre-harmonized schedule we insure to provide unique reports.

Our primary standpoint at every solution is the analogy to the data protection criterion. By our strict processes we insure perfect security maintenance of the data. The matters in hand are being made in a totally anonym method, with a 24 hour following period.

With the help of the device, lengthy, complex, expensive and manual investigations can be substituted. It gives answer to questions with the help of what the marketing and research costs until now can be significantly optimised. For example: How many people pass by the designated location every day? Which place would be the best to place my billboard, my leaflets? How should I optimize the opening hours? Where do my customers come from? In what scale does the saturation of each location change (e.g.: touristic spots)?



Smart Campaigns

With the help of Smart Campaigns, our localization based mobile marketing solution, SMS campaigns can be sent through self-service surfaces. During their aiming, beyond the classical demographic criterions, the costumers' real-life place of residence, interest as well as other relevant characteristics can be taken into consideration.

The localization based mobile marketing means a mobile advertising service that uses the costumer's currently used mobile phone cells' localization information. During the geotargeting, after appointing a geographical area surrounded with a geo-fence, we can address the chosen target group at a given point of time or during a time interval when their members move about the marked location, that is to say they cross the marked geo-fence. The geo-fence can be drawn up around any place of the physical world, so for example around shopping centres, urban parks or other advertising spots.

Due to the above-mentioned, the reached target group is smaller, but always "without waste", as only those receive the offer, who sojourn at the given location when the offer is available for them in space-time. Owing to the actuality of the offer, the proportion of the costumer responses to the mobile marketing messages will be higher than at the traditional marketing solutions.

Of course, according to the expected procedure by the Hungarian regulation of electronic direct marketing, the database's members, who can be targeted with the location-based mobile advertisements, previously agreed in writing to be looked up with these kind of advertisements.

Wi-Fi Fon

Magyar Telekom, along with Fon, its international market leader partner, introduces a new, free of charge service offering broadband internet access called Telekom Wi-Fi Fon. Telekom's new nationwide Wi-Fi network will provide users the opportunity to use the internet safely outside their homes in reliable quality, without any data limitation or excess charge, in nearly 2000 localities in Hungary and in some 20 countries worldwide over Fon's Wi-Fi network.

In exclusive cooperation with its partner Fon, Magyar Telekom is establishing Hungary's largest Wi-Fi network with the help of digital home gateway devices located in the homes of its fixed line broadband Internet subscribers. In addition, Telekom is going to integrate the hundreds of thousand hotspots established this way, into the world's largest Wi-Fi network. Telekom Wi-Fi Fon hotspots, as opposed to public hotspots, provide quality, reliable and safe broadband Wi-Fi connection for users, also away from their homes.

Initiatives to raise ICT awareness

From 2015, Makedonski Telekom has strongly dedicated its efforts towards exploiting the capabilities of new and innovative technologies in order to help cities become smarter and more efficient, thus providing citizens with better services and quality of life. Implementing advanced and innovative ICT solutions to provide balance between citizens' social, economic and environmental needs is one of the most important, yet challenging tasks for city authorities and we are proud to provide our technologic experience and expertise to create smart, sustainable and environment-friendly cities.

The smart transport project, as the first smart city project in Macedonia, provided a variety of economic and social benefits, not just for the city, but also for the citizens and the environment in general. The system managed to improve the quality of transport services, to enhance the compliance with the bus timetable and to reduce the passengers' waiting time.

Following the success of the first phase, the smart transport project was extended to all city busses, waving off paper tickets in the City's history and contributing towards the environment protection.

In light with our smart city involvement, we started another environment-friendly project in the field of smart lighting.

The street lighting system is a great example of a public service that can be managed more efficiently by the use of innovative technology. Our smart lighting system, brings significant electricity savings and enables real-time monitoring and control of the city infrastructure. However, the key environmental impact comes from the lower energy consumption and decreased emission of CO_2.

Moreover, our innovative spirit directed us towards a new and exciting project with the mission to enhance the education quality in our country. The project, although still in pilot phase, has introduced a new and innovative digital system, tablets for each student and interactive whiteboards with the aim to improve digital literacy and facilitate the education process by making the content more appealing and interesting for the young generations.

KITCHEN BUDAPEST: INNOVATION, INCUBATION AND EDUCATION WITH MAGYAR TELEKOM'S SUPPORT

The success of Hungary in the 21st century depends on the amount and quality of new ideas. To this end we need a workshop that serves as an incubator for the best forward-looking projects.

Kitchen Budapest (briefly KIBU) is an experimental innovation and incubation laboratory that was established in 2007 with the support of Magyar Telekom. The Company's support has granted sufficient background for KIBU's operations in the past ten years. The primary objective is to provide young talents with support in knowledge, social capital and infrastructure. Kitchen Budapest strives to solve global problems with an impact on mass culture so that ideas work not only on a theoretical-conceptual level theory, but also allowing them to pass the test and become leading examples in the given economic and social environment.

KIBU looks at the Startup Program launched in 2012 as an important milestone; it gives teams with budding ideas the opportunity to make their dreams come true. So far we received 900 requests and accepted 9 teams to our incubation program. It is part of our mission to help ideas come into life.

Since the launch of the Startup Program we experienced that there is high demand among young Hungarians for a program that supports idea development from a very early stage. As a response to this demand, we set up the Talent Program in 2013 where in every six months we give the opportunity to 4-5 teams to develop their ideas to the phase of building a prototype, under KIBU's professional mentoring. Several hundreds of applications were submitted to the special idea-development program, out of which 20 teams were successfully admitted and could present themselves on the closing Demo Day. The objective here was to elaborate product and service ideas that have a valid business potential or cultural vision that could successfully enter the Startup Program later on. A key quality of a good idea is that it provides a solid base for a business case or an innovative development.

The KIBU lift program, available for individual applicants, was launched in 2016 as a spin-off of the Talent Program. The lab offers a fully-fledged technological innovation team and a workshop for the teams or individuals who receive the education grant then the idea-owners have six months to transform the idea into a prototype or a proof of concept.

These investments and business opportunities can help Magyar Telekom Group to develop innovative products and partnerships. The ideas in the laboratories inspire our colleagues who work in the business development area thereby provide a better insight into the environment where our products are designed.

For more information please visit http://www.kibu.hu

2.4 PROTECTION OF OUR CHILDREN IN THE DIGITAL AGE

Magyar Telekom is committed to assist children's, parents' and teachers' safe use of the internet and uses its best endeavors to support it. The Company's child protection website helps this effort with controlled content, advise, education and events organized for children and their parents alike to be prepared for risks of the digital world.

For more information, please visit: http://www.telekom.hu/about_us/society_and_environment/society/protection_of_our_children

Child protection efforts of the Telekom Smart Digital Program

The objective of the presentations delivered by our expert volunteers is to present and prevent situations that these days are becoming increasingly destructive for young people: misuse of personal data, public humiliation, harassment, etc. Our primary objective is prevention; to recognize ways to avoid these situations. Besides, it is also important to present the advantages of using digital tools, the info-communication technology as well as the potentials of online communication and transactions that can make our children's lives easier.

Our objective is to contribute to the digital maturity of Hungary and our children's safe and conscious use of the internet.

We would not like to leave our children alone in the digital world. Therefore we encourage them to turn to their parents and teachers should they have any problems in this respect. That is why we have extended the scope of our trainings, to deliver the necessary knowledge not only to children but to adults - parents, grandparents, teachers as well so that they could become partners of our children in today's digital world. We continuously develop our training material and update it with the valuable feedback that we receive during the training sessions so that we could address all relevant questions.

Our presentations also pinpoint the dangers of internet use and provide opportunities for discussions on how to respond to a variety of unwanted situations. During these sessions we primarily focus on data protection issues, use of protection softwares, personality rights, cyberbullying, sexting issues but we are also ready to deal with other questions that may arise. Our presentations are considered to be very beneficial our audience - which is proven by the number of questions and positive feedback that we receive during the sessions.

Child friendly customer service

Magyar Telekom recognized the increased importance of responsible corporate citizenship in the area of child protection and does its best to live up to the relevant expectations. The child lock service on TV programs, the free downloadable content control software are good examples of these efforts.

There is a high demand for the protection of young generations either through parents or through teachers. In parallel to the rapid digitization of our world the number of exposures have also increased and there is an increased level of risk affecting minors through various communication channels. Therefore it is crucially important to equip our customer service staff with competence and expertise in child protection issues.

Our objective is to ensure that our customer service can adequately respond to children and adults alike on any security related question regarding the use of the internet, mobile phones or any other Telekom service.

At Telekom New Media we continuously monitor promotion material and mandatory customer information systems in relation to certain premium level fee services and pay special attention to the restriction of adult content.

Pornographic content and gambling

The coercive measures of blocking certain electronic data on the internet was introduced by the new Penal Code (Act C of 2012 on the Penal Code). The most important rules of this measure are contained in Act XIX. of 1998 (Act on Criminal Procedures - "ACP") - amended by Act LXXVIII. of 2013. The ACP distinguishes between two kinds of measures: the removal of electronic data where the primary target group is hosting service providers and the blocking of access to electronic data which is mainly applicable to telecommunications service providers.

The blocking or filtering of websites containing pornographic content is implemented in conformity with the ACP measures: the court may order to make electronic data temporarily inaccessible by way of temporarily blocking access thereto. When elaborating the new Penal Code the original objective of the above measure was to be able to take immediate action in serious cases (child pornography, crime against the state or act of terrorism) so that the authorities should not have to wait until a final court decision has been made.

However, the amendment of Act LXXVI of 2015 has significantly extended the scope of criminal offenses where court resolutions can rule on the temporary blocking of content. Such crimes are as follows:

- trafficking of drugs,
- incitement to the use of narcotics,
- furthering the manufacture of drugs,
- drug precursor abuse,
- new psychoactive substance abuse,
- child pornography,
- criminal act against the state,
- act of terrorism
- or financing terrorism

or, if the electronic data is connected to the above criminal acts.

The technical implementation of temporary blocking is the responsibility and obligation of the National Media and Info-Communications Authority (NMHH) and the internet service providers.

In 2003, upon the implementation of the above coercive measure, a similar legislative measure was introduced by the National Tax and Customs Administration of Hungary (NAV) by promulgating Paragraph 36/G of Act XXXIV. of 1991 according to which the tax authority without the involvement of a court - is entitled to render any data provided through an electronic communications operator temporary inaccessible if the access thereto or the publication thereof is related to prohibited gambling.

The temporary blocking of content pursuant to the Tax Authority's resolution may last for 365 days.

The link between the potential sanctions of courts and the Tax Authority is so strong that the entity responsible for the enforcement of the measures is the National Media and Info-Communications Authority in both cases.

Since 2014, in accordance with 159/B (3) of Act C of 2003 on Electronic Communications, the National Media and Info-Communications Authority has been managing a central database on rulings to block access to electronic information (hereinafter referred to as "KEHTA"), and processes the data entries to that end. This database contains all court and Tax Authority rulings that order the blocking of websites. All electronic communications operators must join the KEHTA thereby all operators are obliged to block prohibited websites. Thus, in line with the provisions of law, Magyar Telekom has also been blocking the given web pages.

Magyar Telekom, as a company listed in the stock exchange, complies with all requirements of the Hungarian law and actively participates in the industry's self-regulation and the respective efforts of the NGOs.

Crnogorski Telekom implemented various measures to help the fight against child pornography on mobile phones since T-Mobile in 2009. These functionalities are active and in place.

There is technical solution (similar to the one in other countries), which relies on filtering websites flagged as child pornography. The list is prepared by the Internet Watch Foundation (IWF) from the UK.

We are also working with the local authorities in cases where child pornography is reported to our call center.

We are providing tips for parents and younger customers on how to protect their privacy, when using mobile phones on our websites.

Service 'Norton internet security' is offered to our customers from 2011. Customers who use this service can protect themselves not only for viruses, but as well activate option that is so called "cybernannies".

In 2016, Crnogorski Telekom supported initiative "End violence online" implemented by local UNICEF office. The company promoted the application NETfriends that teach children aged 9-11 how to use the Internet safely. The app contains an educational role-play game, which takes children through real life scenarios and makes them learn how to recognize, prevent, stop and report violence.

2.5 DATA PROTECTION

Among the 2016 sustainability objectives, Magyar Telekom pays special attention to the protection of personal data. Magyar Telekom ensures the highest standard of data-security and technical and organizational measures regarding personal data management/processing.

Prior to developing new products and during provision of services, Magyar Telekom considers the protection of its customers' and business partners' personal data as top priority. Magyar Telekom manages personal data in accordance with the Hungarian legislation, the guidelines of the National Authority for Data Protection and Freedom of Information and the European Union directives regarding personal data protection. Magyar Telekom ensures the highest standard of data-security and technical and organizational measures regarding personal data management/processing. Magyar Telekom adopted the data privacy principles of Deutsche Telekom Group (Binding Corporate Rules Privacy).

Magyar Telekom regularly issues trainings prepared for employees and subcontractors to introduce the up-to-date regulations and internal processes regarding the protection of personal data.

In case of contracting with third parties as data processors, Magyar Telekom requests from its contractors and subcontractors to process personal data according to the highest standard of data security and technical and organizational measures.

Magyar Telekom provides multiple channels for its customers to request information and to send complaints regarding their

personal data management. We treat our customers' personal data related complaints and inquiries as matters of key importance, and provide factual responses within the relevant deadline.

In 2016, Magyar Telekom received requests and complaints either from the National Authority for Data Protection and Freedom of Information or either directly from customers, which were duly investigated by the Data Protection Group of Magyar Telekom, and the findings were reported to the complaining customer and/or the authority. In 2016 we received 14 requests, to investigate personal data management complaints and only 5 of these were found to have grounds. Based on the results of the investigation, we review our processes and make the necessary adjustments.

For further information, please visit the following website:
http://www.telekom.hu/about_us/data_protection

In 2015, T-Systems Hungary Plc. was operating a certified data and information protection system (ISO/IEC 27001), the objective of which is to ensure secrecy, unharmed operation and uninterrupted availability of our data and information. The data and information protection system manages the data files managed and produced by T-Systems Hungary, the company's business data, the data of its partners and employees, offices, commercial and developed software, buildings, offices, equipment and IT systems. The maintenance of the system is ensured through the application of new and continuously developing information and communication technology. We respond to information security exposures in a way that residual risks may not adversely impact our work and the company's operation.

Makedonski Telekom as a member of the Deutsche Telekom Group, pays great attention to personal data protection in all of its business processes, by implementing the standards stipulated with the personal data protection regulations in the Republic of Macedonia and the standards existing within the Group. The principles for personal data protection which are more thoroughly elaborated in the Binding Corporate Rules Privacy of Deutsche Telekom are implemented in the companies belonging to the Group, and in MKT inclusive.

The Binding Corporate Rules Privacy were adopted by MKT with a CEO Directive on May 2015. These Rules conform to the requirements of the Macedonian Law for Protection of Personal Data, as well as DT Group Privacy Regulations. On October 2016 the CEO Directive was supplemented with the Appendix which regulates more thoroughly the check of personal data protection level by the DPO's Team.

In 2016, the DPO function was performed by DPO and Deputy DPO. The DPO Team supported the projects with privacy relevance related to new products, services and IT systems. The anonymization of customer data in billing system, Single Sign On (SSO) services, OTT TV, OnEmail, Easy to partner (E2P), Data Center, Cloud Services, PAN IP Projects - creation of service for cross border production were the major projects and activities with privacy relevance.

The other main activities of the DPO Team during 2016 were the following:

- active participation in defining of the rights and obligations regulated by the Commissioned Data Processing Agreements and active involvement in drafting requests to Macedonian Directorate for Personal Data Protection for approval of data transfer in non EU countries,
- conducting of the data protection trainings (face to face) for the employees in Call Center and online training for all employees in Chief Operating Officer Consumer Area (the trainings were recorded in employee's personal files)
- giving the opinions whether the data which are treated as a confidential communications according to Law on Electronic Communications, could be provided to the state authorities upon their request and interpretation of the relevant legal provisions that refer to the lawful interception

During the reporting period in MKT were conducted the data protection audits/inspections, as follows:

- Regular inspection by Directorate for Personal Data Protection (the conducting of this inspection was continued in 2017)
- Few extraordinary inspections by Directorate for Personal Data Protection based on customers complaints (it should be emphasized that no penalty was imposed)
- Employee Data Protection Audit conducted by Internal Audit Department

One of main focuses of DPO Team is the follow up/overview of the implementation of the imposed measures with the Reports from the performed audits/inspections.

Crnogorski Telekom data protection related activities in 2016:

- amendments to the Data protection Directive in regard to special data processing - adopted on October 2016
- ICS control done
- Supporting in HR Aramis project
- Supporting in PanIP project
- Supporting in OneErp project (one CDPA concluded for all OneErp processes)
- CDPA concluded with Post Office as major processor of CT's customers personal data
- CT quarterly reports to Group Privacy
- Intensive cooperation with National Data Privacy Agency

2.6 SAFE USE OF MOBILE PHONES, ELECTROMAGNETIC FIELDS

In order to provide high-quality services to the Hungarian, Macedonian and Montenegrin mobile telephone subscribers through the mobile telecom network, UMTS licenses were distributed among operators in Hungary in December, 2004, for operators in Montenegro in June, 2007 and for operators in Macedonia in June, 2009. Besides, in December, 2011 Magyar Telekom acquired the right to launch the LTE service and the commercial rollout started in 2012. By the end of 2016 the frequency right acquired in the 800 MHz band allowed that almost 100% of Hungarian citizens can use Magyar Telekom's LTE service.

However, the rollout of the LTE related networks may heighten the interest of the communities in the issue of electromagnetic fields, which will increase the importance of the company's strategy in addressing the issue.

The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/EC/519 of the European Commission. As a result of the relevant Hungarian decree adopted in August, 2004 (63/2004./VII. 26. - ESzCsM) on the basis of ICNIRP guidelines, the regulations in Hungary are compliant with the EU regulation on electromagnetic fields.

In the framework of the company's overall education program, new employees are informed about issues concerning electromagnetic fields as part of their mandatory orientation training.

Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called 'EMF Policy Recommendations', with special emphasis on transparency, information provision, support of and involvement in research. Magyar Telekom applies the relevant Deutsche Telekom recommendation as mandatory regulation since 2004, while T-Mobile Macedonia since March, 2011. The Management Committee of Crnogorski Telekom adopted the company's EMF regulations aligned to the DT regulations on October 27, 2011.

To support preventive action both Magyar Telekom and T-Mobile Macedonia set up dedicated EMF workgroups, which meet quarterly and monitor EMF-related national and international developments and respond to the EMF-related queries of the authorities, residents or employees. Further information about T-Mobile International's EMF Policy Recommendations' adopted by Magyar Telekom is available in English on the website of T-Mobile International.

In the framework of this policy, Magyar Telekom and its subsidiaries address the complaints and inquiries in an efficient manner.

The EMF policy was also endorsed by Crnogorski Telekom and T-Mobile Macedonia. The policy sets forth the basic principles applicable to the responsible use of mobile communications technologies. In this document we assume commitment for greater transparency, for the provision of information and for involvement in the relevant processes.

Mobile network, network development

According to the Company's common practice station antennas are installed in a way that employees normally cannot stay in front of them, they cannot and do not have to work in the relevant zone, and passage ways do not cross the areas in question.

If, in extraordinary cases, people must pass or work in front of the antennas – this usually happens related to external contractors' work, e.g. when renovating a building, safety distance data are made clear and available. If necessary, site measuring can be conducted, or in justified cases the antennas can be temporarily relocated or the performance of the transmitter can be reduced.

If a Magyar Telekom employee performing work in the vicinity of an antenna detects unidentified signal source, he will use his RADMAN personal radiation detector to determine the boundaries of safe zone and prevent health risk.

Compliance with the value limits defined by law for Magyar Telekom mobile network is audited and certified by independent measurement bodies. In 2016, 11 on-site non-ionization electromagnetic exposure measurements were made, all of which found the emission levels to be under the relevant limits.

The company acts in accordance with the relevant laws and consults, cooperates with the relevant stakeholders in each and every case when building new base stations. If needed, citizens' forums are held with the participation of all concerned parties to reach an agreement.

Communication

Despite the fact that the radiation of Magyar Telekom's handsets and mobile base stations is well below the ICNIRP emission limits, the Company considers it important to provide information on handsets and base stations, both to employees and customers.

We coordinate these matters several times a year with the National Media and Info-Communications Authority's experts and supply measurement data for their purposes.

In addition to internal communication, in 2016 Magyar Telekom continued to respond openly to inquiries about the safe use of mobile phones.

The SAR values of the devices are included in the user manuals in the mobile set packaging and are available in Telekom shops as well.

Research

Exposure of the world's population to non-ionizing electromagnetic radiation and electromagnetic fields has considerably increased in recent years. Since a civilized society cannot avoid the use of equipment emitting non-ionizing electromagnetic radiation, like mobile telecommunication equipment, satellite and terrestrial television/radio broadcasts, flight navigation, meteorological satellites, radio astronomy, space exploration, the exposure of the environment and the population is expected to increase further in the future. World Health Organization (WHO) and several other international organizations, as well as research groups monitor the impact of technological development on human health.

The assumed health effects of mobile telecommunication have been studied and analyzed for more than twenty years. So far scientific researches have not confirmed any negative health impact of mobile telecommunication on the human body.

The largest research project of this type, the INTERPHONE project of WHO-IARC (International Agency for Research on Cancer) conducted with the participation of 13 countries, was closed in 2011. After closing the INTERPHONE project on May 31, 2011, WH-IARC classified electro-magnetic fields into the 2B potential carcinogenic category. According to the Chairman of the WHO-IARC workgroup "the evidence, while still accumulating, is strong enough to support a conclusion and the 2B classification. The conclusion means that there could be some risk, therefore we need to keep a close watch for a link between cell phones and cancer risk". At present the following agents are classified to 2B category: coffee, petrol, the exhaust of petrol-fueled engines, nickel and alloys, talcum powder, network frequency magnetic field and mobile phone use as well.

Through its GSM Association membership, Magyar Telekom has directly contributed to the progress of independent research into the health impacts of mobile networks.

In 2015 Magyar Telekom and OSSKI (National Research Institute for Radiobiology and Radiohygiene) conducted yet another radio frequency micro-environmental personal exposure research. All measurement results of the research-development project were significantly below the ICNIRP threshold limit.

Every national affiliate of Deutsche Telekom is committed to supporting independent research aimed at extending the Company's knowledge on the impacts of electromagnetic fields. This makes Deutsche Telekom Group one of the biggest supporters of research on this subject.

As a result of the three mobile operators' cooperation a new website - **EMF portal** - was created in 2006 and continued its operation throughout 2016 where questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements purchased by the operators from external organizations.

All content provisioning related activities within Makedonski Telekom are in full compliance with all areas of all relevant regulations and legal framework, with increased focus on data protection regulation and copyright laws, but also all other relevant regulation related to the content service providing.

It is strictly regulated that the content and content related services shall not be in contrary to the public moral and the public order (meaning that indecent, vulgar, intimidating, threatening or other illegal content is forbidden) as well as that the content shall not be aimed at incitement or call for military aggression against the state order or stirring up ethnic, racial, gender or religious hatred and intolerance, terrorism related activities or violation of the rights and freedoms of other persons.

Crnogorski Telekom believes that the formation of the EU content Hub, supporting Natocs in acquisition of content will lead to cost savings and greater transparency among Natocs, while ensuring compliance with legal and ethical standards. Several activities in 2016 resulted in savings and new group contracts for content acquisition across the DT group. In addition there is a group level approach of reducing risk. Most content providers are now centralizing their sales activities, eliminating resellers, distributors and partners, which results in further risk reduction and Crnogorski Telekom is benefiting from joint acquisition.

Video on demand acquisition is also continuously handled on the group level, reducing legal and ethical risk.

The EMF policy of Crnogorski Telekom was approved by the Management Committee on 27. October 2011. The document is aligned with DT principles.

3.
SUPPLIERS

Anti-corruption measures and ethical conduct are important cornerstones of operation for Magyar Telekom. Consequently the company requires its suppliers to adopt Telekom's Anti-corruption statement, the Suppliers Code of Conduct and the Coltan Policy of Magyar Telekom. As part of the contractual terms each and every supplier must know, approve and must comply with these requirements as stated.

Because of its size, Magyar Telekom Group has significant impact on other stakeholders of the economy, thus the scope of its responsibilities cannot be limited to the company itself. Along our risk management strategy, we maintain our ambition to do business with suppliers who appropriate a high level of social, economic and environmental performance and standards. In order to ensure this, the Group manages its supplier contacts with a strong commitment to fostering a sustainable supply chain. The group-level coordination of vendor relations is ensured by the Procurement and Logistic Directorate, partly through the provision of centralized procurement services, and partly through the coordination of the member companies' functional organizations.

Suppliers are selected in compliance with the laws, in procurement procedures that ensure fair competition, transparency, and structured and documented processes, which are under continuous control by the Internal Control System (ICS) used jointly with Deutsche Telekom Group. Besides providing proper controls the system encourages us to improve and accelerate our processes.

In respect of contracting the company seeks to develop mutually advantageous, value-creating partner relations. To ensure cost-efficient operation, the company is continuously rationalizing its processes by tapping the synergies of parent company and group-level procurement.

The main interface for supplier relations is the interactive internet site of the Procurement and Logistic Directorate at (https://beszerzes.telekom.hu/fooldal.vm), where suppliers – upon registration – can directly reach the newsletter service, the supplier qualification system, the OneSource system where quotations are managed, electronic invoicing description and may find useful information on our procurement processes and sustainability requirements.

The references, financial standing, quality assurance and sustainability capabilities of the suppliers are audited by our experts in a prequalification system which is also operated on the internet site of the Procurement and Logistic Directorate.

The company's enhanced vendor prequalification system enables registered suppliers to complete the sustainability-focused questionnaire and also its evaluation. The results ensure the identification of risks and the possibility of joint improvement with the suppliers. The qualification results are important factors in the supplier selection process. The company buys services and products predominantly from prequalified suppliers. For mutual development, after filling out the questionnaire, we inform registered suppliers about their results in the vendor grading system. We procure more than 80% of the value of the orders from qualified external suppliers, through 974 partners.

We would like to communicate our commitment to sustainability to the direction of our suppliers who are in actively involved in our everyday business. This cannot be achieved without new and ambitious goals, following the best practices and the involvement of all stakeholders. In response, we created the Magyar Telekom Sustainability questionnaire, which is a series of questions on environmental, social and business ethics topics. There is a special focus in the assessment process on whether the suppliers have any sustainability expectations declared towards their partners or not. The final score is calculated with the weighting of the respective industry of the supplier. 18 companies participated directly in the survey in 2016, which corresponds to 3.83% of the purchase value (this value was 10.86% in 2015). Respondents were informed about their results, where they have received topic-specific feedback on their performance. In addition, we provided more detailed information via email or phone to partners who requested it. We used our Incident Management process involving the Working Group only in one case in 2016. The incident risk has been classified as low and the concerned partner has been informed accordingly. Throughout its operations Magyar Telekom is proactive and transparent in terms of its commitment to have sustainability become part of its identity and empowers its partners to consciously participate in sustainable development. Therefore we highly appreciate all partnerships along which we can gain a better understaning of our partners' sustainability related strategies and operations.

In order to develop a sustainable supplier chain, in 2016 Magyar Telekom continued to use the detailed supplier self-evaluation questionnaire, developed by GeSI (Global e-Sustainability Initiative), which, in addition to environmental queries, also contains questions concerning compliance with human rights, occupational health, security and business ethics requirements. So far 38 supplier evaluations have been completed and these suppliers accounted for 29.82% of the overall procurement value (this value was 31.5% in 2011, 39% in 2012, 31.3% in 2013, 16.4% in 2014 and 19.45% in 2015).

For the purpose of the sustainability evaluation of our active suppliers we use the internationally recognized and operated EcoVadis system, which is also supported by DT. We invited strategically important and high-risk suppliers to declare their operational practices based on the detailed EcoVadis criteria. As a result 3 suppliers were directly and 16 suppliers were indirectly evaluated on social, environmental, economic and sustainable procurement aspects. These suppliers accounted for 33.23% of the overall procurement value, which value was 39.5% in 2014 and 37.42% in 2015.

During 2016 we have finalized our new 2016-2020 sustainability strategy with the objective to ensure that Magyar Telekom's commitment to sustainability becomes part of the suppliers business and that the supplier's CO_2 should be reduced.

An e-learning course is available for all Magyar Telekom employees about sustainable supply chain processes and in 2016 we have informed our colleagues about these topics through several forums. The e-learning material is available on the intranet and contains all of the processes, their detailed description and contacts for every topic.

As part of the sustainable supplier chain management process, and in order to support effective operation we created a working group, the members of which are responsible for and take action in the case of incidents as well as environmental working conditions, human rights or social problems arising in connection with suppliers. The permanent members of the working group are the employees of the Corporate sustainability center, the Procurement and logistics directorate, the Corporate governance and General legal affairs department in addition to the employees working for the ordering organization involved in the incident, as well as the experts on the given issue. In order to support these efforts we established an incident management process that defines the relevant actions in such cases. The incident management process analyzes the event that triggers the incident, the strategic importance of the supplier, the severety of the given case, the supplier's reaction and provides guidance on potential remedies. Such process has been launched only in one case yet in 2016 but the analyses have not yet detected any negative environmental, working condition, human rights or social impact. Therefore no sanctions were imposed and no contracts have been terminated within the frame of the sustainability process.

Deutsche Telekom provides significant support through initiatives within the sector (JAC – Joint Audit Cooperation) to transform supplier relations into sustainable ones, thanks to that audits are conducted worldwide for the selected suppliers. The integrated criteria of audits are promoting and securing compliance with the minimum social and environmental principles of suppliers, also in the case of common suppliers of different subsidiaries. Proving the compliance with the common group standards, in 2016 a total of 12 indirect Magyar Telekom suppliers were involved in Deutsche Telekom audits which is accounted for 15.05% of the overall procurement value; this value was 15.4% in 2011, 20% in 2012, 16.4% in 2013,

The Suppliers Code of Conduct includes the following principles:

- Code of Conduct
- Social Charter
- Diversity Policy
- Magyar Telekom Group's Environmental Policy
- Financial Code of Ethics
- Corporate Governance Declaration
- Magyar Telekom Group's Quality Policy

20.10% in 2014 and 18.32% in 2015. Depending on the results of the audits, corrective action plans are given to the poorly performing suppliers, followed by a re-audit if necessary.

Deutsche Telekom's cross-border initiative, the 'Together for Stronger Brands' program (previously 'Together for Sustainability') was created in 2014, which is a supplier development program. Thanks to this action, three key ICT suppliers were invited for co-operation. The goal is to find common solutions to various problems whereas we create a win-win situation for everyone, which has positive results, such as employee loyalty, motivation, increased productivity and improved product quality. In 2016 further 4 suppliers have joined the program – having 11 members altogether, as a result electricity consumption and CO_2 emissions have decreased, while productivity and waste-water recycle and reuse increased. In 2017 new suppliers are scheduled to join the initiative.

Independent from the sustainability process, our procurement and compliance organization has an ongoing monitoring process to identify non-compliance to law and/or economic cases. There were no such cases identified in 2016.

The procurement processes, that constitute a significant part of the vendor relations, are implemented with the support of IT systems. Internal procurement processes are initiated mostly through electronic systems. The suppliers' selection process is supported by an internet-based RPF and auction tool (OneSource), orders are also placed/confirmed through an internet-based electronic commerce solution (CPEx), managing transactions growing from year to year. These electronic solutions substantially reduce the processing time of the procurement processes and the e-mail based placement of orders further reduces the quantity of paper-based documents. In the past years direct electronic procurement transactions (CPEx) hit a steady high level and in 2016 reached 89.9% of all items ordered (in 2012: 59%, in 2013: 64%, in 2014: 66%, in 2015: 69%). In 2016 we were in connection with 413 suppliers through electronic systems. The significant increase of this number is due to the effort that we try to manage more and more partners that only have a small number of transactions in our system.

The internal procurement system has changed in 2016, and a new PSL system has been introduced, which incorporates network-relevant real estate assets and development and operation processes of the technological department. 97% of the orders were electronically created. We have been working on a vendor and contract signed catalogue, in which by entering the contract data once, there is no need to initiate further procurement request. The number of the electronic catalogues managed by the suppliers has decreased because of the new system and cataloging, but overall 83,89% of the order items are entirely created electronically.

In the office stationary catalogue the supplier already marks "green" products, and we encourage our colleagues to order such items.

SUPPLIER ASSESSMENTS' RISK CRITERIA USED BY OUR COMPANY WERE IDENTIFIED AS FOLLOWS:

		EVOVADIS	MT ASSESS-MENT	AUDIT	PRE-QUALIFI-CATION	SUPPLIER SCORE CARD	GESI
Economics	Anti-corruption and Bribery	✔	✔	✔	✔	✔	✔
	Conflict of interest	✔	✔	✔	✔	✔	✔
	Fraud	✔	✔	✔	✔	✔	✔
	Money laundering	✔	✔	✔	✔	✔	✔
	Anti-competitive practices	✔	✔	-	✔	✔	✔
	Respect of intellectual property rights	✔	✔	✔	-	✔	✔
	Truthfulness of marketing and advertising messages	✔	✔	✔	-	✔	✔
	Consumer/ client data protection and privacy	✔	✔	✔	✔	✔	✔
	Access to essential services or products	✔	✔	-	-	-	-
	Partner/ supplier data protection and privacy	-	✔	-	✔	✔	✔
	Associate/ employee data protection and privacy	-	✔	✔	✔	✔	✔
	Business Continuity Management	-	✔	-	-	-	-
Environment	Reduction of production-related environmental risks	✔	✔	✔	✔	✔	✔
	Energy Consumption and GHGs	✔	✔	✔	✔	✔	✔
	Water management	✔	✔	✔	-	✔	✔
	Biodiversity	✔	✔	✔	✔	✔	✔
	Local Pollutions	✔	✔	✔	-	✔	✔
	Materials, Chemicals management	✔	✔	✔	-	✔	✔
	Waste management	✔	✔	✔	-	✔	✔
	Product lifecycle management	✔	✔	✔	✔	✔	✔
	Property lifecycle management	✔	✔	✔	-	✔	✔
	Promotion of sustainable consumption	✔	✔	-	✔	✔	✔
	Sustainable forest / paper policy	-	✔	-	-	-	-
	Customer health and safety	✔	-	✔	-	-	-
Society	Employees health and safety	✔	✔	✔	✔	✔	✔
	Working Conditions	✔	✔	✔	✔	✔	✔
	Labor Relations	✔	✔	✔	✔	✔	✔
	Career Management	✔	✔	-	✔	-	-
	Child and Forced Labor	✔	✔	✔	✔	✔	✔
	Discrimination	✔	✔	✔	✔	✔	✔
	Fundamental human rights	✔	✔	✔	✔	✔	✔
	Customer health and safety	-	✔	-	-	-	-
Procurement	Sustainable procurement charter	✔	✔	-	-	-	-
	Training of buyers on issues within the supply chain	✔	✔	-	-	-	-
	Integration of social or environmental contract clauses	✔	✔	✔	-	✔	✔
	Regular supplier assessment	✔	✔	-	-	-	-
	Audit of suppliers	✔	✔	-	-	-	-
	Corrective actions to facilitate supplier capacity building	✔	✔	-	-	-	-
	Sustainable buyers performance appraisal	✔	✔	✔	✔	-	-
	Pre-qualification of suppliers before evaluation	-	✔	-	-	-	-
	Identified risks and impacts	✔	✔	✔	-	✔	✔
	Conflict minerals	✔	✔	✔	-	-	-

We ensure compliance with the statutory and corporate expectations by including sustainability, environmental clauses in the supplier contracts. We expect our suppliers to use environment-friendly materials, technology and energy-saving solutions.

As to products, there is a blacklist and a gray list of ingredients, i.e. products that contain any of the listed materials are banned from procurement (blacklist), or are not recommended to be procured (gray list) by Magyar Telekom.

In an effort to prevent any damage, hazardous materials purchased are transported directly to the internal customer, with

Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local[5] suppliers. Within that it is important for us that small and medium sized companies should be given appropriate opportunities. In 2016 nearly 80% of our suppliers belonged to this category. By ordering products and services from local suppliers we significantly contribute to the retention of jobs.

the exception of storing a minimum inventory, thus minimizing transportation time. In an effort to raise cost efficiency and reduce transportation, we increase the percentage of stocks managed by the suppliers. We study the possibility of this jointly with the supplier when entering into the contract.

Magyar Telekom considers it a priority to make payments to its partners in compliance with the deadlines specified in the contracts, agreements.

In early 2015, Crnogorski Telekom rolled out the Supplier Prequalification questionnaires, therefore they pre-qualify their suppliers as part of the registration. So far a total of 50 suppliers filled out the questionnaire and risk factors were not identified in any of the cases. From October 2015 (date of the new procurement directive's entry into force) they examine in each call for proposals whether the candidate meets the requirements for sustainability.

Makedonski Telekom's organizational units may initiate the procurement of materials and products during which they are responsible for compliance with environment protection aspects. Organizational units that initiate procurement of equipment need to pay attention in new investment projects to procure equipment that saves energy. In the course of vendor management they also check social responsibility and environment protection on supplier's side, which is intended to become one of the evaluation criteria's in future.

VALUE RATIO OF PRODUCTS AND SERVICES FROM LOCAL SUPPLIERS, MAGYAR TELEKOM GROUP ✔

MEMBER COMPANIES[6]	2011	2012	2013	2014	2015	2016
Magyar Telekom Plc.	71%	75%	74%	67%	75%	78.9%
KFKI	56%	74%	-	-	-	-
IQSYS	95%	86%	-	-	-	-
T-Systems Hungary	-	-	75%	79%	78%	78.46%
Pro-M	47%	53%	-	-	-	-
Makedonski Telekom	73%	86%	79%	64%	65% [7]	67%
T-Mobile Macedonia	47%	46%	56%	46%	-	-
Crnogorski Telekom	42%	52%	42%	50%	55%	63%

(5) Suppliers with headquarters in a given country.
(6) Magyar Telekom Group member companies with significant procurement value.
(7) T-Mobile Macedonia AD merged into Makedonski Telekom AD on 01.07.2015.

4.

CUSTOMER RELATIONS

4.1. Customer satisfaction 38
4.2. Customer complaint management 39
4.3. Involvement of our customers 40

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

4.1 CUSTOMER SATISFACTION

Magyar Telekom conducts complex customer satisfaction measurements on a quarterly basis that include ongoing, detailed monitoring of the general satisfaction of customers as well as the perception of service elements that impact satisfaction (e.g. network quality, product choice, customer service etc.). Concerning their methodology and results, the results of these measurements could be broken down to Magyar Telekom's fixed line and mobile customers, and also to residential and business customers (further divisions could be located for more precisely targeted customer segments, if requested).

These surveys produce a composite customer satisfaction index that allows the tracking and easy interpretation of changes over time. Detailed analysis of service elements enables the detection of particular perception factors that impact customer satisfaction. In other words, we can thus identify the areas where, according to the judgement of our customers, Magyar Telekom delivers outstanding performance, and also identify the fields where actions are needed to improve our performance in order to become better than we were earlier, or improve quality against earlier own performance or even against the standard of competitors.

The surveys are conducted via standardized personal or telephone interviews, encompassing samples of a justifiable size, composition and weight. The surveyed content topics remain consistent each year, to ensure tracing changes over time, but the methodology and the structure of the sample is reviewed and updated from time to time, due to the changing expectations of the Company (group), as well as the changes of the product structure and the market.

Residential customers

According to the results of customer opinion survey in 2016, the overall performance of Magyar Telekom is in line with the European benchmark of the industry. The satisfaction figures of the mobile and the fixed services approximated and equaled in 2013 whereas in 2016 the perception of fixed services was slightly better than that of the mobile market. The results of the fixed market have shown a growing trend in recent years.

Similarly to the mobile market certain operators' results are close to each other in this field too and they generally provide high quality services.

In 2016 Telekom's average annual performance was close to the top 10% of the European benchmark. The principal strengths of Telekom include its overall evolving product and service portfolio, the customer information system and call center. Customers also value the customer loyalty and reward program of the company.

Business customers

The market of mobile services for businesses showed an increasing trend in 2016. In comparison with European results from the industry, Telekom had an average performance in 2016.

Telekom's main strengths are related to the network and coverage, mobile internet as well as the perception of existing and new product offers. Customer information system and the billing system also has a positive perception. In general our business customers have a strong and emotional attachment to the brand.

In 2016 Telekom managed to keep its favorable service provider status and maintained its stable position among market leaders. Telekom stands apart from its competitors mostly by its wide scope of product and service portfolio as well as their continuous renewal. Further strengths are the price-value ratio, billing, information of customers, and expertise of the customer service staff and the swift fulfillment of orders.

Similarly to the residential market the customers of the business mobile market also trust the company and look at Telekom as a reliable partner while there is a strong emotional commitment to the brand.

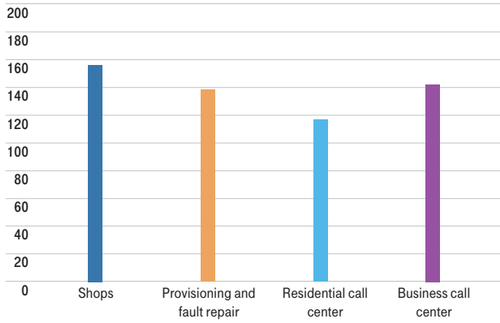
In addition to general satisfaction measurement, we also measure the satisfaction of our customers with the given customer service cases throughout the year in the framework of the Next Generation International Customer Contact Analysis (NG ICCA) research. The purpose of the survey is to monitor the quality of our customer care service as experienced by our customers and collect information about their satisfaction and experience with our customer service and self-service.

The research is transaction based: we poll our customers within 2–48 hours of their customer care event. The research extends to the residential and business customer base as well.

TOP channels involved in the research:

- shops
- provisioning and fault repair of home services
- residential call center
- business call center

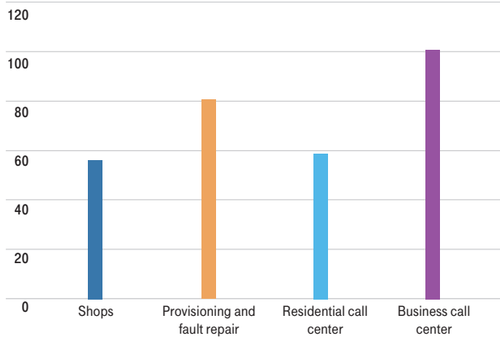
OVERALL SATISFACTION INDICATOR IN 2016, BROKEN DOWN TO CHANNELS ✓



Besides general satisfaction another important indicator of the survey is the CES (Customer Effort Score). Based on the Stop Trying to Delight Your Customers study, published in the Harvard Business Review, in the case of transaction-based questions the loyalty of customers was very closely related to the degree of personal effort that they had to make when solving a problem. The CES can be measured on a five-grade scale by a single question: „How much effort does it take to solve the problem?"

Both the overall satisfaction and the CES indicators are measured in a scale from -200 to +200. The overall customer satisfaction, the CES indicator and the free text responses are continuously analyzed in their context thereby creating even more value both for our customers and the company.

CES INDICATORS IN 2016, BY CHANELS



T-Systems Hungary performs customer satisfaction measurements through multi-layer measurements.

Strategic satisfaction research

The annual satisfaction research is performed with the support of Magyar Telekom's Group Strategic Directorate and the involvement of an external partner. Within the survey we interview our customers' decision-makers.

Within the research we perform personal deep interviews and questionnaire based survey as well. In the questionnaire we ask questions based on patterns from the entire customer base whereas during the deep interviews we select our biggest customers - on a weighted basis - from the respective customer segments. Both in the case of questionnaires and deep interviews the decision makers can give anonymous answers.

The annual satisfaction survey includes industrial benchmark questions too. In order to make a truly independent customer satisfaction survey the measurement and the evaluation is performed by our market research partner.

The results are processed in respect to the entire T-Systems company, service areas and other areas and are presented to the representatives of the relevant professional areas.

Contact person satisfaction research

The contact person satisfaction survey is performed at the end of each quarter among customers who used T-Systems' telephone or email based service deficiency reporting and administration processes. Within the frame of the survey we contacted our customers' contact persons who turned to the corporate customer support department or the T-Systems Service Desk with fault reports or complaints.

With the support of the Magyar Telekom Group Strategy Directorate we are conducting the survey quarterly, involving an external partner. Along the survey we are reaching out to cc. 200 contacts through telephone. Their answers to our questions are being processed and evaluation is available after each quarterly closing. The annual evaluation of the contact person satisfaction survey is being finalized after Q4 closing and thus presented to the management.

Enterprise customer support unit (VÜK)

We measure our customers' satisfaction with the activities of the business customer support area on a monthly basis. Within the frame of the measurement any customer can be interviewed who contacted the Call Center within the given period. When interviewing customers we also take into account whether the given customer has a dedicated contact person and whether the contact person agreed to contacting the customer for the purpose of the survey.

Customer satisfaction is measured with a questionnaire prepared on the basis of the ICCA methodology.

ICCA TARGET VALUE IN 2016	ICCA RESULTS IN 2016
CC: 115	CC: 116,1
Dedicated: 160	Dedicated: 174,6
Field-visit staff: 180	Field-visit staff: 191,1
Aggregated result: 136,1 points	

Measurement of customer satisfaction with the management of fault reports

The emails sent by T-Systems' Service Desk notifying customers that their problem is resolved contain customized links to the questionnaire. The answers of customers are monitored and processed every day by a dedicated manager. If it is justified so the manager may initiate immediate investigation or measures.

We review the answers and evaluation of our services by our customers on a weekly basis and initiate actions or further measures to improve customer satisfaction

For those customers who report and error related to the 6-level scale 3 or worse to any questions or write negative review of the text, it will be automatically added to the complaint ticket and occasionally will be investigated the reasons for the abnormally low ratings. If necessary, corrective measures can be made in order to regain and increase customer satisfaction.

Complaint ticket will be included in the support system even if the customer requests directly complaints intention.

At T-Systems we offer dedicated "one-gate" customer service for business clients and target groups selected by our Sales division who can access selected services free of charge. Our Premium on-site service, launched on 1st of April providing the following features: administration of subscriber and payer changes, handling of card and number replacements, copying from mobile devices, installation of applications, inspection of the device and management of repair, demos, trainings. On 1st of September we initiated a new telesales channel for the expansion of market outlets. Along our integrated billing complaints handling and collection service we have conducted successful campaigns for bad debts, and managed to collect assets in more than 594 million HUF. Other related services include integrated failure notifications handling, technical helpdesk for business services and devices, complaints handling, authority relations, modifications, change subscriber- and billing payer parties and Churn prevention.

At Makedonski Telekom we measure customer satisfaction with the TRI*M and the NGICCA methods.

With NG ICCA we introduced a more segmented approach in measuring customer satisfaction, by measuring it for different customer value segments. This approach is for all touch points were NG ICCA is introduced (Shops, CS, Self Service, Field Technicians). Also Web ICCA is used for surveying customer satisfaction on digital channels.

Starting from June 2016, we have changed our Call Centre platform with a new more open platform from Interactive Intelligence with aim to integrate more touch points through single platform. For now we have successfully integrated phone and e-mail channels, and are working on the integration of social media and chat channels.

We are constantly trying to improve our digital channels for communication with customers. This year we have exponential growth in number of transactions through digital channels.

At Crnogorski Telekom in relation to our customer satisfaction evaluation we have three values measured: TRI*M, NGICCA and Web ICCA.

1) TRI*M T-Com and TRI*M T-Mobile is measured quarterly via telephone interviews. The process of interviewing and data processing for short, medium and long waves is being carried out by an independent fieldwork agency.

The annual average composite index of the residential segment (comprised from the proportionately weighted fixed line and mobile indices) has further decreased from last years' 64.5 to 62.2 points.

In the case of the business segment on the other hand, the annual average index has increased from 56.8 points of last year to 58.4 in 2016.

The market satisfaction rate in the mobile segment (including competitors) decreased in general, which is mainly attributable to the general economic situation and the increased price sensitivity of the customer base. Last years' introduction of new Billing and CRM system at Crnogorski Telekom impacted Q4 2015 and Q12016 mobile and fixed-line results due to issues after post go-live period. Customer satisfaction rates measured among fixed-line customers, after the introduction of Magenta 1 showed a stabile increase of TRIM that led to +10pt YE result compared to beginning of the year.

2) The Next Generation ICCA program is being implemented across the national companies of the whole Deutsche Telekom Group with the aim of obtaining and more accurate and timely assessment of customer experience and customer satisfaction with the specific NatCo touch points (Customer Service, Sales, TCS, Self Service). Customers are surveyed once in 90 days. Services used for surveys are SMS and IVR.

The call back of dissatisfied customers was introduced as regular proces for supervisors of CS, TCS, Shops and IVR in order to improve customer satisfaction with these channels. We have also introduced regular bi-weekly meetings with channel managers and supervisors in order to discuss results and plan improvements.

3) Web ICCA was introduced at the end of 2015 with the main goal to measure customer satisfaction with the sales and service part of our website. Customers can choose to fill in questionnaire that pops-up during their website visit. After the questionnaire is filled the customer will no longer receive it in the forthcoming 90 days.

Website satisfaction increased by 20.1 ICCA points compared to 2015 baseline measurement.

Telekom New Media Zrt. signed an agreement with Magyar Telekom Plc. in the business year 2016, for the content servicing of TVGO and INFO SMS/MMS services. The determination of the circle of royalty-free contents and information is being agreed upon with the selected operation fields within Magyar Telekom Plc. Telekom New Media takes part in the processing and improvement of customer satisfaction results in relation to the TVGO service of Magyar Telekom. The methodology and the measurement process is coordinated by Magyar Telekom Plc.

Telekom New Media Zrt. signed an agreement with Magyar Telekom Plc. in the business year 2016, for the content servicing of TVGO and INFO SMS/MMS services. The determination of the circle of royalty-free contents and information is being agreed upon with the selected operation fields within Magyar Telekom Plc. Telekom New Media takes part in the processing and improvement of customer satisfaction results in relation to the TVGO service of Magyar Telekom. The methodology and the measurement process is coordinated by Magyar Telekom Plc.

4.2 CUSTOMER COMPLAINT MANAGEMENT

The customer's voice and indication – any request, complaint and expression – in any case it is important for us to maintain the high quality of our services according to customers' expectations. The requests from Magyar Telekom are continually help us at investigation stage of complaints and with processes or identifying gaps affecting other areas and finding ways of improving

At complaint handling we focus on our customers' satisfaction and ensuring enhanced customer experience which we raised ever higher levels in recent years. Our task is to provide qualitative and comforting solution for our customers during the investigation and handling of complaints. Along it is, we form again the continued use of the experience of Magyar Telekom services to the customer with customized solutions.

It is important for us to provide high quality services to our customers and quick solutions when dealing with complaints. In 2016 compared to the previous year there was 40.7% improvement in the average time of complaing management, while the number of complaints decreased by 25.7% ✔

It is our prime objective to provide unimpaired quality services through solutions and developments that are based on our customers' feedback and needs and thereby make the "I'm a Telekom customer" experience sustainable in all phases of customer contacts. We believe that besides fulfilling our objectives it is also very important to provide customer experience that is unparalleled by other operators.

On October 20th, 2016 Crnogorski Telekom has adopted a Company Directive on resolving claims and complaints. We have started a project related to optimization process of customer complaints in February 2016, due to starting completely new One billing system, increased no. of complaints that is usual after implementation and launching large systems like this.

Processes of treating customer complaints:

1. Receiving customer complaints (through different channels – letter, mail, fax, web, social media)

2. Recording complaints in CRM systems (by different channels, shop, call center, web); archiving

3. Analyzing complaints in Claim team

4. Collection additional information from customer or among departments

5. Making decision and sending answers according to the Law legislative (within 8 days for written)

6. Second instance is Agency for Electronic Communication

In 2016th total number of complaints received from customers by Makedonski Telekom with fixed services are 9.331 which number compared to 2015 is decreased by 26% primarily due to lower number of service faults. In 2016 we have initiatives for improving the process of customer notifications for status of their complaints through SMS channel, for which changes requests are already submitted.

4.3 INVOLVEMENT OF OUR CUSTOMERS

Digital bridge

The program was designed for residents of small settlements and has been running since 2004, offering free internet literacy lectures by Telekom employee volunteers. Our colleagues provide detailed information on topics such as how to fight the distances and keep contact online, providing useful information on the possibilities of making our everyday lives easier by using secure online shopping and payment options, or how to protect our personal data in the digital world.

In 2016 we had one Digital Bridge event and organized 7 Digital Bridge Daycare events.

Within the frame of the Digital Bridge initiative enthusiastic Telekom volunteers organized a Digital Daycare event in Debrecen, in Bolyai János Elementary School, offering programs for children, like live coloring books, virtual tales or detective quests through the internet.

The volunteers gave some hints and showed tricks of safe internet use in a playful and entertaining way, like searching for images or popular Hungarian children's songs on the internet.

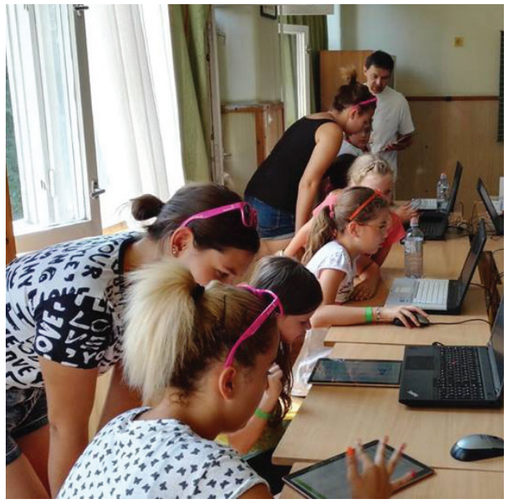
Within the frame of the Digital Bridge in Small Settlements program **almost 5000 people have attended our volunteer lectures in 200 small settlements** accompanied by famous Hungarian media personalities, like **Péter Novák, Levente Harsányi or Péter Galambos.**

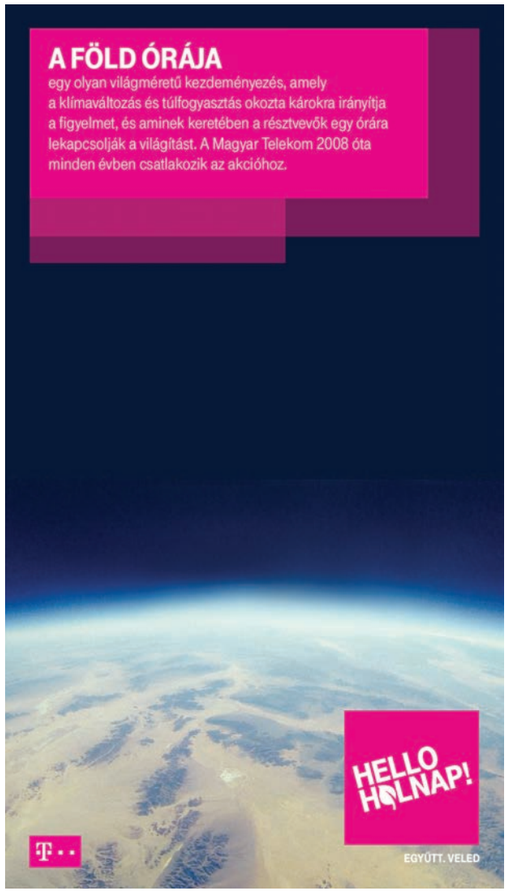
Earth Hour

Earth Hour, the largest voluntary initiative to fight climate change joined communities around the globe on March 19, 2016, from 08.30 pm to 09.30 pm. In 172 countries around the world, including Hungary, many people joined the cause with a symbolic switch-off of lights for an hour, shining a light on climate action. In Hungary 10 Telekom shops took part in the effort and used candles instead of electric energy for lighting and projected Earth Hour material on displays in the company's shops.

As in previous years, in March 2016, Crnogorski Telekom participated in the Earth Hour global campaign with the aim of raising awareness about climate change issues. The company invited customers through mobile broadcast to support the campaign and raise awareness of importance of environmental protection. Crnogorski Telekom is constantly promoting usage of sustainable solutions among its customers and employees, e.g. promoting e-mail bills, online registration instead of fulfilling paper forms, etc.

Digital Bridge in Hajdúsámson


Digital Bridge Daycare in Debrecen



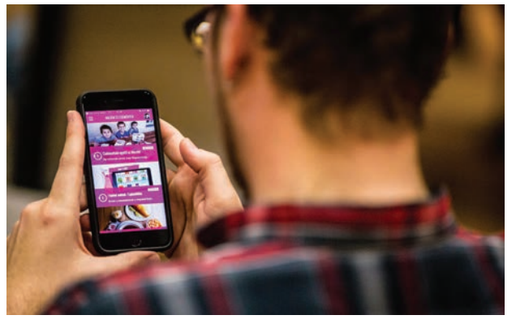
We joined to Earth Hour in 2016

hello holnap! mobile application

The application went online on Sustainability Day in 2014 and by the end of 2016 it was downloaded almost 10 000 times. Based on the ratings of various software stores the hello holnap! application is rated as one of the best Telekom apps.

Users may collect points through the application that can be exchanged into money then donated to non-profit organizations available in the application.

The second donation period of the hello holnap! application was closed on December 31, 2016. Users collected **thousands of points** and donated **400 000 HUF** to the beneficiaries. The donation period was re-opened on January 1 with the involvement of 9 NGOs.


hello holnap! mobile application

Telekom Vivicittá

The 31th city run was organized in Budapest, Kecskemét and Pécs in 2016. It was a two days event in Budapest. The Telekom Vivicittá attracted tens of thousands of people as all family members may find a challenge corresponding to their actual level of fitness: Vivicittá (10 km), Midicittá (7 km), Minicittá and walking (2.5 km), 3-member relay (3x2 km), Family Run (700 m) and half-marathon (21 km) that requires serious training and preparation. At the two-day running event Telekom welcomed children with a smart digital playground where, together with their parents, they could try the latest smart devices of the company, solve digital challenges, familiarize with skill development applications and play with various logic games.

The Sustainability Media Club (FMK) also joined the initiative and several members of the editorial panel completed various distances to call attention to the importance of preserving the physical and mental health of our children while popularizing running as a sport.

Telekom Vivicittá

hello holnap! points at the Vivicittá Run for the City!

The runners could collect 3 hello holnap! points and the cheering spectators could collect 1 hello holnap! point at the event, while participants of the special Suhanj! run could collect extra points if they supported the runners of the NGOs.

Telekom Community Gardens

Magyar Telekom and the Contemporary Architecture Center (KÉK) continued operation and maintenance of the community gardens. Gardening presentations and community building events were organized to diversify programs in the gardens which are operating on unused Telekom properties: Csárdás Garden, Kékvirág Community Garden and Kerthatár Community Garden. The three gardens offer an opportunity for urban gardening for more than 200 families in the city.

Kerthatár Community Garden

Sustainability panel discussion and DELFIN Award

The DELFIN Award ceremony took place in June, as part of the 17th Sustainability Roundtable Discussion Day. The professional jury awarded best practices and leading examples in sustainability solutions and sustainable performance of competing companies.

In 2016 any Hungarian enterprise could apply for the DELFIN Award (Award for a Committed, Sustainable and Innovative Generation). The prize was established in 2008 and is open for already implemented projects or operating programs. Winners of the DELFIN Award in 2016 were:

17th Sustainability panel discussion

- In the **Sustainable Innovation** category: the RS LTD for their sustainable agriculture innovation and the Házikó Farm LTD for their sustainable catering innovation
- In the **Awareness** category: the winner was Naplopó LTD for their many years in sustainability awareness raising education.

Winners of the DELFIN Award

As part of the roundtable discussions we introduced those non-profit organizations that joined our hello holnap! mobile application and are accepting donations form the hello holnap! point collectors. By using hello holnap! as a fun tool introducing sustainable choices and decisions for our everyday lives, it also enables donation to NGOs assisting the process of educating and sharing on a digital way. The participants of the Sustainability Roundtable could get to know our sustainability strategy and receive thorough information about our climate protection activities and services we provide for people living with disabilities.

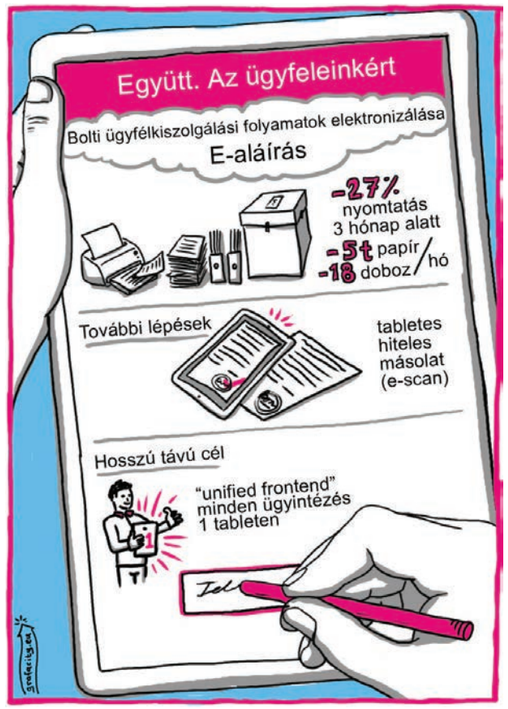
The Sustainability Day 9's earth ball was exhibited in Debrecen!

The festival crowd of Campus Festivals got a chance to sense the vibe of the Sustainability Day by the help of Pannonia Allstars Ska Orchestra (PASO). Staying true to our traditions the band entertaining the community of Sustainability Day took the symbol of the Day - an earth shaped ball – to their biggest next concert gig before the September Sustainability Day. The band threw the ball to the crowd, who by keeping the ball above their heads throughout the concert, kept "held Earth up!" (The Hungarian word for 'sustain' is 'fenntart', also meaning 'holding something up/above'. Thus the symbolic act of keeping Earth up also stands for keeping Earth sustainable.) The visitors of the 9th Sustainability Day (FN9) could meet and party with the members of PASO band at the afterparty.

The earth ball

Electronic customer service with e-signature!

Printed documents are now replaced by electronic docs: customers may electronically sign documents in Telekom shops. Shops manage almost half million transactions per month and print almost 3 million pages. In order to reduce costs and simplify processes the company reorganized the shops' operation. By the end of 2016 Telekom transformed 100% of its customer service activities into electronic processes, the first step of which was the implementation of e-signature on tablets. The objective is to reduce the amount of printed documents as well as printing, archiving and storage costs to a minimum thereby accelerating and automating document management and administration processes.



Closer to paperless operation - Telekom implemented the electronic General Contract Conditions (GCC)!

After the implementation of electronic signature, in 2016 the company finished to deliver the e-GCC tablets to its shops to replace the printed version of the General Contract Conditions. Upon changes of the document the tablets are automatically updated and thanks to the online operation almost one ton of paper and printing costs can be saved per year, also, the document is now accessible for people living with with physical or sensory impairments.

The smart street lighting pole in Budapest

The first intelligent lighting pole combines five systems and functions. The smart electric car charger, based on the infrastructure of ELMŰ Budapest Electricity Works' is able to provide 22 kW (3x32 A) energy and is compatible with the company group's e-kWh application. It is important to note that this is the first case when an electric car charger is installed in a public lighting pole in Hungary that can be used 24 hours a day. The device also offers free Wi-Fi connection that can serve 200 users simultaneously in a 180-meter radius. The pole is also equipped with a security camera and a panic button connected to the city surveillance camera system and the police to enhance the safety of passengers. The lighting is provided by modern and energy efficient LED light sources. The intelligent lighting pole has a modular structure thus further system components can also be integrated into the device.

As a result of the joint development project of ELMŰ-ÉMÁSZ and T-Systems Hungary the first smart public lighting pole has been installed in Budapest on November 12 2015. The pole worked with the listed features in 2016, integrating several IT devices and solutions as part of the Smart City concept.

Carbon neutrality

Magyar Telekom Group (including foreign subsidiaries, Makedonski Telekom and Crnogorski Telekom) has become entirely carbon neutral in 2016 too.

One of the biggest challenges of our age is climate change which is mainly attributable to human activity resulting in carbon dioxide emission. Telekom recognized the importance of climate protection back in the 90s and now it is an integral part of the company's day-to-day operation. In line with our corporate Sustainability Strategy and by the implementation of innovative solutions the company has gradualy decreased its energy consumption and increased its energy efficiency.

Along the modernization of the network and data centers and the increase of the proportion of hybrid and electric cars in its vehicle fleet the company applies more and more efficient tools and solutions. The energy needs of several telco infrastructures are supplied by wind and/or solar energy sources and the company gives priority to purchasing sustainable info-communication products and services. Two leading projects have contributed to the achievement of carbon neutral operation. Telekom Group purchases its electric energy consumption from 100% renewable energy sources and the company's emission from fossil energy has been neutralized with the support of green projects.

Magyar Telekom Group has become entirely carbon neutral in 2016 too

5. EMPLOYEES

5.1 Human rights, equal opportunities 43
5.2 Involvement of the employees 46

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

5.1 HUMAN RIGHTS, EQUAL OPPORTUNITIES

Magyar Telekom Group's Social Charter and the effective Equal Opportunities Plan define the principles that serve as the basis for the company in addressing human rights in general:

Social Charter http://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf

Equal opportunities plan http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlosegi_Terv_2016_2020_en.pdf

Non-discrimination, equal labor rights and working conditions are primary objectives of Magyar Telekom Group. Since 2008 the Company has been one of the first players in the business sector to adopt Equal Opportunity Plans in cooperation with the collective bargaining partners. The Plan used to be effective for two-year periods, but now, in line with the Equal Opportunity Plan, the new Plan was designed for five years and is applicable both to Magyar Telekom Plc. and T-Systems Plc.

In 2016 Hungary joined the European Union's Diversity Charter whereby among 50 other companies Magyar Telekom declared its commitment to diversity as a baseline value.

DIVERSITY CHARTER
Hungary

Though the "Tell me!" ethics line provided by Magyar Telekom Group and operated by the Compliance department one may report cases of discrimination experienced on behalf of the employer or the breach of human rights. All reported and cases are carefully investigated by the Group Compliance area. If the reported issue proves to be grounded, the management takes the necessary measures to handle the actual situation and prevent the occurrence of similar issues of concern in the future.

The Equal Treatment Authority is competent official fora, to which employees can directly turn to with their legal notices. In 2016 the authority did not initiate any proceedings against Magyar Telekom Plc. for the breach of equal treatment regulations in the area of employment. A complaint filed in 2015 by an employee against Magyar Telekom Plc. was rejected by the authority after careful consideration.

In the course of the implementation of the equal opportunities plan for the years of 2016–2020, the company as an employer has taken the following measures in 2016 to improve the situation of the employee groups:

We continue the support the Hungarian Business Leaders Forum's (HBLF) Romaster talent management program to contribute to the equal labor market opportunities of our fellow citizens from the Roma community. We also support Integrom program that helps educated Roma job seekers to find career opportunities at large enterprises.

To ensure equal opportunities for our future employees with reduced capacity to work or disability (since 2010) applicants with disabilities using Magyar Telekom's electronic recruitment interface (http://www.telekom.hu/rolunk/karrier) are invited to state if they have any special requests based on their needs or circumstances in order to secure full accessibility of our career selection process.

In 2016, Magyar Telekom continued to deliver the popular 'Have You ever tried to...?' – sensitivity training series to its employees that is based on personal experience. The aim of the events, often held with the involvement of external NGOs, foundations, is sensitization to promote an attitude of understanding the problems of people living with disabilities. As member of HBLF's Diversity HR work group, Magyar Telekom took part in the wheelchair basketball championship, also supported by HBLF. We took part in the event as supporters with two teams where traditionally teams of able-bodied colleagues compete under the leadership of wheelchair user team captains.

During the 2016 Telekom Health Week we provided office massage services to our colleagues employing visually impaired professionals for more than 50% of the program. Along with providing an opportunity to work for persons with sensory disabilities we have also managed to raise the sense of diversity, inclusiveness and acceptance among our colleagues.

Besides these activities – following the tradition of past years – the company organized very successful thematic employee fairs (Christmas Fair, "It Is Good To Give" cookie event) at various company sites. Magyar Telekom employees could give donations and buy items manufactured by persons with disabilities through the involvement of NGOs that support employment of people with autism.

Magyar Telekom Group rejects all forms of discrimination at the workplace. With utmost respect to the cultural and legal environment, the company is a proud facilitator of equal opportunities and diversity among its employees. (Social Charter, Section 5)

Disability-friendly Workplace

In 2016 Telekom may continue to use the Disability-Friendly Workplace title that we won in 2015 on the 'The World is Better With Us!' Gala organized on World Disability Day. The award was presented by Salva Vita Foundation that is negotiating meetings and interactions between people with disabilities and disability-friendly employers. Employers may apply to this title by expressing their commitment to the continuous improvement of their recruitment, employment and staff retention practices concerning people with disabilities. The jury of the award has evaluated the sensitivity programs of the company, such as educating able-bodied stuff to the informed treatment of disabled colleagues, and the corporate efforts towards the development of a more inclusive working community.

Family friendly Telekom and T-Systems Hungary

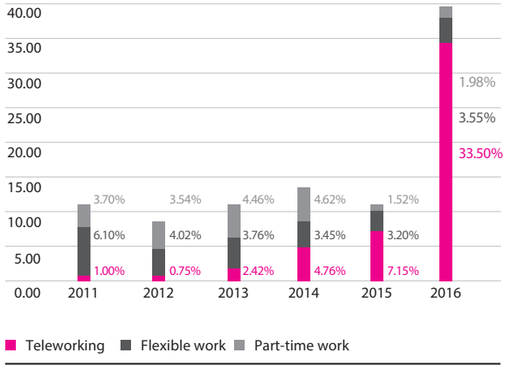
Through the support of non-typical employment the company helps families to find a healthy balance between their work and private life as parents/grandparents. While offering flexible working hours through part-time, flexible-time and unrestrained employment it is strategically important for the company to build teleworking into the company's culture. It is supported by a number of daily operation practices, such as the development of our large, spatial Future Work office that further promotes teleworking and flexible working solutions. Since introducing our "Work from home" campaign in 2012, there has been a continuous increase in the number of employees who chose to work remotely on specific days.

In 2016 our employees have worked a total of 87 276 days remotely, saving almost 3 million kilometers or 15 years of travel.

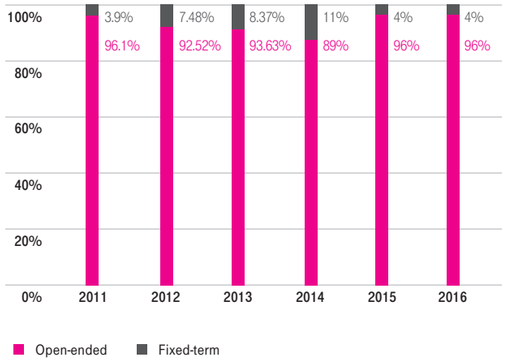
It is a significant step in the application and promotion of teleworking that Telekom cooperates with the representatives of other companies within the frame of the Employer's Equal Opportunities Forum Association (MEF).

You may read further information on the Work from home! campaign and the Future Work project in our Y2014 Sustainability Report.

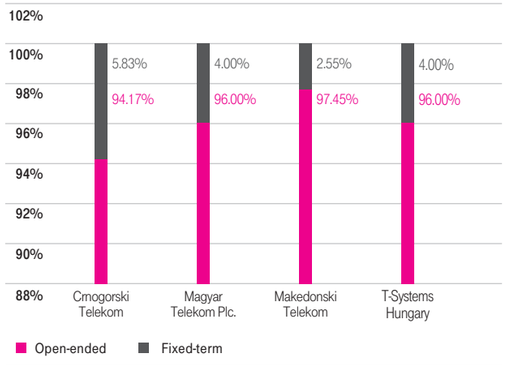
ATYPICAL FORMS OF EMPLOYMENT AT MAGYAR TELEKOM PLC. IN PERCENTAGE OF THE TOTAL HEADCOUNT



RATIO OF FIXED-TERM TO OPEN-ENDED EMPLOYMENT AT MAGYAR TELEKOM PLC.



RATIO OF FIXED-TERM TO OPEN-ENDED EMPLOYMENT AT MAGYAR TELEKOM GROUP



In 2016, in order to support employees on maternity leave (young parents on child care allowance/child care benefit / maternity leave), the "Young Mother" program supported young parents to stay in contact with the company. Telekom continuously informs inactive colleagues through newsletters, the Young Mother website, the regularly updated Young Mother information- page, dedicated email accessibility and a closed Telekom community site called "I have family and work for Telekom". Colleagues with children can take part in numerous company events together with their families. At the Move Telekom Family Day there was a separate venue offered by our Young Mother Program where families could compete with each other in a playful sensitization challenge.

In order to ensure a proper balance between work and private life it is necessary to reorganize the workload within families. The "Daddy, it begins!" program tries to raise awareness of the father's role within the family. The internal communication portal of the company has published and information kit for young fathers ("Daddy News") since 2010, collecting useful information and tips for young fathers. All new-Fathers of our company receive a congratulating e-mail and are informed about the extra holiday available for newborn-care.

Both in 2014 and 2015 Magyar Telekom and T-Systems jointly and successfully applied for the Family Friendly Company award and the Three Princes and Three Princesses Movement gave a special "Family Friendly" award to the company as an acknowledgement of its family-friendly initiatives and efforts. The Group elevated the qualification into a higher level and concluded a strategic frame agreement with the Movement. As a result we could share our best practices at various professional events and based on our activities in 2016 we were given the Family Friendly Company Mentor Organization title, too.

Dimenzió Mutual Insurance and Self-help Association's Family Support initiative helps Telekom employees' families with daycare services. In the first half of 2016 parents at Telekom could choose from daycare, kindergarten support options.

In 2016 our six child friendly offices continued to offer solutions to colleagues in managing childcare-related family situations. These child-friendly workstations and office spaces offer support, when the employee has to take care of a child for a couple of hours or days during one of the short school holidays or when the child recuperates from an illness thus parents can be together with their children.

The number of employees whose employment was continued upon returning from long-term leave increased with 1% in comparison to 2015.

The company employs various generations simultaneously thus personal fulfillment and the realization of the full potential of our colleagues is an important goal for Telekom.

As a next step of the well-designed internship program, the Group offers jobs to many young people starting their career.

The family-friendly atmosphere of the company offers various ways of support to young employees with families and it also tries to help them in the challenging times of becoming a parent. Teleworking is not just attractive for colleagues taking care of a baby, but it also offers a flexible way to manage work and life to our single colleagues as well, who can thus be more successful while managing their time in a flexible way.

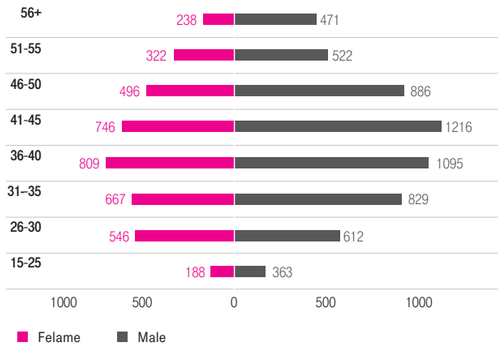
The majority of our employees fall into the mid-aged category of experienced professionals. They experience a slightly narrowing career path, while also having opportunity to obtain marketable experience along various horizontal career tracks. This is supported by the company's significant resources for external- and internal trainings and in-house job advertisements. Telekom expresses its appreciation towards the experienced workforce with numerous acknowledgments, like the Loyalty Award and the Lifetime Achievement Award.

In certain cases those who approach retirement age may choose to enter the company's standby pool. With this initiative, among others, Telekom would like to take care of its employees and provide an interim solution for the period between work and retirement. Thus the employee could be reactivated from the standby pool if their extended employment is of mutual benefit for both parties.

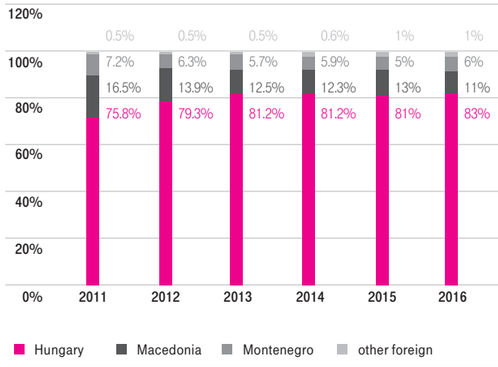
LONG-TERM LEAVE AND RETURN TO WORK FROM MATERNITY LEAVE ✔

	MEN	WOMEN	TOTAL
Employees on long-term leave	2	34	36
Employees returning after long-term leave	1	137	138
Employees returning from long-term leave, after having been employed at least for 12 months upon joining the company	0	80	80
Employees returning from long-term leave with continued employment	0	58.39%	57.9%

AGE TREE OF MAGYAR TELEKOM GROUP, DECEMBER 31, 2016 ✔



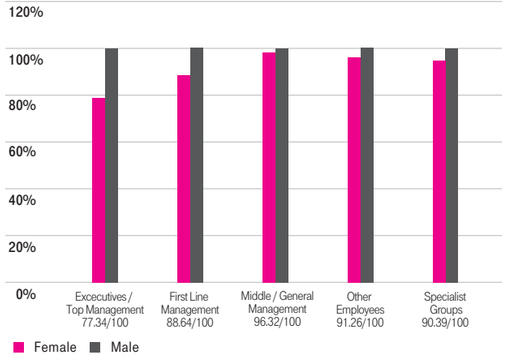
DISTRIBUTION OF EMPLOYEES BY REGION ✔



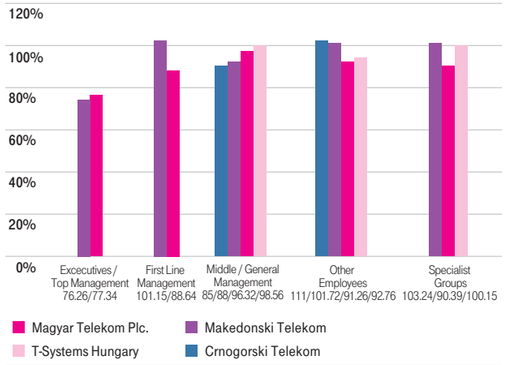
RATIO OF WOMEN IN MEMBER COMPANIES ✔

T-Systems Hungary Plc. employs 203 persons above the age of 50, two of them still working for the company after their retirement. Our new content service experts at Telekom New Media Plc. were specifically selected from fresh graduates to expand our employee base. Upon Telekom's invitation Annamária Tari, a renowned expert on the topic of the co-existence of different generations, gave a presentation to our colleagues on the importance of cooperation between different age groups.

BASE WAGE COMPARISON BY JOB GRADES AND GENDER MAGYAR TELEKOM GROUP, 2016 ✔



PROPORTION OF BASE WAGES OF FEMALE EMPLOYEES COMPARED TO THE BASE WAGES OF MALE EMPLOYEES (100%) BROKEN DOWN TO JOB CATEGORIES, MAGYAR TELEKOM GROUP 2016 ✔



Magyar Telekom, as a company committed to provide equal opportunities to its employees, finds it especially important to harmonize wages and to terminate unjust wage gaps. Our tiered wage system, built on the Hay methodology, serves the above purpose. Our remuneration system is fully transparent thus our base wage tables and the relevant policies are available for all employees.

Based on our experience there is still some discrepancy in the proportionate base wage of male and female employees, however, since the implementation of our equal opportunities measures our gender wage-gap reduction processes show an improving trend. Independent from the gender of employees the base wage may vary on the basis of the employee's individual performance, overall readiness to work, their achievements and attitude. In order to bridge potential gaps we pay special attention to avoid unjust discrepancies between the wages of colleagues doing similar jobs and that potential differences should solely be based on their performance and achievements.

In line with the characteristics of our industry if we focus on the gender-wage gap at the level of particular activities the discrepancy is much smaller and in some cases the trend even reverses. In positions that are better paid in the market we experience a tendency of having more male employees than female. If we compare equal job levels this may distort proportions. We still experience gender stereotypes attached to specific positions to affect the career choices of our applicants. As an example the majority of applications for call-center positions come from female professionals, while the IT related positions are still more attractive to male applicants.

In order to strengthen our commitment set forth in our Corporate Sustainability Strategy we defined various policies and charters and joined several initiatives that secure equal opportunities among our employees:

Magyar Telekom's Social Charter rejects all forms of discrimination at the workplace and expressly facilitates equal opportunities and diversity among its employees with utmost respect to the cultural and legal environment.

Magyar Telekom Group respects the principle of applying collective bargaining based wages in accordance with the given country's minimum wages, as required and guaranteed by the relevant labor law and legislation.

http://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf

On the Equal Opportunities Principles (January 1, 2016 - December 31, 2020) of Magyar Telekom Plc. and T-Systems Hungary Plc.

1. Enforcement of requirements pertaining to equal treatment and the prohibition of differentiation
2. Equitable and flexible treatment, diversity
3. Respect for human dignity, securing healthy and safe working environment
4. Partnership, cooperation
5. Social Solidarity

In the course of the implementation of the Equal Opportunities Plan for the period of 2016-2020 the employers especially plan to take measures to improve the situation of the following employee target groups:

a. Women,

b. Employees with a family, in particular those who:
Raise three or more children under 18 years of age
Raise their children alone
Raise disabled children, and
Employees who care for a permanently ill family member

c. Employees on maternity leave or childcare benefit (GYES/GYED),

d. Disabled employees or whose ability to work has deteriorated

e. Career entrants

f. Employees above the age of 50

g. Female employees in leadership positions

The increase of the ratio of women in leadership is an objective set by Deutsche Telekom AD that – along with enhancing the diversity of the management - is of commercial benefit, as plenty of recent studies point to it.

http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlosegi_Terv_2016_2020_en.pdf

- Our Diversity Policy embraces the economic usefulness of diversity and our business activities are performed in accordance with the EU's anti-discrimination principles: http://www.telekom.hu/about_us/society_and_environment/society/equal_opportunities

- Women's quota – more women at the top

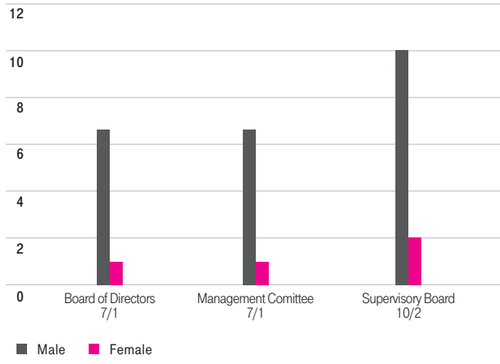
As a member of Deutsche Telekom Group the objective in 2010 was to increase the proportion of female managers to 30% by 2020. Based on the Y2015 report the ratio of female managers increased from 19% to 25%.

http://www.cr-report.telekom.com/site16/sites/default/files/pdf/cr_en_2015_dt_final.pdf
http://www.cr-report.telekom.com/site16/employees/diversity-and-equal-opportunities

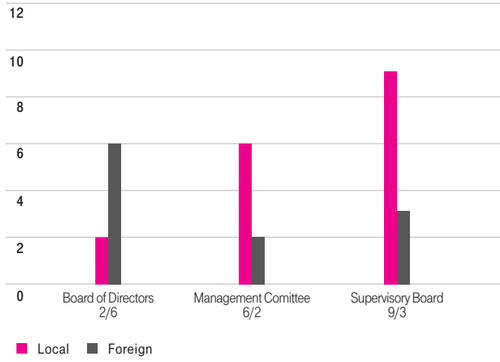
- On May 6, 2009 our Company joined the UN Global Compact initiative and took part in the realization of its 10 principles in the areas of working conditions, environment protection and anti-corruption. Our measures to ensure equal opportunities for male and female employees are consistently taken in the spirit of the following Global Agreement Principles:

  (1) Support and respect the protection of internationally proclaimed human rights
  (2) Make sure that they are not complicit in human rights abuses
  (4) Elimination of all forms of forced or compulsory labor
  (6) The elimination of discrimination in respect of employment and occupation

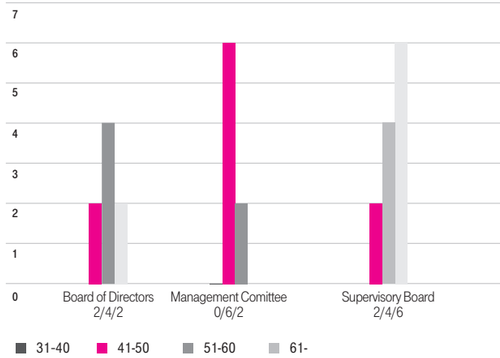
GENDER MIX OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2016



BREAKDOWN OF THE MEMBERS OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES BY ORIGIN IN 2016



AGE BREAKDOWN OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2016



In 2016 Magyar Telekom continued to take part in the "Girls' Day" international initiative. Within the frame of the program various information programs were offered for girls from several secondary schools at the Telekom and T-Systems headquarters. The "Girls' Day" is an interactive, open day, organized on the same day in all countries of the European Union, when girls interested in technical sciences can spend a day at a leading technical company or university laboratory. Participants may meet women who are successful in the field of research or engineering sciences.

Crnogorski Telekom actively promotes equal opportunities and applies this principle in each and every phase of the employment life cycle. Equal opportunities are fully supported by the following Company regulations: Company Directive on Recruitment and Selection, Code of Conduct, Company Directive on Employee Relation, etc.

Visible examples of that approach can be seen at the public media (job advertisements/vacant positions) and company website, where we clearly emphasize Crnogorski Telekom as an equal opportunity employer.

Having in mind that Crnogorski Telekom is perceived among the young population as the most attractive employer, we have 13% of older population among our workforce, from the age structure above 50 which is slightly less compering with 2015 when it was 15%.

Official records about possible disabilities in case of existing or new employees are not required by Company regulations neither by local labor legislation.

Valid Company Directive on Employee Relations has been approved by EMB in December 2015. Information for employees on prohibition of mobbing becomes integral part of this Directive. This Directive is also used as the tool for validation of the principles defined by Social Charter of Deutsche Telekom AG and valid for the entire Group.

Child labor

As a socially responsible company Telekom is committed to eliminate child labor. Since 2010 we regularly monitor the headcount under the age of 18. Based on our database Magyar Telekom Plc. did not employ any employee under the age of 18 in 2016.

Forced and compulsory labor

Employment at Magyar Telekom Group is compliant with the principles laid down in international treaties against forced and compulsory labor. Magyar Telekom Group member companies comply with the respective country's laws and other regulations on the prohibition of forced labor. Magyar Telekom Group member companies process and control the employees' identification documents–in line with the respective country's data protection laws–solely to the extent and period necessary for the employment and determination of the employees' benefits.

In 2016 no complaints were reported to relevant authorities against Magyar Telekom Group's affiliates in the context of forced labor, and no proceedings or investigations were launched against the Company in this regard.

Freedom of association and collective bargaining

Magyar Telekom Group has acknowledged the freedom of association and the right for collective bargaining in its Social Charter. Magyar Telekom strives to maintain a dialogue and cooperation with employee representation bodies in the spirit of openness and trust. The Social Charter and the long-standing relationship between Magyar Telekom's management and the employee representation bodies are the guarantee that the relevant rights are observed. Some 100% of the Group's employees in Hungary, 95% in Macedonia and 100% in Montenegro work under the scope of collective bargaining agreement. Additionally, all employees in Macedonia are governed by a general collective agreement of the private sector, so with these employees the ratio of employees covered by collective agreement is 100% in Macedonia.

5.2 INVOLVEMENT OF EMPLOYEES

Mobile Market

The Mobile Market visited the company's headquarters first in December 2014 where the employees could buy agricultural products directly from the farmers. As the initiative received a very positive feedback from the employees, we have continued with the events in support of buying local products from local farmers. In 2016 employees could buy fresh farm-food in two company sites and the T-Systems headquarter.

Earth Hour

Magyar Telekom has been actively participating in the WWF initiative since 2008. On March 19, 2016 between 8:30 PM and 9:30 PM the employees turned off the lights in Telekom shops and properties.

Magyar Telekom joined the initiative Earth Hour in 2016 too

TeleBike

The employees of the company can use TeleBikes from March 30 until October 30, in the springtime there is a longer availability of the bikes from 7:30 AM to 6:30 PM. In 2016 the bikes were used on 5965 occasions between Telekom office buildings traveling a distance of 10 683 kilometers thereby preventing the emission of 2035 kilograms of CO_2.

TeleBike

We presented the awards of the hello holnap! point collection campaign

Each year we organize the hello holnap! point collection campaign where employees may participate in sustainability activities and receive points in return. In the point collection period between 1 April, 2015 and 31 March, 2016 a total of 1017 employees took part in the activities and collected 2321 points. The most active participants were awarded. Lajos Szatmári was placed third with 31 points, the second was Zsuzsanna Mári with 33 points and the most active hello holnap! member in 2015 was Attila Szabó who collected 49 points. Members of the Management Committee awarded the winners with Csepel bicycle vouchers on May 17th.

Awardees of the hello holnap! point collection campaign

Exhibition and Creative Family Day in Telekom

Our partner, Autistic Art Foundation organized an exhibition with a selection from the works of artists living with autism and works of selected Hungarian contemporary artists. The exhibition took place between 17-24 October in Telekom headquarter, Budapest. On 22th October employees and their families could join to a creative day and experience an interactive guided tour as part of the exhibition.

Move Telekom! Sports and Family Day

Following our traditions we have organized our corporate Sports and Family event 'Move Telekom!' in 2016 as well. A day full of sports and excitement for our colleagues and their family members. The participants could challenge themselves in family sports competitions, and try new ways of exercising their bodies. The children were entertained by amusing and colorful programs at the Gyermekliget-Park, and the playful adults could also hang out and play on a digital playground. We have also payed attention to healthcare and prevention on the event, providing opportunities for melanoma screening and various heath condition tests. Colleagues in need of a chill-out could register for a massage. In 2016 we had 1882 adults and 1143 children moving together.

Move Telekom! Sports and Family Day

Telekom Volunteer Day

Magyar Telekom and its member company T-Systems Hungary organized a volunteer day on October 15, 2016. More than 1,000 employees of the Group and their family members participated in the nationwide action that resulted in the renewal and maintenance of 29 locations. We have cleaned the close vicinity and green areas around of numerous Telekom sites, several public areas, as well as kindergartens, schools, social institutions and parks of residency centers of people living with disabilities. Associates of the Group mainly planted trees and shrubs in the frame of the event, but they also groomed the environment and carried out maintenance works. By the end of the day we have increased the number of trees and shrubs

We planted 500 tree on the Telekom Volunteer Day

of the country by more than a thousand plants, and our virtual forest hello holnap! pagony also became larger. Through a mobile application anyone could upload a picture of their planted tree to the virtual forest of Magyar Telekom. The Group also intended to dedicate this event to the celebration of the significant milestone of becoming a 100% carbon neutral company. In the 2016-2020 sustainability strategy the Group's objective is to further increase the contribution to the society: the Group plans to contribute about 50 thousand dedicated volunteer hours end of 2020.

Sustainability survey among employees

In 2016 our employees were surveyed for the sixth time on sustainability issues. The survey is performed in November each year and this year 64% of the respondents answered that Telekom is a leading company in the field of sustainability. The 82% of respondents are proud that sustainability is a value at Telekom. The awareness on sustainability is currently at a level of 86% (79% in 2015) within the company.

It is good to give! charity cookie market

As part of the World Volunteer Day initiative, on December 5, several Magyar Telekom office buildings have welcomed our

It is good to give! cookie campaign

"It is good to give!" charity cookie market. Employees of the company and the members of the Sustainability Media Club were selling homemade cookies in the office buildings. The income was donated to the Autistic Art – Smile Foundation thus buyers supported autistic young people and their art therapy. Several thousands of employees purchased cookies from 230 colleagues and donated to the charity. A total of HUF 1.7 million was raised in 15 venues for the fund that was supplemented by the company to a total of HUF 5 million.

Volunteer work during Advent

During the busy Advent period in 2016, our back-office employees could take the opportunity to experience the challenges of their front-end colleagues by offering their volunteer hours to support the work of customer-contact professionals, working in our stores, at our call-centers or the Network Service Directorate. 209 Telekom volunteers had thus the chance to engage in customer related services that is at the core of our company activity.

We have increased the sense of social responsibility of our employees through volunteer events. Throughout the year we have organized 9 charity team buildings with the participation of 462 employees. In Budapest and around the country Telekom organized 21 blood donation events where a total of 611 employees have offered their contributions as blood donors. In 2016 a total of 1500 ✔ Magyar Telekom volunteers have dedicated 11 412 ✔ working hours for a worthy cause. With these programs we provided 56.3 ✔ million HUF worth of theoretical contribution to the society.

Within the framework of T-Systems Hungary's KIR environmental awareness-raising program the following projects were implemented in 2016:

- Uploading blogposts in Zöld (Green) blog to familiarize the topics of environmental protection and sustainable development, and to call the attention of colleagues for programs aiming environment protection. 17 blog posts were published all together in 2016.
- Each employee received a voucher of HUF 1000 to purchase of a tree-plant in order to contribute to our efforts to fight climate change by planting a tree. We gave away additional 106 tree-plants to our 52 SME and 45 big customers.
- A PPT presentation was running on the monitors of Reception and corridors connected to the "Earth Hour". We informed the colleagues about the global initiative, and how their individual contribution could add to the movement against climate change in our intranet articles and on the blog.

More than 80% of Crnogorski Telekom employees have access to selective waste collection. Thanks to this initiative, during 2016, 1498 kg of paper, 21kg of plastic and 5kg of cans were collected and recycled.

- Every year, the company joins the global campaign "Earth hour" and invites its employees to participate and give contribution to sustainability.
- In 2016 the company continued to organize blood donor activities. In cooperation with the Montenegrin Centre for Blood Transfusion, our employees donated blood and helped to raise awareness of this important social issue. CT joined the action, "And summer is the giving season!" bearing in mind that the blood supply in the summer months decreased and that a voluntary action can significantly contribute to the efforts of the Department to maintain the necessary reserves of blood.
- Also, during 2016, employees organized three charity initiatives, in order to support people in need. Employees collected food on the occasion of the International Family Day. The collected goods were given to the Red Cross in Podgorica, which distributed it to families in need.
- In April 2016, on the occasion of International Book day, employees organized collection of books for School library in Bioče. Within traditional New Year party, employees organized Charity lottery and collected funds for reconstruction of Children's Chemo-oncology Clinic in Podgorica.

For information about the volunteer involvement and social responsibility of our employees at **Makedonski Telekom see Chapter 6. Corporate Citizenship part 6.2. Our Employees and Social Responsibility.**

6. SOCIAL ENGAGEMENT

6.1 Community investments 49
6.2 Our employees and social responsibility 51
6.3 Sponsoring 52

6.1 COMMUNITY INVESTMENTS

4 QUALITY EDUCATION

10 REDUCED INEQUALITIES

Development of communities, consciousness forming

Telekom Smart Digital Program - Informed media use - for adults and minors

As a responsible corporation, we believe that we are not only here to provide services to our customers but also to educate them on the safe and responsible use of internet. Along these efforts we aim to close the digital divide in Hungary. The objective of the Telekom Smart Digital Program is to provide internet literacy and hands-on online safety education to as many customers as possible and to further facilitate the use of electronic communication tools.

We strive to ensure that future generations should not simply use the internet but also be able to take all the advantages and opportunities offered by the digital world in a smart and knowledgeable way.

Our volunteer colleague at the Become an IT expert! training

Within the frame of the Telekom Smart Digital Program the company's volunteers visit various schools trying to reduce the potential threats and risks of mobile and internet use of minors by showing them ways in which these risks could be avoided in a safe and responsible way. The success of the program is further enhanced with the Q&A panel after each session that allows participants to to discuss these topics with experts who have hands-on work experience and extensive practical knowledge in this area.

When designing the lessons we give priority to topics that require professional knowledge and are seldom discussed in such detail at school or at home. Naturally, the content of these lessons is continuously updated - on the one hand due to the advancement of technology and on the other hand based on the feedback provided by children and their teachers. Last year we updated the format and the content of our curriculum: we created an interactive Prezi presentation to focus on topics that are the most interesting for the young generation.

The Smart Digital presentations were delivered to more than 2300 children in 64 schools across the country.

Presentation at the Digital Theme Week

The Telekom Smart Digital program was part of the Digital Theme Week events and during the summer holiday the program was taken to the Interchurch summer camp, too. This November our colleagues took part in the "Parents' Academy" open education series, organized for parents by the local municipality of a district in Budapest.

For more details on the program please read chapter **2.1. of this Report** - Closing the digital divide - or visit http://okosdigitalis.hu/

Become an IT expert! – career orientation program

Currently more than 20 000 IT experts are missing from the Hungarian labor market and the lack of professionals already has a serious impact on the Hungarian economy, generating a loss of several hundreds of billions of HUF per year. Meanwhile we experience that the number of young career entrants choosing this profession significantly lags behind the ideal. With Become an IT expert! program, Magyar Telekom and T-Systems Hungary has developed a concept that is in line with the Hungarian government's objectives to advance the digital skills. The program provides career guidance and contributes to the promotion of professional career development within the IT sector with the objective to mitigate the shortage of IT experts in the Hungarian and European labor market.

The most important objective of the program is to provide a scope of opportunities within the choice of an IT related career for the young, career entrant generation, using our expertise and volunteer initiatives. Our Become an IT expert! (www.legyelteisinformatikus.hu) website is an organic part of the program offering useful information on the IT profession, expert competitions and new trainee positions. Through the Become an IT expert! Facebook site we continuously provide information on the technological developments of our digital future.

The program was launched in November 2015 with the announcement of the program and the delivery of the first presentation by Chris Mattheisen, Magyar Telekom's CEO. Since then 148 volunteers joined the program, who received a full cycle training in the curriculum to be able to visit schools across the country as role models and ambassadors to help the students' orientation through the world of IT careers.

Our achievements in 2016:

- 11 438 children took part in our presentation sessions
- 223 presentations were delivered at schools
- 58 settlements and
- 195 schools were involved

The Become an IT expert! program was a great success at the Digital Theme Week, at the EU Code Week, and at Girls' Day events, too. Besides delivering presentations at schools the project was also present at the EDUCATIO International Education Expo, the EFOTT summer music festival and the Play IT event. During the summer holidays we visited several "Erzsébet" summer camps where - besides classic presentations - children could try the VR based version of the program.

This March the Information Technology Education Conference was organized under the name of the Become an IT expert! and the conference's theme was also built around the concept of Magyar Telekom's program.

In the spring of 2016 we launched intensive online campaigns for parents, supported by press releases and engaging two popular vloggers. The program was also promoted by numerous online and printed media releases. The primary objective of the campaign was to drive the attention of our audience to IT career opportunities. Next to sharing useful information our goals we also had awareness raising programs for parents who wanted to orient their children towards this exciting and future-proof career.

Our Become an IT expert! program was awarded in various Hungarian and international competitions like the Prizma Creative PR Award, the Effie Award and the European Excellence Award.

The Become an IT expert! has become a real benchmark for Hungarian enterprises in the field of career orientation and voluntary activities. We also wish to widen this initiative to reach a joint, industry-wide effort to make sure that each and every person meets the Become an IT expert! program and to make sure, that our activities become more open to the digital world. This is exceptionally important because within 10 years practically all workplaces are expected to become digital and all employment will be subject to adequate IT literacy.

Our worlds are different. But we still understand each other.

In the spring of 2016 Telekom entered into a partnership with the Autistic Art Foundation. During the year we supported the Foundation through various channels: financial and technical

The Become an IT expert! program at the Information Technology Education Conference

Strategic partnership with the Autistic Art Foundation

aid, sensitization of the society, organization of an exhibition, family creative day, online auction, microsite, autism quiz on the intranet.

Sustainability is at out heart in Magyar Telekom thus we pay particular attention to persons with disabilities and commit ourselves to make their lives easier. As one of the largest employers in Hungary we would like to be front-runners when it comes to the support disadvantaged groups and helping their acceptance within the society.

The Autistic Art Foundation's mission is to improve the living conditions in autist homes and to improve the autist persons' social acceptance. In the frame of the art program autists can take part in art therapy workshops in six autist homes. Sometimes art is the only way to express themselves because in most cases their communication skills are limited and special.

The exceptional pieces of art created in their workshops could be purchased under the Autistic Art brand, uniquely merging art, design, charity and raising funds to maintain autist homes.

Each year the Foundation invites acclaimed contemporary artists to develop design products for charity auctions that are inspired by the unique art of autistic persons. Before each auction an exhibition is organized to display the items up for bids. The entire income of the auction is donated to the development and maintenance of autistic residencies.

In 2016 Magyar Telekom's head office gave home to the auction and the exhibition. Within the frame of the program our colleagues could visit the exhibition and the exhibited contemporary pieces of art. Our employees, together with their children, could also take part in an interactive exhibition tour and a family crafts day. The visitors of the exhibition were invited to get in closer contact with autism, engage with the exceptional style of the artists and inspired by the exhibited pieces of art they could also prepare their own jewelry and small gifts, items.

Further to their support Magyar Telekom also wishes to take part in the contribution to a more sensitive and diverse society. In cooperation with two TV channels we made short, one minute films with the artists living in autist homes and these films are not featured as advertisements when broadcasted on TV. From this autumn we will supplement the work uniform of our female staff members in our shop network with a silk scarf with graphics designed by autistic artists.

T-Systems Hungary Plc. also takes part in this effort. At the T-Systems Symposium organized for the Hungarian ICT sector's stakeholders the participants could not only exchange information on the latest IT trends influencing the future development of the industry but they also had the opportunity to support the Autistic Art Foundation by taking part in an online auction through an application developed specifically for the event.

During the morning staff briefing sessions Telekom shop managers educated their staff members about autism in a playful way and the employees were also informed on how they can help communication with autist persons. We have developed an Autistic Art page on our intranet website to publish information, education presentations, book- and film recommendations on this topic to our colleagues, together with an exciting quiz game. Those who take part in the quiz and are also lucky, could win theatre tickets to watch a show featuring the life of a young autistic person.

Charity auction by Autistic Art Foundation

It is good to give! cookie campaign

On December 5, 2016 we organized our traditional charity cookie campaign with the members of the Sustainability Media Club on the International Volunteer Day. 60 volunteers welcomed our colleagues - and their cookies, donations - in 15 locations.

We raised HUF 1 723 645 further extending last year's amount. The money was donated to the Autistic Art Foundation.

Telekom added HUF 100 to the income of each sold cookie for each photo uploaded to Instagram with the #sütitadok hashtag or a greeting sent through the dedicated postcard sending website thus the amount raised by the employees was supplemented with an additional HUF 4 million by Telekom.

T-Systems supported a cause in 2016 in compliance with Magyar Telekom Group Sustainability Strategy, with the goal of the program and its implementation supporting a renewing society and environment. In cooperation with the Ecumenical Aid Organization with a HUF 4 million worth investment, we supported the installation of an IT room in a new Social Center to be created and that is located in the Csepel Children's and Youth Development House.

For the third year in a row, Crnogorski Telekom organized the social responsibility contest "Za svako dobro" (For all Good!), which supports and funds socially responsible projects of special importance to the community. The goal of the project is to support projects that are contributing to the welfare of the community, engage important stakeholders, gain their trust, and also increase transparency in the company's social engagement. In order to ensure transparency and the selection of the best projects, beside Telekom employees, representatives from the NGO Fund for Active Citizenship, the Montenegrin TV station "TV Vijesti" (TV news) and the local UN office participated in the selection of the winning projects.

The total amount of funding for this year's „Za svako dobro" (For all Good) contest was EUR 30 000.

The contest was open to all non-governmental organizations from Montenegro that could apply their projects in the fields of education, arts and culture, environmental protection and the creation of equal opportunities for inclusion in a digital society.

Out of 33 applicants, six projects were selected and awarded with funds for implementation:

- "Udruženje ljubitelja Gorice i prirode" (Mediterranean garden) - project to preserve natural beauty of Gorica hill
- "Odred izvidača Njegoš" (Scouting for all) - ecological camps for socially challenged children
- „Cycletown" (Biciklo.me) - crowdsourcing web service for improvement of cycling experience in Podgorica
- „Budi human" Equal chance for all - online crowdfunding service, donations go to people who need help for medical treatment
- „Fondacija Ognjen Rakočević" (Sun for you, sun for me) - expert support for kids with autism
- „Nova nada Žabljak" (Together for speech therapy cabinet) - expert support for kids with developmental challenges

Besides the donation contest „Za svako dobro", in 2016, Telekom supported a number of initiatives dealing with the problems of socially vulnerable groups or promoting good causes for our society.

Our support to the Montenegrin health system, and Clinical Center of Montenegro, the most important public medical institution in the country was continued with important donations:

- EUR 12 500 for adaptation of Center for digestive chirurgy
- EUR 2500 for laparoscopy instruments for „GAK"
- EUR 1500 for restoration of lobby of Institute of children diseases
- EUR 1000 for reconstruction of Chemo-oncology clinic within Institute for Child disease

In cooperation with Foundation "Budi human" (LÉGY TE IS HUMÁN), the company opened donation line 14543 to provide support to citizens of Montenegro that need help in collecting funds for medical treatments.

In November 2016, the Employee's Union of Montenegro awarded Crnogorski Telekom the Annual Award for Social Responsibility in 2016, in the area of community support, for the project "Za svako dobro".

A Makedonski Telekom donated computer equipment for the "Goce Delchev" Dormitory (State Dormitory "Skopje"). The computer equipment, TV sets, printers and telecommunication services are available for all students in the reading room in the renovated block "B".

The value of the donated equipment is over MKD 900 000. Moreover, 20 new desktop computers, two TV sets and two printers were installed and networked. Also, wireless internet equipment and packet services of Makedonski Telekom such as Telekom HotSpot, MaxTV packages and two Max Sport+ TV packages were provided.

Makedonski Telekom in line with its strategy for connected life and work, supports projects for support and development of the digital society and promotion of the life and the education of young people.

Telekom New Media takes part in the donation efforts at company level each year. Our colleagues are strongly committed and involved in the support of disadvantaged children and those who live with Down syndrome.

Civil and CivilNET Tariff Package

Magyar Telekom launched its Civil Tariff Package service in March, 2004. The Civil Tariff Package provides 500 minutes of free calls without monthly fee and connection fee in the domestic wireline network. The tariffs of usage exceeding 500 minutes contain an average of 30% discount on the call charge of the basic package. The organizations can use the money so saved for their socially useful programs.

In 2009 - responding to the demands of the NGOs - Magyar Telekom extended its Civil Tariff Package service to Internet access as well, by launching its CivilNet tariff package, which provides Internet access service without connection fee and monthly fee to public benefit organizations selected through applications. Applications can be submitted for the CivilNET tariff package along with the Civil tariff package.

In 2016 we provided discount priced fixed line telephone and internet services to 21 organizations for 12 months in the value of HUF 1.5 million.

6.2 OUR EMPLOYEES AND SOCIAL RESPONSIBILITY

What does volunteering mean to us?

Telekom, as a responsible large enterprise, employing several thousands of employees, promotes and encourages volunteering within the company.

Volunteering is of key importance for us because we believe that our common work for others has a very strong community building effect. It distances us from the everyday routine and releases positive energies which can be used within and outside the company.

Our primary goal is to offer a range of volunteer activities our colleagues may choose from to find the form of contribution that best fits their preferences. This nurtures the spirit of "Together with you"; because volunteering is a real community experience for us: both for those who give and for those who are being given.

Magyar Telekom, as a responsible and best workplace, helps its employees' to carry out their good intentions and encourages them to do so with the collection of hello holnap! points.

We record and count employee volunteer work by way of computing and awarding the points collected. Our company's contribution to social, environmental efforts upholds Telekom's sustainability values thereby increases the business and brand value of the company.

Our biggest volunteering event

In 2016 the Telekom Volunteer Day was a great success where more than one thousand employees took part in 29 locations.

On Saturday, October 15, 2016 - which happened to be a workday - our volunteers helped cleaning and renovating 29 sites in 15 settlements, including public spaces and social buildings, facilities and surrounding green areas too. We also planted 1000 trees and shrubs in gardens and public parks as part of the hello holnap! pagony initiative thereby having the day to mark the milestone of transforming Telekom a year ago, in 2015 into a carbon neutral company.

The hello holnap! supplemented voluntary donations program is to enhance the culture of corporate citizenship among the employees, strengthen the relationship between the individual and the NGOs, raise awareness of the support objectives of Magyar Telekom and, last but not least, increase employee loyalty.

Voluntary work beyond working hours at the chosen NGO is a compulsory element of the program. The employee is requested to describe the voluntary work, as part of his voluntary donation,

Chris Mattheisen, Magyar Telekom's CEO at the Telekom Volunteer Day

PERSONAL

"We were given appreciation, handshakes, smiles, doughnuts and roast chestnut. We also had some muscle fever, the "I only work outdoors once a year" kind.

This was a day when we made new friends, acquaintances, had a nice chat with our colleagues and could tell our bosses that they are not doing something right - obviously meaning their clumsy efforts to dig a planting hole. Team building - somehow differently, freely – out in the open. Making the forest, park, roadside or kindergarten look nicer. We also saw tired children looking at bored puppies along the road. Yet, they made friends soon enough and become best friend forever.

Only some hikers felt somewhat unhappy with our work as they could not use some benches still wet with paint. However, they soon cheered up by the warm goulash soup that we gave them as a compensation for their discomfort." (Rita Soósné Türk)

PUBLIC

Éva Somorjai, chief HR officer summarized the significance of the day as follows: "Each year we ask You what kind of volunteer work You would like to do - as our primary objective is to ensure that each and every of you perform the voluntary work that you think is best for you and the community. Planting trees has always been among your top priorities! This is how this year's initiative has become the largest voluntary effort in the history of Telekom both in terms of the number of participants and the locations involved."

"We do believe that common work for others releases positive energies and is a real community experience for us: both for those who give and for those who are given. This is why we encourage volunteer work within the Company and appreciate our colleagues' eagerness to make things better" – said CEO Chris Mattheisen who did his share of volunteer work in Mocsa.

With its Supplemented Individual Donations initiative of Magyar Telekom merges two levels of commitment: financial donation and employee volunteer work in support of an NGO.

in the annex of the form provided under the hello holnap! website. The voluntary work may be physical or intellectual contribution, but the request to do voluntary work must come from the supported NGO.

For the purpose of the financial support of the above voluntary work we set up two categories:

In the hello holnap! supplemented voluntary donations program we leverage the power of communities. We support the initiatives of the local communities so we encourage our colleagues to help some civil program in their own neighborhood by offering voluntary work.

- The employee's own initiative - in this case the maximum amount of company support is HUF 50 000. Supplementary support is provided as follows:
  - employee donations up to HUF 15 000 the company is adding double of the amount;
  - employee donations between HUF 15 001 and HUF 50 000 the company donates an equal amount.
- Collective initiative of employee groups - in this case the maximum amount of company support is HUF 200 000.

Supplementary support is provided as follows:

- in case of the collective initiative of employee groups, where at least 4 Telekom employees are involved in the donation and the connected voluntary work, and the amount of the donation paid by the employees is at least HUF 50 000, the company supplement will be HUF 200 000;
- in case of the collective initiative of employee groups, where fewer than 4 Telekom employees are involved in the donation and the connected voluntary work, and the amount of the donation paid by the employees is at least HUF 25 000, the company supplement will be HUF 100 000.

In 2016, 17 such programs were organized. On these and other occasions more than 1500 ✓ Magyar Telekom volunteers contributed their workforce in 11 412 ✓ hours. With these programs we provided 56.3 ✓ million HUF worth of theoretical contribution to society.

Skopje Marathon - donation for awareness raising about Wilson Disease

This was the third year that the Magenta Team of Makedonski Telekom participated in the Skopje Marathon for a humanitarian cause. The runners in our team dedicated the race to increase awareness of Wilson Disease. The team raised a total of 5 000 euros for the Citizen's Association for Support of People with the rare Wilson Disease Macedonia (CAWDM).

CAWDM will use the donation to provide resources for genetic testing of Wilson Disease. Purchasing essential resources will help to identify the disease quickly. Early diagnosis allows people suffering from the disease to live normal lives along adequate therapy and provision of appropriate nutrition.

Humanitarian New Year Caravan run by the Telekom for Macedonia Foundation

This is the 14th consecutive year that the Telekom for Macedonia Foundation has organized a humanitarian New Year's Caravan directed toward the most vulnerable groups of children in December 2016. The caravan visited more than 2 000 children without parental care, children with special needs, impaired hearing and vision, or other physical disabilities, and children from socially vulnerable families. A special New Year's play was staged and goody bags were handed out to the children. The caravan was run by about 50 volunteers from Makedonski Telekom and they visited 45 institutions. The Caravan brightened the lives of these vulnerable children and also raised awareness among our employees about the importance of corporate volunteering.

Humanitarian action for the people affected by the floods in Skopje

Skopje, the capital of Macedonia, was hit by a "water bomb" storm on 6 August 2016. 21 people lost their lives, dozens were injured or went missing, and roads, houses and infrastructure were damaged.

Apart from collecting food and toiletries, our colleagues also visited the municipality Stajkovci which had been most severely affected by the flood. They helped to rescue some of the furniture in flooded accommodation, removed mud and cleaned up homes. Our volunteers also took away waste and debris that had been deposited by the flood waters. Alongside the volunteering work carried out by our employees, we also donated EUR 32 000 toward reconstruction of homes in the municipality Gazi Baba. We provided power banks and mobile units for local citizens in the affected areas. Our mobile phone network was fully operational.

The Telekom for Macedonia Foundation and the Red Cross started a donation hotline and this collected more than EUR 100 000.

In 2016 Crnogorski Telekom continued to organize blood donor activities. In cooperation with the Montenegrin Centre for Blood Transfusion, our employees donated blood and helped to raise awareness of this important social issue. CT joined the action, "And summer is the giving season!" bearing in mind that the blood supply in the summer months decreased and that a voluntary action can significantly contribute to the efforts of the Department to maintain the necessary reserves of blood.

Also, during 2016, employees organized three charity initiatives, in order to support people in need. Employees collected food on the occasion of the International Family Day. The collected goods were given to the Red Cross in Podgorica, which distributed it to families in need. Also, in April 2016, on the occasion of International Book day, employees organized collection of books for School library in Bioce. Within traditional New Year party, employees organized Charity lottery and collected funds for reconstruction of Children's Chemo-oncology Clinic in Podgorica.

6.3 SPONSORSHIP

The goals of the Company Group's sponsoring activities are the creation of experience and value for customers and business partners.

The Group, as a major sponsor of Hungarian culture as well as musical and social life, is devoted to support high profile events, performers and productions that represent top quality in their area or genre. In its sponsorship activity the Company plays a role in the implementation of social initiatives in a manner and to an extent worthy of its economic significance.

Magyar Telekom has been the committed supporter of the Hungarian sport life for decades, and considers sport a cornerstone of its sponsoring strategy. The Company is proud to have contributed to many prominent international sport success as a sponsor. Part of its support was its sponsorship of the Hungarian team and the Hungarian Olympic Committee (HOC) in the 1996 Olympic Games in Atlanta, and later in Sydney, Athens, Beijing and London, too.

Telekom, throwing in a broad array of its telecommunication services, promotes the attainment of the goals of the HOC.

As another important element of the sport sponsoring strategy Magyar Telekom is the main sponsor of Ferencvárosi Torna Club's football team, one of the most prestigious and internationally successful Hungarian teams, but also supports the development of the Hungarian football player succession program.

As the committed national main sponsor of the Hungarian Swimming Association, Magyar Telekom supported Hungary's successful application for the organization of the 2017 FINA world championship in Budapest.

As the most loyal sponsor of the handball team formerly known as MVM Veszprém, the company has been sponsoring the club for 19 years, thereby contributing to the success of the world-elite club, like playing in the Champion's League finals or winning the SEHA league. In 2016 we elevated our cooperation to a higher level and have been sponsoring the handball team as Telekom Veszprém. Magyar Telekom believes that such world-class achievements and accomplishments significantly help promoting sports and a healthy life style among young people.

Telekom also finds it important to support mass sports and has been sponsoring the Telekom Vivicittá city run where - besides professional sportsmen - a lot of amateurs and families take part to popularize sports and leading an active life style.

Telekom Cheering Hearts

Magyar Telekom started a sports campaign in May 2016 through the summer to bring athletes and fans closer together with an innovative technology. Through the egyekvagyunk.hu website anyone could express their support and cheer our competing athletes: handball players preparing for the final battles of Champions' League football players of club Ferencváros preparing for major European matches, members of the Hungarian Olympic Team training for the Olympic Games in Rio and athletes of the Hungarian Paralympic Team training for the Paralympic Games in Rio.

The fans sent out more than 2 million heartbeats to their favorite athletes in the summer sports season.

Magyar Telekom is also a sponsor of big summer music festivals in Hungary, like the VOLT in Sopron, the Balaton Sound, the Sziget Festival, the Campus and the EFFOTT. In relation to sponsoring festivals we revised some of our BTL activities and realized them together with the organizers in order to reduce our energy consumption both in terms of human resources (i.e. traveling and number of hostesses) and assets. As a result we mainly support the events with our info-communication devices and services while observing sustainability considerations. We called all our partners' attention that it is essential to perform their work in accordance with all three pillars of sustainability.

Festivalgoers with Telekom Buddy

Hungarian athletes with Telekom cheering hearts

Our close cooperation with the organizers of festivals helped us to optimize the number of trucks used to manage the logistics of our BTL activities and transport of brand tools to festivals without unnecessary trips, thereby we managed to reduce carbon dioxide emission.

Similarly to the reduction of our trucks' mileage we successfully reduced the use of paper: the majority of our formerly printed documents (e.g. regulations, promotion material) was released in a digital form. Almost 80% of the furniture that we used in festivals were recycled items: they were built from old palettes and used interior-design elements of Telekom shops.

At Makedonski Telekom music, sports and culture were in focus of sponsorship in 2016. With our support, we continued the cooperation with our best handball and football club "Vardar ", with the Basketball Club MZT Skopje, as well as with the Macedonian Tennis Federation. Besides sports, we also supported our most popular musicians as well as the most recognized music events. For many years we are partners with the one and only Skopje Jazz Festival and in 2016 we continued our partnership with Karolina, Elena and Adrijan Gaxha – famous Macedonian music stars. In 2016 we also supported the most important cultural events: Ohrid summer festival, Novel of the Year, Milingona e Arte and many others.

The sponsoring platform of Crnogorski Telekom focuses on sports, music and culture – which is perfect for underlining our brand promise "Life is for sharing" and providing a wide range of memorable moments to share.

Within the company's sponsorship strategy, sports have a special place since this is an important area for developing a healthy, modern and advanced society. The company is the golden sponsor of the Montenegrin national football team and a general sponsor of the Telekom Montenegrin Football First League. Additionally, in 2016 Telekom supported and sponsored Budućnost Basketball Club.

Music is one of the main areas within our sponsorship strategy since music is considered to be the universal language for all generations. We sponsored numerous musical events and activities in 2015. We partnered with organizations across Montenegro and supported the Southern Soul Festival in Ulcinj and After Beach Parties along the Montenegrin coast.

Skoplje Jazz Festival, sponsored by Makedonski Telekom

7. CORPORATE GOVERNANCE

7.1. Sustainability coordination 55
7.2. Regulatory compliance 56
7.3. Corporate compliance 56

Sectoral stakeholders and inverstors require stock exchange listed public companies to make both their governance model and the processes of its' practical implementation visible. As a company listed on the Budapest Stock Exchange it is highly important for Magyar Telekom Group to meet the relevant statutory and stock exchange requirements.

To ensure transparency of the Company's management information about Magyar Telekom's corporate governance is available on the following website: http://www.telekom.hu/investor_relations/corporate_governance

Information on annual general meetings and the resolutions adopted at them is available on the following website: http://www.telekom.hu/investor_relations/corporate_governance/general_meetings

7.1 SUSTAINABILITY COORDINATION

The group-level governance of corporate sustainability operations is shown on the diagram below. The Group-level coordination is continued to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). The levels of development and management of the corporate sustainability strategy are separated from the operative implementation level within the operation of the GSCC, thus the process of implementing sustainability activities is divided to the following levels:

1. Strategy development and strategy management level operating under the auspices of the GSCC:
- development of strategic concepts
- implementation of the strategy
- relevant communication with national and international organizations

2. Operative implementation level managed by relevant organisations of the governance areas and business units
- actual operative activities
- task management
- data provision etc.

The GSCC's operation is regulated by a group level directive: on the regulation of Magyar Telekom Group's sustainability operation and the responsibilities and competence of stakeholders.

The top management of Magyar Telekom Group, the Management Committee receives at least once a year a report on the implementation of the tasks of the Group Sustainability Strategy and other ongoing significant sustainability activities, results, potential exposures and opportunities.

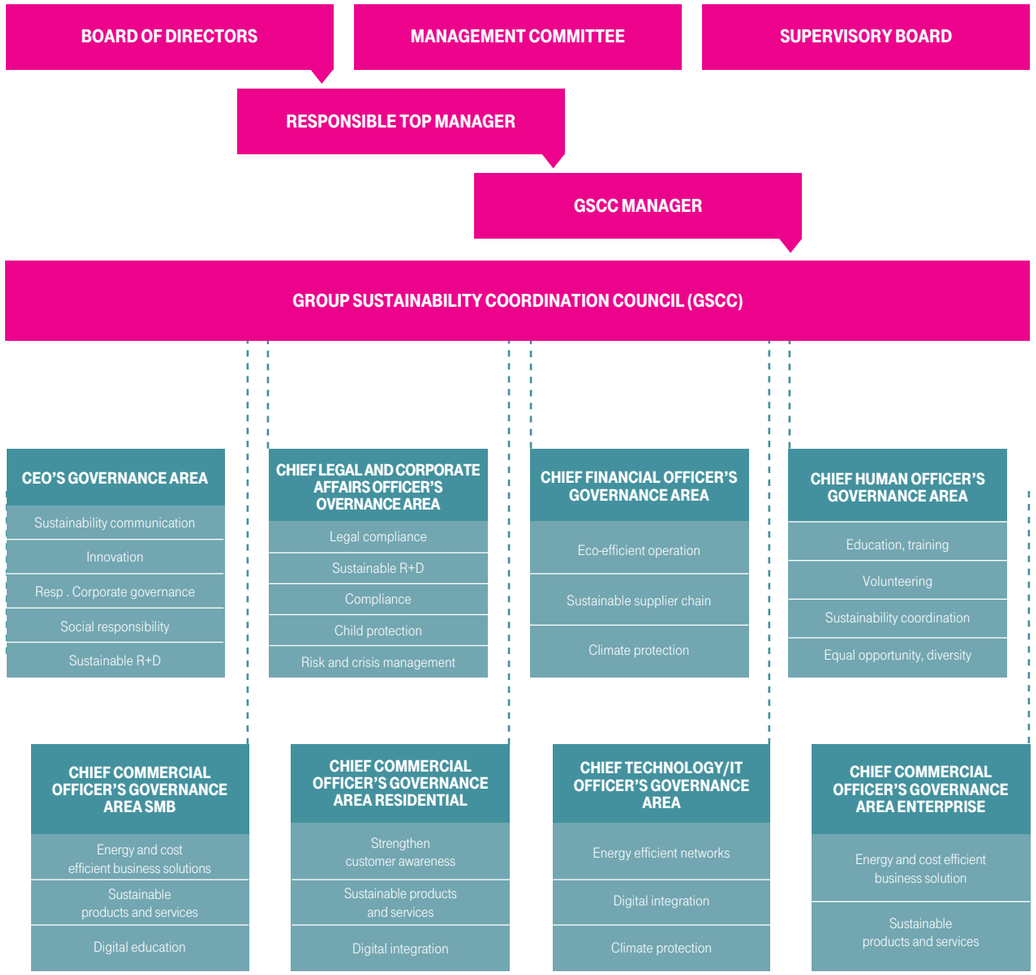
The MC is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The MC keeps contact with the stakeholders (e.g. General Meeting) through the GSCC. Incoming inquiries are received by the respective professional areas and critical comments regarding sustainability are transferred to the responsible staff members by the GSCC members. According to the relevant group directive the strategic tasks are allocated to the respective Chief Officers. 50% of the bonuses of Chief Officers depend on the performance of collective objectives.

Communication is based upon the results of the above activities and one of the most important elements of communication is the annually released Sustainability Report which is supervised by the Chief Human Resources Officer while the professional management of the report is performed by the Corporate Sustainability Center.

In 2015 the tasks and the competences of the non-core business directorate were transferred to the Product House directorate.

COMPETENCE	RESPONSIBLE
determination of main directions, decision on key issues	Management Committee (MC)
ensuring the necessary framework and supervision of the activities	responsible senior manager – Chief Human Resources Officer (CHRO), member of the MC
making the decisions and resolutions necessary for the operation, ensuring the coordination for the performance of tasks	Group Sustainability Coordination Council (GSCC)
professional management; harmonized implementation of group level tasks; participation in the Hungarian and international professional activities	GSCC manager - leader of the HR-VFK
implementation of tasks of the management area/organization/member company, information, participation in meetings, data supply, implementation of operative tasks	GSCC members

SUSTAINABLE DEVELOPMENT MANAGEMENT OF MAGYAR TELEKOM:

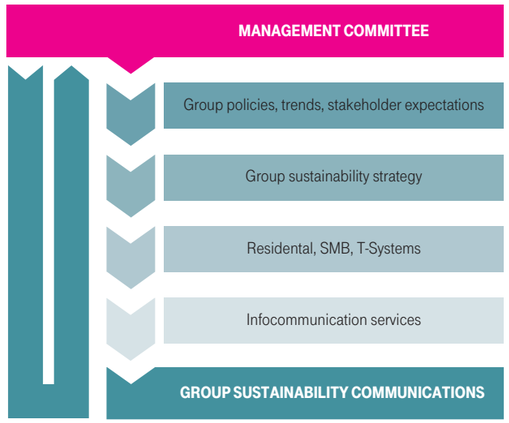


Hierarchy of the sustainability activities

The hierarchy of the sustainability activities of Magyar Telekom Group has not changed lately, only the structure of the Group changed that can be followed in the annual sustainability reports. The sustainability strategy was 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 had roundtable discussions and at various sustainability forums, email messages, survey results, etc.). The continuously updated strategy then served as a basis of our tasks and objectives.

All our activities are supervised by the Management Committee, 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 GSCC and based on them we elaborate measures to mitigate potential future exposures.

7.2 REGULATORY COMPLIANCE

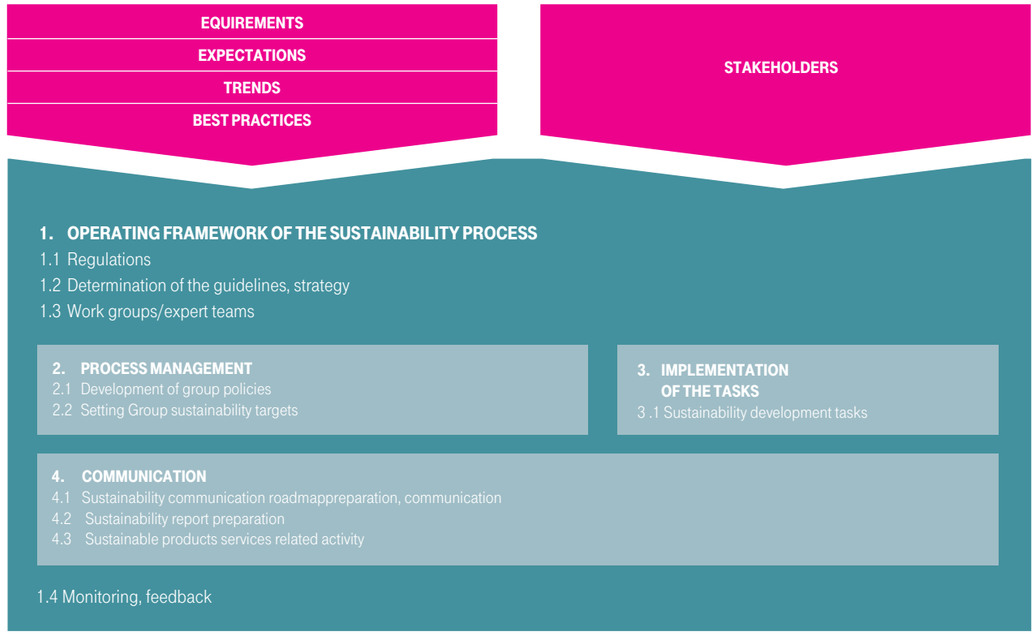


REGULATION OF THE SUSTAINABILITY ACTIVITIES, GROUP SUSTAINABILITY PROCESS, ENVIRONMENTAL COORDINATION

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

Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions we always strive to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing our processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations.

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



In order to ensure compliance with the sector-specific regulations we operate the so-called Compliance Coordination Forum to help the share of information within the company and the preparation of the necessary changes (the activities of the Forum are regulated by Magyar Telekom through internal policies).

Magyar Telekom can comment and propose the modification of industry-specification policies, strategic material and draft legislation through the telecommunication interest representation organizations. e.g. Communications Reconciliation Council (CRC).

The permanent professional consultation partner of the Hungarian Government regarding the implementation of the Digital Welfare Program (DWP) is the CRC (chaired by Magyar Telekom's manager since 2014). Thanks to this opportunity the communication industry's stakeholders may continuously represent their interests and share their opinion and comments with the representatives of the state through the CRC.

The achievements of this consultation partner role include the promulgation of the first legislation package with bureaucracy reducing measures and their entry into force that support the broadband network infrastructure building efforts (e.g. acceleration of the authority permit procedures) within the Broadband Internet Project, implemented under the auspices of the DJP.

7.3 CORPORATE COMPLIANCE

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conducts its business with maximum consciousness 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 contained by them and provide continuous training for our employees. Clear processes are in place for the 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 centerpoint 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 Ask me! portal.

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

KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP 2016

Magyar Telekom introduced a new reporting structure from the beginning of 2016 to further simplify our operation on every managerial levels of the company. The Group's new operating segments are Hungary, Macedonia and Montenegro. MT-Hungary includes the former T-Hungary segment (residential and SMB customers) and former T-Systems (enterprise segment). The Macedonia and Montenegro segments have not changed.

The MT-Hungary segment operates in Hungary providing mobile and fixed line telecommunications, TV distribution, infocommunications and system integration services, energy retail services to millions of residential and business customers under the Telekom and T-Systems brands. Small and medium business customers are served by Telekom brand and key business customers (large corporate and public sector customers) are served by T-Systems brand. The MT-Hungary segment is also responsible for the wholesale mobile and fixed line services in Hungary, and performs strategic and cross-divisional management and support functions including Procurement, Treasury, Real Estate, Accounting, Tax, Legal, Internal Audit and similar shared services and other central functions of the Group's management. This segment is also responsible for the Group's points of presence in Bulgaria and Romania providing mainly wholesale services to local companies and operators. The Group also has full-scale mobile and fixed line telecommunications operations in Macedonia and Montenegro, which represent two additional operating segments of the Group.)

KPI INFORMATION ON MOBILE SERVICES IN HUNGARY, MACEDONIA AND MONTENEGRO*

	2015 31 December	2016 31 December	2016/2015 (% change)
HUNGARY			
Penetration (%) [1] [2]	116.5	n.a.	n.a.
Total number of subscribers	5 503 966	5 331 986	(3.1)
SIM-market share (%) [2]	48.0	n.a.	n.a.
Number of mobile broadband subscriptions	2 359 799	2 554 703	15.5
Mobile broadband market share, based on total number of subscriptions (%)			
Population-based outdoor 3G coverage (%)	83.0	86.2	n.a.
Population-based outdoor 4G coverage (%)	97.3	98.0	n.a.
MACEDONIA			
Penetration (%) [4]	103.7	105.8	n.a.
Total number of subscribers	1 229 655	1 257 887	2.3
SIM market share (%) [4] [5]	47.3	50.2	n.a.
MONTENEGRO			
Penetration (%) [6]	162.6	167.9	n.a.
Total number of subscribers	329 844	361 149	9.5
SIM market share (%) [6]	32.7	34.7	n.a.

* Magyar Telekom Group has sold its Montenegrin subsidiary to Croatia's Hrvatski Telekom in January, 2017.

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT

	2015 31 December	2016 31 December	2016/2015 (% change)
MOBILE SERVICES			
Number of customers (RPC)	5 503 966	5 331 986	(3.1)
Post-paid share in the RPC base (%)	56.4	59.2	n.a.
MOU	180	191	6.1
Post-paid ARPU	4 981	4 873	(2.2)
Pre-paid ARPU	1 172	1 119	(4.5)
ARPU (HUF)	3 291	3 302	0.3
Post-paid (%)	10.5	10.1	n.a.
Pre-paid (%)	25.3	30.7	n.a.
Overall churn rate (%)	17.1	18.7	n.a.
Ratio of non-voice revenues in ARPU (%)	32.0	34.5	n.a.
Average acquisition cost (SAC) per gross add (HUF)	5 798	6 013	3.7
Number of mobile broadband subscriptions	2 359 799	2 554 703	15.5

(1) Data relates to the mobile penetration in Hungary, including customers of all three service providers
(2) Data is based on internal calculations from Vodafone Group and Telenor Group Reports
(3) Data is based on NMIAH reports
(4) Data published by Macedonian Agency for Electronic Communications (AEC)
(5) Based on active RPC
(6) Data published by the Montenegrin Agency for Electronic Communications and Postal Services (EKIP).

FIXED-LINE SERVICES

	2015 31 December	2016 31 December	2016/2015 (% change)
VOICE SERVICES			
Total voice customers	1 460 762	1 422 589	(2.6)
Total outgoing traffic (thousand minutes)	2 841 815	2 728 548	(4.0)
Blended MOU (outgoing)	161	158	(1.9)
Blended ARPU (HUF)	2 714	2 569	(5.3)
INTERNET SERVICES			
Blended retail broadband market share (%) [3]	38.8	38.2	n.a.
Number of retail DSL customers	585 511	566 956	(3.2)
Number of cable broadband customers	340 695	346 557	1.7
Number of fiber optic connections	70 265	102 003	45.2
Total retail broadband customers	996 471	1 015 516	1.9
Blended broadband ARPU (HUF)	3 609	3 612	0.1
Number of wholesale DSL access	28 754	25 802	(10.3)
TV SERVICES			
Blended TV market share (%) [3]	27.6	27.7	n.a.
Number of IPTV customers	498 092	550 002	10.5
Number of satellite TV customers	306 722	290 012	(5.4)
Number of cable TV customers	156 961	128 999	(17.8)
Total TV customers	961 775	969 013	0.8
Blended TV ARPU (HUF)	3 287	3 332	1.3
ENERGY SERVICES			
Electricity points of delivery	106 564	92 486	(13.2)
Gas points of delivery	7 427	0	n.a.

KEY OPERATING STATISTICAL FIGURES OF MACEDONIA SEGMENT

	2015 31 December	2016 31 December	2016/2015 (% change)
MOBILE SERVICES			
Number of customers (RPC)	1 229 655	1 257 887	2.3
Postpaid share in the RPC base (%)	37.3	41.9	n.a.
MOU	213	215	0.9
ARPU (HUF)	1 697	1 671	(1.5)
FIXED-LINE SERVICES			
MARKET DATA			
Fixed-line penetration (%)	11.3	10.8	n.a.
Internet broadband market share (estimated) (%)	49	47.9	n.a.
VOICE SERVICES			
Total voice customers	224 802	216 832	(3.5)
Total outgoing traffic (thousand minutes)	218 379	176 369	(19.2)
INTERNET SERVICES			
Number of retail DSL customers	165 497	165 770	0.2
Number of wholesale DSL access	24 570	23 678	(3.6)
Number of total broadband access	190 067	189 448	(0.3)
TV SERVICES			
Number of IPTV customers	103 422	107 672	4.1

KEY OPERATING STATISTICAL FIGURES OF MONTENEGRO SEGMENT

	2015 31 December	2016 31 December	2016/2015 (% change)
MOBILE SERVICES			
Number of customers (RPC)	329 844	361 149	9.5
Postpaid share in the RPC base (%)	47	51.3	n.a.
MOU	181	177	(2.2)
ARPU (HUF)	2 810	2 818	0.3
FIXED-LINE SERVICES			
MARKET DATA			
Fixed-line penetration	22.4	19.8	11.6
Retail DSL market share (estimated) (%)	85.1	86.6	1.8
VOICE SERVICES			
Total voice access	144 466	132 887	(8.0)
Total outgoing traffic (thousand minutes)	193 445	153 220	(20.8)
INTERNET SERVICES			
Number of total broadband access	90 371	84 842	(6.1)
TV SERVICES			
Number of IPTV customers	60 812	59 489	(2.2)

ASSURANCE STATEMENT

pwc

INDEPENDENT ASSURANCE REPORT

To the Management of Magyar Telekom Nyrt.

This report is produced in accordance with the terms of our Contract dated 21st March 2017 for the purpose of reporting to Magyar Telekom Nyrt. (the "Company") in connection with the 2016 Sustainability Report.

Management's Responsibility

The Management of Magyar Telekom Nyrt. ("Responsible party') is responsible for the preparation of the Sustainability Report ("subject matter') in accordance with the GRI guidelines – "Comprehensive" option – as set out in Sustainability Reporting Guidelines of Global Reporting Initiative Standards version ("GRI criteria").

This responsibility includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for individual Sustainability disclosures which are reasonable in the circumstances.

Description of the Subject Matter and Identification of the Criteria

The aim of this limited assurance engagement is to express a conclusion whether the selected information and data (marked with the check symbol ("✓") in the Sustainability Report) of the 2016 Sustainability Report is prepared by the Management of Magyar Telekom Nyrt. in line with the GRI criteria.

Our Responsibility

Our responsibility is to report on the selected information and data in the 2016 Sustainability Report based on our work performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Information" ("ISAE 3000"). This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether the selected information and data included in the 2016 Sustainability Report has been prepared, in all material respects, in accordance with the GRI criteria.

We apply International Standard on Quality Control (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Within the scope of our work we performed, among others, the following procedures:

- Inquiries of the management as well as personnel of the central unit responsible for the reporting of sustainability information and the preparation of the Sustainability Report to examine that the relevant processes for gathering and analyzing the information and data marked with the check symbol ("✓") in the Sustainability Report are in line with the GRI criteria;
- Examination whether the information and data marked with the check symbol ("✓") are disclosed in line with the GRI criteria, for example:
  - whether the indicators (profile indicators) of the company are fully included in the report;
  - whether the management approach and principles are presented for each major topics;
  - whether all of the material indicators required by GRI criteria are included in the report. If not, proper explanation should be included;
  - whether the supplemental indicators specific to the telecommunications sector are also included in the report.
- Analytical review, which contains inquiry of management about certain changes or fluctuations in the information and data marked with the check symbol ("✓") compared to the previous period;
- Performing sample testing for the accuracy of the information and data marked with the check symbol ("✓"), for example by inspecting statistical reports, accounting records, documents from external service providers, conduction of site visits.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the selected information and data (marked with the check symbol ("✓") in the 2016 Sustainability Report) has not been prepared, in all material respects, in accordance with the GRI criteria.

Budapest, 09 June 2017

Árpád Balázs
Partner, registered auditor
Licence number: 006931
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Registration number: 001464

Note:

Our report and the Sustainability Report will be published together with the GRI guidelines – "Comprehensive" option – as set out in Sustainability Reporting Guidelines of Global Reporting Initiative Standards version ("GRI criteria") on the website of Magyar Telekom Nyrt.

The Management of Magyar Telekom Nyrt. is responsible for the website and we do not accept responsibility for any changes in connection with the Sustainability Report and the GRI criteria described in the Sustainability Reporting Guidelines of Global Reporting Initiative Standards version - "Comprehensive" option – after our report was published.
Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version.

PricewaterhouseCoopers Könyvvizsgáló Kft, Bajcsy-Zsilinszky út 78., Budapest, H-1055, Hungary
T: +36 (1) 461 9100, F: +36 (1) 461 9101, www.pwc.com/hu

GRI CONTENT INDEX

GRI STANDARDS USED
GRI 101: FOUNDATION 2016
GRI 102: GENERAL DISCLOSURES 2016
GRI 103: MANAGEMENT APPROACH 2016
GRI 200: ECONOMIC 2016
GRI 300: ENVIRONMENTAL 2016
GRI 400: SOCIAL 2016
GRI TELECOMMUNICATION SECTOR SPECIFIC INDICATORS

GRI (Global Reporting Initiative) Stadard is an international organization the purpose of which is to provide a standard framework of guidelines and indicators for preparing sustainability reports, thus ensuring comparability and promoting transparency among companies. The following table helps the reader to find the information attached to specific GRI indicators. You can read more about the guidelines and the indicators on the following website
https://www.globalreporting.org/standards/g4/Pages/default.aspx

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
GRI 102: GENERAL DISLOSURES 2016						
ORGANIZATIONAL PROFILE						
102-1				The registered company name of Magyar Telekom is Magyar Telekom Telecommunications Public Limited Company, and its abbreviated name is Magyar Telekom Plc.		✔
102-2			http://www.telekom.hu/lakossagi/english/plans http://www.telekom.hu/about_us/about_magyar_telekom	The activities of Magyar Telekom Group cover three main business areas: - fixed-line and mobile telecommunication services to residential customers (under the Telekom brand), - services to small- and medium-sized businesses (under the Telekom brand), - and services to large businesses (under the T-Systems brand). Magyar Telekom's employer and HR activities, business and investor relations, legal and corporate affairs, sustainability and corporate social responsibility, non-core business development, technical and network development activities also go under the corporate Telekom brand. The national member companies of Magyar Telekom Group manage the content, media and other, non-access services provided under different brand names. The international member companies of the Group operate as integrated or alternative telecommunications providers in the markets of the Southeast European region. Magyar Telekom is majority owner of Makedonski Telekom, Macedonia's biggest fixed and mobile operator, and also holds majority share in Crnogorski Telekom, Montenegro's biggest telecom provider. National and foreign members of the Group are described at: You can find more information about the Group's products and services on the Company's home page at: http://www.telekom.hu/lakossagi/english and http://www.telekom.hu/uzleti/main or our partners can also inquire at our customer service offices. Hungarian and foreign members of the Group: http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group Magyar Telekom does not sell debated or prohibited products.		✔
102-3				The headquarters of the Group are located in Budapest (I., Krisztina krt 55.).		✔
102-4				The Group's area of operation: Hungary, Macedonia, Montenegro, Bulgaria and Romania.		✔
102-5			http://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/ownership_structure			✔

Shareholders	Ownership %
Domestic institution	5.26%
Other foreign institutions	21.69%
Deutsche Telekom Europe B.V.*	59.21%
Domestic individuals	7.17%
Government institution	0.01%
Nominee	2.99%
Treasury shares	0.01%
Other	3.67%
Total:	100.00%

Based on the company's share register as of December 30, 2016.
Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. Magyar Telekom's shares were introduced at the Budapest and at the New York Stock Exhange in 1997. Magyar Telekom delisted in 2010 and deregistered in 2012 form the New York Stock Exhchange maintaining an American Depositary Receipt program on a Level I basis with American Depositary Shares ("ADSs") traded on OTC markets. The majority shareholder of Magyar Telekom (59.21%) is Deutsche Telekom Europe B.V., which is indirectly owned exclusively by Deutsche Telekom AG. Deutsche Telekom Europe B.V. (formerly called CMobil B.V.) is 100%-os owned by Deutsche Telekom Europe Holding B.V., whose 100%-os owner is Deutsche Telekom Europe Holding GmbH (formerly called T-Mobile Global Holding Nr. 2 GmbH) and Deutsche Telekom Europe Holding GmbH is 100% owned by Deutsche Telekom AG, as a result Deutsche Telekom AG has 59,21% indirect ownership and voting rights in Magyar Telekom Plc. Deutsche Telekom AD is the only shareholder of Magyar Telekom Group with ownership of more than 5% of shares. All other shareholders hold shares below 5%.

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
102-6			http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group http://www.telekom.hu/lakossagi/english/plans	The activities of Magyar Telekom Group cover 3 major business areas: - fixed-line and mobile telecommunication services to residential customers (under the Telekom brand), - services to small- and medium-sized businesses (under the Telekom brand), and - services to large businesses (under the T-Systems brand). Magyar Telekom's employer and HR activities, business and investor relations, legal and corporate affairs, sustainability and corporate social responsibility, non-core business development, technical and network development activities also go under the corporate Telekom brand. The national member companies of Magyar Telekom Group manage the content, media and other, non-access services provided under different brand names. The international member companies of the Group operate as integrated or alternative telecommunications providers in the markets of the Southeast European region. Magyar Telekom is majority owner of Makedonski Telekom, Macedonia's biggest fixed and mobile operator. You can find more information about the Group's products and services on the Company's home page at: http://www.telekom.hu/lakossagi/english and http://www.telekom.hu/uzleti/main or our partners can also inquire at our customer service offices. Hungarian and foreign members of the Group: http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group		✔
102-7			http://www.telekom.hu/about_us/investor_relations/financial	Number of employees of Magyar Telekom Group: 9,432 persons (as of December 31,2016)		✔
102-8	5. Employees	42	https://www.telekom.hu/about_us/career/telekom_internship_program	The company uses external workforce in all major areas of its operations. The decisions are made by the relevant directorates. Generaly we rely on external workforce in special areas, rare skillsets and qualities contracting them to fill in temporary vacancies in different areas of our operations. The positions as well as the levels of expertise may vary and thus they are hard to specify. In 2016 Magyar Telekom had 229 interns, and T-Systems had 196 interns. Throughout our internship program these 425 interns were provided with opportunities to gain real workforce experience in various areas of our operations. The diverse team ofour Y2016 interns included students from the fields of IT, business, economy, archtecture, horticultural sciences and many other areas. Admission to the internship program of the company is not limited to any scolarly areas, we are eager to find out more abut the applicants main drives and personality as well. We believe that thinking together with a diverse set of great people can lead to great solutions. Crnogorski Telekom invests appropriate efforts and attention to attract young graduates and trainees. Crnogorski Telekom has engaged certain number of fresh graduates for 9 months trainee program, over Government's Trainee Program of Employment and American Chamber in Montenegro. In 2016 the fourth year in a row, we engaged overall 15 trainees trough Government's Trainee Program of Employment. After the expiration of 9 months period, 8 of them, signed work contracts and stay with the Company.		✔
102-9	3. Suppliers	33	http://www.telekom.hu/about_us/about_magyar_telekom/procurement; https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm	The total number of suppliers that Magyar Telekom Plc. contacted with procurement orders in 2016 was 1798. The table at GRI 102-10 lists the types of suppliert by procurement areas. If suppliers are involved in the procurement processess of multiple areas than the above table lists them in all areas concerned. Therefore the sum of the above numbers does not reflect to the total number of suppliers engeged in our corporate procurement processes. The proportion of local suppliers is 78.9%. There is a corporate intranet site providing internal information for employees on the Procurement and Logistics Directorate's areas of concern, representatives and the related rules and regulations.		✔
102-10	3. Suppliers	33				✔

CHANGE IN THE COMPOSITION OF MAGYAR TELEKOM GROUP OVER THE PAST YEARS

2011	2012	2013	2014	2015	2016
Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.
IQSYS	IQSYS[1]	-	-	-	-
KFKI[2]	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary
Pro-M	Pro-M[3]	-	-	-	-
Dataplex	Dataplex[4]	-	-	-	-
Origo	Origo	Origo	Origo	Origo	Origo[5]
ISH Informatika[6]	ISH Informatika[7]	-	-	-	-
Daten-Kontor[8]	Daten-Kontor[9]	-	-	-	-
Budakalász Kábel TV[10]	Budakalász Kábel TV	Budakalász Kábel TV[11]	KalászNet	KalászNet	KalászNet
TCG[12]	TCG	TCG	TCG	TCG	TCG[16]
MakTel[13]	MakTel	MakTel	MakTel	MakTel[14]	MakTel
-	-	-	-	GTS [15]	GTS

(1) From 30.09.2012 IQSYS merged into T-Systems Magyarország Zrt.
(2) From 01.04.2012 KFKI provides its services under the name of T-Systems Magyarország Zrt.
(3) In 2012 100% of Pro-M shares sold to the Nemzeti Infokommunikációs Szolgáltató Zártkörűen Működő Részvénytársaság.
(4) Dataplex merges into T-Systems Magyarország Zrt. (with effect 09.30.2012).
(5) In 2016 100% of Origo shares sold to the New Wave Media Hirdetésszervező és Reklámértékesítő Szolgáltató Korlátolt Felelősségű Társaság.
(6) In 2011 ISH Informatika appeared as new data provider.
(7) SH merges into T-Systems Magyarország Zrt (with effect 09.30.2012).
(8) In 2011 Daten-Kontor appeared as new data provider
(9) Daten-Kontor merges into T-Systems Magyarország Zrt. (with effect 31.03.2013).
(10) In 2011 Budakalász Kábel TV appeared as new data provider.
(11) From 27.03.2013 Budakalász Kábel TV provides its services under the name of KalászNet.
(12) The data of Crnogorski Telekom is quoted under the name of TCG.
(13) The data of Makedonski Telekom AD and T-Mobile Macedonia AD are quoted under the name of MakTel.
(14) T-Mobile Macedonia AD merged into Makedonski Telekom AD (with effect 01.07.2015). Thereafter, only the data of Makedonski Telekom AD is quoted under the name of MakTel.
(15) In 2015 GTS Hungary appeared as new data provider.
(16) Magyar Telekom has annonunced the transfer of ownership of Crnogorski AD Podgorica to Hrvatski Telekom d.d. in the form of share aquisition on January 10, 2017.
https://www.telekom.hu/about_us/press_room/press_releases/2017/january_10_2

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
102-10	3. Suppliers	33		NUMBER OF SUPPLIERS AT DIFFERENT PROCUREMENT AREAS **Procurement area** / **Description** / **Number of suppliers** **Network** / wire and wireless network, transmission technology, backbone network / 347 **IT** / hardver, software procurement, IT Consulting & Contracting, IT operations and desktop services, OSS, BSS / 347 **CPE & Noncore** / special projects and terminals, functional area / 80 **Indirect** / marketing, low cost supplies, fleet management, real estate management, related services, consultancy, labor force and HR services / 1035		✔
102-11	Our Approach (Sustainability startegy) 1. Climate- and environmental protection 3. Suppliers	5 17 33	http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals https://www.telekom.hu/static-tr/sw/file/20160224_Risk_management_guideline_ENG.pdf	As a result of the corporate environment becoming more risky, in more and more European countries it was made compulsory for listed companies to operate a risk management system and to make risk reports for the information of their investors. Establishing a comprehensive risk management system the Company complies with the relevant requirements such as the recommendations of Budapest Stock Exchange, as well as with international standards. It is Magyar Telekom's policy that all disclosures made by the company to the shareholders and the investment community be accurate and complete, and fairly present Telekom's financial condition and results of operations 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, Magyar Telekom developed and have continuously enhanced its risk management policies. The Company's risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results. For risk management to be effective, Telekom must ensure that the management takes business decisions with full understanding of all relevant risks. In 1999 Telekom established a formal risk management system. This system has been operating in an integrated way with the risk management system of Deutsche Telekom since 2002. All risks related to material internal and external operations, financial and legal compliance and certain other risks are evaluated and managed by a well-defined internal mechanism. A risk management handbook and an internal regulation on risk management were issued. A risk management course was developed for employees responsible for risk management in all organizational areas. Risk items affecting our operations are reviewed quarterly throughout the Company. All of Telekom's subsidiaries, business units, divisions and entities are obliged to identify and report their operational risks on a quarterly basis. After evaluation of these risks, results are reported to the Company's management, to the Board of Directors and to the Audit Committee. For the sake of prompt disclosure of all risk items influencing investors' decisions, Telekom enhanced its risk management procedures with a new element, complemented the quarterly risk reporting system with a continuous reporting procedure which requires all 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 CFO 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.		✔
102-12	Our approach Stakeholders 3. Suppliers 4. Employees 5. Customer relations	5 10 33 42 37				✔
102-13	Stakeholders	10				✔
STRATEGY						
102-14	Letter from the CEO	3				✔
102-15	Our approach (sustainability strategy)	5	https://www.telekom.hu/about_us/society_and_environment https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf https://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals			✔
ETHICS AND INTEGRITY						
102-16	Our approach 3. Suppliers 5.1 Human rights, equal opportunities	5 33 43	https://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_8April2011_web.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/szocialis_charta_en.pdf https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/vendors/information/Our_Code_of_Conduct.vm http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees	Magyar Telekom Group's Code of Conduct is a summary of the corporate compliance requirements; this document sets out the common values of the Group and it is also the token of the strong position, reputation and successful future of Telekom. Everyone at Magyar Telekom Group must comply with the Code of Conduct from staff employees to the Board members. In addition to the employees the contracted partners of Magyar Telekom Group are also required to learn and accept these values when registering on the Company's procurement site.		✔
102-17			http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Magyar Telekom Group takes the Code of Conduct and its detailed regulation seriously and considers its enforcement to be among the highest priorities, but it is also acknowledged that it is sometimes difficult to know right from wrong. That's why the employees are encouraged to initiate open communication through an internally available **Ask me!** portal. Complaints and concerns about possible non-compliance with ethics are to be issued through the dedicated **Tell Me!** secure internal employee site.		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
GOVERNANCE						
102-18	7.1 Sustainaibility coordination	55	http://www.telekom.hu/about_us/investor_relations/corporate_governance	The Board of Directors is responsible for the management of the Company, which has the power to act on behalf of the Company vis-à-vis third persons, and represent it in court. The competences of the Board of Directors include decisions on all issues with regard to the management and business activities of the Company that do not fall into the exclusive scope of authority of the General Meeting or any other corporate body pursuant to the Articles or the relevant laws. In accordance with the Company's Articles of Association and the rules of procedure of the Board of Directors, in 2000 the Board of Directors established the Management Committee (MC) with powers to pursue its activities in compliance with the annual business plan. The Supervisory Board (SB) supervises the management of the Company in order to protect its interests. In this role it supervises the governance, management of the company, its finances and controls compliance with the regulations and the Company's Articles of Association. The Audit Committee is a permanent committee, established by the General Meeting from the independent members of the Supervisory Board. The objective of the Committee is to assist the Supervisory Board (1) in supervising the financial report regime, (2) in selecting the statutory auditor (3) in working with the statutory auditor. The Committee acts within its competence as defined in the Hungarian Civil Code, the Articles of Association and the Supervisory Board's Rules of Procedure. Magyar Telekom Telecommunications Public Limited Company's Board of Directors established the Remuneration and Nomination Committee with the objective to support the Company's Board of Directors in matters related to the remuneration of corporate bodies and top managers as well as in certain nomination issues. The reason of merging remuneration and certain nomination tasks into a single committee was to make the Board's personnel decision making process more effective thus ensuring the complex management of the relevant matters.		✔
102-19	7.1 Sustainaibility coordination	55				✔
102-20	7.1 Sustainaibility coordination	55				✔
102-21	Stakeholders 3. Suppliers 5.1 Human rights, equal opportunities 7.1 Sustainability coordination	10 33 43 55				✔
102-22			Annual report 2016 (page nr. 63-64) : http://www.telekom.hu/static-tr/sw/file/HAR_Eves_Jelentes_2016_12_31_Eng.pdf Board of Directors: http://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors, Members of the Board of Directors: https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors/_members_of_the_board_of_directors Management Committee: http://www.telekom.hu/about_us/investor_relations/corporate_governance/management_committee, Remuneration and Nomination Committee: http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation; Self-assessment of the Board of Directors 2016 (page nr. 1,3,5): https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2016_20170308_eng.pdf;	As at December 31, 2016 the Board of Directors had 8 members, with one executive and seven non-executive members. 3 members are considered independent and 5 members are not considered independent. Members of the Board of Directors on December 31, 2016: Kerstin Günther president, CEO of Deutsche Telekom Pan-net, Deutsche Telekom AG; Christopher Mattheisen CEO, Magyar Telekom Plc.; Frank Odzuck CEO, Zwack Unikum Plc. (independent); Dr. Ralph Rentschler, Senior Vice President Finance, Group Headquarters and Group Services, Deutsche Telekom AG; Günter Mossal, Vice President for Area Management, Board Area Europe, Deutsche Telekom AG, György Mosonyi, Chairman of the Supervisory Board, MOL (independent); Dr. Mihály Patai Chairman-CEO of UniCredit Bank Hungary Zrt. (independent); Ralf Nejedl, Senior Vice President B2B, Europe Deutsche Telekom AG. The annual meeting of the Board of Directors has selected new members on its meeting on April 7, 2017. The new membership is represented on our website. http://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors Members of the Management Committee on December 31, 2016. december 31-én: Christopher Mattheisen CEO; Éva Somorjai* CHRO; András Gyenes,** Chief Commercial Officer Residential; Balázs Máthé, Jogi és társasági ügyek vezérigazgató-helyettes; Péter Lakatos, Chief Commercial Officer SMBK; Walter Goldenits,*** Chief Technology and IT Officer; Tibor Rékasi,**** Chief Commercial Officer Enterprise; Chief Financial Officer. * Until December 31, 2016. From May 15, 2017 Zsuzsanna Friedl is CHRO of Magyar Telekom ** Until January 10, 2017. From January 11, 2017, Tibor Rékasi is Chief Commercial Officer Residential *** Until December 31. From April 4, 2017 Dr. Kim Kyllesbech Larsen is Chief Technology and IT Officer **** Until January 10, 2017. From January 11, 2017 Zoltán Kaszás is the temporary Chief Commercial Officer Enterprise Members of the Supervisory Board on December 31, 2016: Dr. László Pap, Chairman of the Supervisory Board, Budapest University of Technology and Economics, Professor emeritus (independent), Dr. János Illéssy, Managing Director, Lebona Kft. (independent), Dr. Sándor Kerekes (independent), Director of Institute of Environmental Sciences, Corvinus University Budapest, Dr. Károly Salamon, General Director, MIS Kft. (independent), Dr. János Bitó, Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty (independent), Konrad Kreuzer, Managing Director, EUTOP Vienna, Budapest, Prague(independent), Martin Meffert, Responsible for Corporate Governance issues of Magyar Telekom, Makedonski Telekom and Slovak Telekom at the Group Headquarters, Deutsche Telekom AG, Sándor Hartai, TU Wholesale Directorate Expert, Member of the Central Workers' Council, Tamás Lichnovszky, Chairman of the Central Workers' Council, Magyar Telekom Plc., Zsoltné Varga, Quality manager, Magyar Telekom, Dr. Konrad Wetzker, Chairman, Corvinus School of Management (independent), Éva Őz, Controlling Manager of Controlling Directorate, Chairwoman of the Workers' Council of Central Functions, Magyar Telekom Plc. Members of the Audit Committee on December 31, 2016: Dr. János Illéssy Chairman of the Audit Committee, Managing Director of Lebona Kft., Dr. László Pap, Budapest University of Technology and Economics, Professor emeritus, Dr. Sándor Kerekes, Director of Institute of Environmental Sciences, Corvinus University, Dr. Károly Salamon, General Director, MIS Kft., Dr. János Bitó, Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty. Members of the Remuneration and Nomination Committe on December 31, 2016: Frank OdzuckChief Executive Officer of Zwack Unicum Plc., Dr. Ralph Rentschler, Financial Director Europe, Deutsche Telekom AG, a Csoport központ es Csoport szolgáltatások penzügyi alelnöke, Kerstin Gunther, Chairman of the Remuneration and Nomination Committee, CEO of Deutsche Telekom Pan-net at Deutsche Telekom AG. Our website showing the constitution of the Remuneration and Nomination Committee shows the actual membership of the committee in accordance with the decisions made on April 21, 2017.		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
102-23			Members of the Board of Directors: https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors/_members_of_the_board_of_directors	The Chief Executive Officer does not fill the position of the Chairman of the Board of Directors.		✔
102-24			Remuneration and Nomination Committee (chapter titled "Powers of the Committee" of the Rules of Procedure): http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation; Articles of Association (chapter titled "Matters within the Exclusive Scope of Authority of the General Meeting"): http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents Election of members of the Board of Directors (Annaul General Meeting, April 12, 2016, page 281): https://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjesztesek_eng.pdf AGM resolutions (April 12, 2016): https://www.telekom.hu/static-tr/sw/file/Resolutions_of_the_AGM_12april2016.pdf Election of members of the Board of Directors (Annaul General Meeting, April 7, 2017, page 294): https://www.telekom.hu/static-tr/sw/file/AGM_2017_combined_file_EN_v04.pdf AGM resolutions (April 7, 2017): https://www.telekom.hu/static-tr/sw/file/20170407_kozgyulesi_hatarozatok_ENG.pdf Annual report 2016 (2.8 Diversity page nr. 67) : https://www.telekom.hu/static-tr/sw/file/HAR_Eves_Jelentes_2016_12_31_Eng.pdf	The current job grading system is transparent and the structure is reflecting the actual value of the particular positions rather than representing a hierarchical model. Each employee is placed in the respective job cathegory on the basis of the responsibility, professional knowledge required by the given position which is taken by the employee. The individual positions are therefore comparable and the entire system is transparent and clear.The Remuneration and Nomination Committee held its Annual General Meeting on April 21, 2016, where the members have agreed on the acceptance and compliance with the following statement: 'In the nomination process diversity and complementary competencies are taken into consideration.' Representatives of the Annual General Meeting held on April 21, 2016 have voted about the new members of the Board of Directors and shareholders could express their oppinions. Representatives of the Annual General Meeting held on April 7, 2016 have elected 3 new members of the Board of Directors and shareholders were invited to express their oppinions.		✔
102-25			Code of Conduct (Article Preventing conflicts of interest) http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents Self-assessment of the Board of Directors 2016 (page nr. 1): https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2016_20170308_eng.pdf; Board of directors (Rules of procedure 19.1) https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors Corporate Governance Report http://www.telekom.hu/static-tr/sw/file/20170407_Corporate_Governance_Report_2016.pdf	Representatives of the Annual General Meeting held on April 21, 2016 have voted about the new members of the Board of Directors and shareholders could express their oppinions. Representatives of the Annual General Meeting held on April 7, 2016 have elected 3 new members of the Board of Directors and shareholders were invited to express their oppinions.		✔
102-26	7.1 Sustainaibility coordination	55				✔
102-27	7.1 Sustainaibility coordination	55				✔
102-28	7.1 Sustainaibility coordination	55		Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. The performance of the top management (Chief Executive Officer, Chief Officers) is incentivized through the Lead to Win motivation system. The incentive system has a short-term incentive (bonus), a long-term, cash-based incentive (LTI) and a long-term, share-based incentive (share benefit program - SBP) element. The Remuneration and Nomination Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation. The Committee Member, independent from the majority owner, shall provide for the representation of the minority owners' interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives' salary is fixed, while 45% is variable pay (bonus). The annual bonus is payable prorated to the evaluated performance of the partly collective, partly individual targets set at the beginning of the year and derived from Magyar Telekom Group's strategic targets. In the case of the collective targets no bonus is payable, if performance is below a certain minimum limit, defined in advance. In case of over-achieving the targets, additional bonus is paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance. The framework of bonus target setting (bonus amount, structure and maximal amount of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines). In addition to the annual target-setting, evaluation and bonus payment used as short term incentive, the Company also lays emphasis on long-term performance stimulation. The first package of the LTI-program - as part of the Lead to Win system - was introduced in 2015 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4 year term Telekom focuses on the increase of sustainable performance. It is the competence of the General Meeting to approve the "Remuneration Guidelines" that sets forth the remuneration principles and components for the top management and the members of corporate bodies. Besides, as part of the Corporate Governance Report, Telekom each year discloses the previous year's remuneration for the top management and corporate bodies in the Remuneration Statement. The conditions of selecting the members of Magyar Telekom's Board of Directors, Supervisory Board and Audit Committee were amended by the Remuneration and Nomination Committee in April 2016: as new elements diversity and the reciprocal supplementation of competences are also taken into account. In order to fulfill the sustainability objectives the responsible middle managers and experts are incentivized directly through the TM system.		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
102-29	7.1 Sustainaibility coordination	55				✔
102-30	7.1 Sustainaibility coordination	55		The potential risk segments concerning the operations of Magyar Telekom are being revisioned on a quarterly basis. All of our subsidiaries, business segments and other corporate bodies are obliged to identify and report on the potential risks of their operations on a quarterly basis. The results of assessment and evaluation of these threats are being forwarded to the Board of Directors and the Audit Committee. In order to enable the immediate release of threats that might effect shareholder decisions we have introduced a supplementary element to the risk management process.Our quarterly risk reporting system has been supplemented by a continuous risk reporting obligation. Thus all subsidiaries and business segments of the company are obliged to immediately report on all relevant, news, facts, changes and threats. All transmitted information is being evaluated by the Risk management area, and in case of identifying new and relevant information and/ or threat, the representative of the area immediately reports them to the Chief Financial Officer. There is an internal regulation in operation that secures and defines the levels of responsibility of employees in relation to risk management.		✔
102-31	7.1 Sustainaibility coordination	55				✔
102-32	7.1 Sustainaibility coordination	55				✔
102-33	7.1 Sustainaibility coordination	55				✔
102-34	1.4 Environmental objectives, costs and compliance 7.1 Sustainability coordination	23 55				✔
102-35			http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation; http://www.telekom.hu/static-tr/sw/file/HAR_Eves_Jelentes_2016_12_31_Eng.pdf http://www.telekom.hu/static-tr/sw/file/20170407_Corporate_Governance_Report_2016.pdf	Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. The performance of the top management (Chief Executive Officer, Chief Officers) is incentivized through the Lead to Win motivation system. The incentive system has a short-term incentive (bonus), a long-term, cash-based incentive (LTI) and a long-term, share-based incentive (share benefit program - SBP) element. The Remuneration and Nomination Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation. The Committee Member, independent from the majority owner, shall provide for the representation of the minority owners' interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives' salary is fixed, while 45% is variable pay (bonus). The annual bonus is payable prorated to the evaluated performance of the partly collective, partly individual targets set at the beginning of the year and derived from Magyar Telekom Group's strategic targets. In the case of the collective targets no bonus is payable, if performance is below a certain minimum limit, defined in advance. In case of over-achieving the targets, additional bonus is paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance. The framework of bonus target setting (bonus amount, structure and maximal amount of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines). In addition to the annual target-setting, evaluation and bonus payment used as short term incentive, the Company also lays emphasis on long-term performance stimulation. The first package of the LTI-program - as part of the Lead to Win system - was introduced in 2015 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4 year term Telekom focuses on the increase of sustainable performance. It is the competence of the General Meeting to approve the "Remuneration Guidelines" that sets forth the remuneration principles and components for the top management and the members of corporate bodies. Besides, as part of the Corporate Governance Report, Telekom each year discloses the previous year's remuneration for the top management and corporate bodies in the Remuneration Statement. The conditions of selecting the members of Magyar Telekom's Board of Directors, Supervisory Board and Audit Committee were amended by the Remuneration and Nomination Committee in April 2016: as new elements diversity and the reciprocal supplementation of competences are also taken into account. In order to fulfill the sustainability objectives the responsible middle managers and experts are incentivized directly through the TM system.		✔
102-36			Remuneration and Nomination Committee: http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation; Corporate Governance and Management Report of Magyar Telekom Plc. (11. Remuneration statement): http://www.telekom.hu/static-tr/sw/file/20170407_Corporate_Governance_Report_2016.pdf	Members of the Committee may request presence of external invitees (e.g. experts) who can attend parts or the entire meeting related to the agenda item.		✔
102-37			Decision on the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee (Annaul General Meeting, April 11, 2014) : http://www.telekom.hu/static-tr/sw/file/8_javadalmazas_19March2014_eng.pdf; AGM resolutions (April 11, 2014): http://www.telekom.hu/static-tr/sw/file/kozgyulesi_hatarozatok_2014AGM_14April2014_eng.pdf; Amendment of the Remuneration Guidelines (Annual general meeting, April 15, 2015): http://www.telekom.hu/static-tr/sw/file/20150324_AGM_submission_Javadalmazasi_iranyelvek_ENG.pdf, AGM resolutions (April 15, 2015): http://www.telekom.hu/static-tr/sw/file/kozgyulesi_hatarozatok_2015AGM_ENG.pdf	The Annual General Meeting, held on April 11, 2014, determined the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee, where stakeholders could express their opinions. The Annual General Meeting, held on April 15, 2015 approved the amendments of the Remuneration Guidelines, where stakeholders could express their opinions. The guidelines of remuneration accepted in 2015 are still in effect in 2016.		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
102-38			Corporate Governance and Management Report of Magyar Telekom Plc. (11. Remuneration statement; 2.7.7 p18.): http://www.telekom.hu/static-tr/sw/file/20170407_Corporate_Governance_Report_2016.pdf	Information disclosed on remuneration of Board of Directors, Supervisory Board, Audit Committee and Management (the members of the Management Committee of the Company) is available in Corporate Governance and Management Report (prepared on the basis of the provisions of the Civil Code and the Corporate Governance Recommendations of the Budapest Stock Exchange (BSE)).		✔
102-39			Corporate Governance and Management Report of Magyar Telekom Plc. (11. Remuneration statement; 2.7.7 p18.): http://www.telekom.hu/static-tr/sw/file/20170407_Corporate_Governance_Report_2016.pdf	Information disclosed on remuneration of Board of Directors, Supervisory Board, Audit Committee and Management (the members of the Management Committee of the Company) is available in Corporate Governance and Management Report (prepared on the basis of the provisions of the Civil Code and the Corporate Governance Recommendations of the Budapest Stock Exchange (BSE)).		✔
STAKEHOLDER ENGAGEMENT						
102-40	Stakeholders	10				✔
102-41	5.1 Human rights, equal opportunities	43				✔
102-42	Stakeholders	10		The report is an information source for all stakeholders, however, the entirety of the report is primarily prepared for Telekom's shareholders and investors, and among them, for the responsible investors and sustainability analysts in the first place. Nevertheless, the Company uses its best efforts to involve all stakeholders and to provide them with information.		✔
102-43	Stakeholders 2.1 Closing the digital divide 2.4 Protecion of our children in the digital age 3. Suppliers 4.1 Customer satisfaction 4.2 Involvement of our customers 5.2 Involvement of our employees 6.2 Our employees as corporate citizens	10 25 29 33 38 40 46 51				✔
102-44	Stakeholders 4.1 Customer satisfaction	10 38				✔
REPORTING PRACTICE						
102-45				The report covers Hungary, Macedonia and Montenegro and all activities of the Group are included. Telekom uses its best efforts to ensure completeness of the report therefore includes all member companies that are of key importance from a sustainability point of view. The data disclosed the report are comparable to the changes of the composition of the Group which is supported by the table in the direct answers to the 102-10 indicator.		✔
102-46	Our approach (Materiality)	5				✔
102-47	Our approach (Materiality) Stakeholders	5 10				✔
102-48	Our approach	5	http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals	In 2016 the Company continued its sustainability operations based on the new 4th 2016-2020 Sustainability Strategy. The current report follows the structure of the prior reports, and the contents are based on the Corporate Sustainability Strategy 2016-2020.		✔
102-49				The contents of the current report have changed in accordance with the 2016-2020 Corporate Sustainability Strategy. Although the content did not change there were minor changes to the structure of the report. 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 indicator table 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.		✔
102-50				All data and information presented in this current report references the year 2016.		✔
102-51			http://www.telekom.hu/about_us/society_and_environment/sustainability_reports http://www.telekom.hu/static-tr/sw/file/Sustainability_report_2015.pdf			✔
102-52			http://www.telekom.hu/about_us/society_and_environment/sustainability_reports	Magyar Telekom releases the sustainability report on an annual basis.		✔
102-53				Should you have any questions or queries on the report, please do not hesitate to write to the following e-mail address: fenntarthatosag@telekom.hu		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
102-54				This report has been prepared in accordance with the GRI Standards: Comprehensive option		✔
102-55	GRI content index	61				✔
102-56	Assurance statement	605		In order to ensure credibility and transparency, the Company continued to rely upon the support of an experienced and respected, external, independent third party. The purpose of the assurance procedure that they conducted is to determine the compliance, authenticity, comprehensiveness, structural integrity, justifiability and verifiability of the Sustainability Report. The report has been audited by PricewaterhouseCoopers Könyvvizsgáló Kft. and they assure the information contained therein to be reliable. The assurance process has been designed and conducted in accordance with the ISAE3000 standard, defined by the International Federation of Accountants. The respective limited assurance engagement report can be found in the 'Assurance Statement' chapter. Data and information audited are indicated by a ✔ symbol in the report and in the GRI content index. Sources of the data included in the report: - The business data are from the Group's year-2016 Annual Report and Quarterly Reports and data collection conducted within the Group. - The data of social nature are collected within the Group partly with the support of an online reporting tool, while the rest was supplied by the affiliates and organizational units. - The environmental protection data are partly from a process-wise transparent, online data provision system, as well as data collection conducted within the Group.		
SPECIFIC STANDARD DISCLOSURES 2016						
GRI 200: ECONOMIC 2016						
GRI 201: ECONOMIC PERFORMANCE 2016						
103- 1 2 3	Our approach (corporate stategy)	5				✔
201-1						✔

CREATING VALUE FOR OUR STAKEHOLDERS

		2013	2014	2015	**2016**	2016	2016	2016	2016	2016
	Produced economic value	Group	Group	Group	**Group**	Hungary	Macedonia	Montenegro	Romania	Bulgaria
	Revenues (total revenue + share from the after-tax profit of the affiliates)	637 521 million HUF	626 442 * million HUF	656 342 million HUF	**602 729 million HUF**	516 068 million HUF	53 333 million HUF	28 616 million HUF	2 982 million HUF	1 730 million HUF
Stakeholder	Distributed economic value									
Suppliers	Operating costs (total revenue-related payments + net other operating costs)	361 368 million HUF	354 573** million HUF	377 409 million HUF	**311 721 million HUF**	271 324 million HUF	23 648 million HUF	13 181 million HUF	2 261 million HUF	1 307 million HUF
Employees	Employee wages and benefits (employee-related costs)	96 691 million HUF	94 750 million HUF	95 160 million HUF	**83 327 million HUF**	71 155 million HUF	7 162 million HUF	4 449 million HUF	273 million HUF	288 million HUF
Investors	Payments to capital investors (dividend pay + net other operating costs)	83 677 million HUF	28 397 million HUF	28 176 million HUF	**42 448 million HUF**	42 444 million HUF	175 million HUF	187 million HUF	9 million HUF	7 million HUF
State	Payments to the state budget (profit tax + crisis tax + telecom tax + utility tax) [17]	45 693 million HUF	53 614 million HUF	46 666 million HUF	**27 128 million HUF**	25 692 million HUF	943 million HUF	462 million HUF	32 million HUF	n.a.
Communities	Community investments (donations, institutional sponsorship, voluntary work, education)	218 million HUF	497 million HUF	348 million HUF	**444 million HUF**	401 million HUF	30 million HUF	13 million HUF	n.a.	n.a.
Overall stakeholders in future	Retained earnings (after-tax profit + depreciation - dividend paid)	81 479 million HUF	132 674 million HUF	145 331 million HUF	**159 066 million HUF**	130 904 million HUF	18 069 million HUF	9 269 million HUF	512 million HUF	312 million HUF

*The data bublished in the 2015 Sustainability Report has been corrected to 626 442 million HUF
** The data published in the 2015 Sustainability Report has been corrected to 354 573 million HUF

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
201-2	1.Climate- and environmental protection 7.1 Sustainability coordination	page number				✔
201-3				The relevant figures are contained in the direct answer to the 201-1 indicator. Any Magyar Telekom employee who joins the association may buy life, pension and health insurance and mutual assistance services through the Dimenzió Health Care Fund. Members of voluntary pension funds receive supplementary financial support from the company.		✔
201-4				**SUBSTANTIAL FINANCIAL SUPPORT FROM THE STATE[18]** 2011 / 2012 / 2013 / 2014 / 2015 / 2016 tax credit utilization: 1628 million HUF / 4946 million HUF / 3011 million HUF / 3323 million HUF / 5493 million HUF / 1877 million HUF film- and sport subsidies: 285 million HUF / 723 million HUF / 409 million HUF / 584 million HUF / 664 million HUF / 395 million HUF tax benefit on wage cost of software developers: 20 million HUF / 20 million HUF / 20 million HUF / 0 / 0 / 0 tax impact of tax base decresing item on donations: 4 million HUF / 8 million HUF / 8 million HUF / 400 000 HUF / 300 000 HUF / 114 000 HUF tax impact of tax base decreasing item on R&D: 48 million HUF / 2 million HUF / 58 million HUF / 0 / 0 / 0		✔
GRI 202: MARKET PRESENCE 2016						
103-1 2 3	Our approach	5				✔
202-1				Magyar Telekom Group Tele always pays at least the minimum wage as required in the relevant legislation and the salary of new entrants is exclusively determined by the value of the advertised position. Magyar Telekom is an equal opportunity employer. The salary brackets are determined on the basis of the actual market benchmark regardless of the gender of the emlpoyees.		✔
202-2	5.1 Human rights, equal opportunities	43				✔
GRI 203: INDIRECT ECONOMIC IMPACTS 2016						
103-1 2 3	Our approach (Corporate strategy) 2.1 Closing the digital divide	5 25				✔
203-1	2.1 Closing the digital divide 6. Social engagement	25 48				✔
203-2	2.1 Closing the digital divide 2.3 Innovation for sustainability 3. Suppliers 6. Social engagement	25 28 33 48				✔
GRI 204: PROCUREMENT PRACTICES 2016						
103-1 2 3	Our approach (Sustainablility strategy) 3. Suppliers	6 33				✔
204-1	3.3 Local proucurement	33				✔
GRI 205: ANTI-CORRUPTION 2016						
103-1 2 3			http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance http://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_31March2011.pdf http://www.telekom.hu/static-tr/sw/file/Anti_corruption_clause_en.pdf http://www.telekom.hu/static-tr/sw/file/corporate_governance_declarations_ICS_eng.pdf	Magyar Telekom does not tolerate intention or transaction on corruption; therefore several internal policies and procedures have been developed to prohibit and prevent bribery (including making facilitation payments). Magyar Telekom intention is to comply with the anti-corruption rules relevant to the Group and it expects its business partners that they will not use money or other consideration paid by Magyar Telekom Group for unlawful purposes, including purposes violating anti-corruption laws, such as make or cause to be made direct or indirect payments to any public official or private person in order to assist Magyar Telekom or anyone acting on its behalf in obtaining or retaining business with, or directing business to, any person, or securing any improper advantage. Telekom prohibits any form of corruption or bribery including but not limited to providing or accepting or promising personal advantage, kick-backs or facilitation payments. The Group also prohibits its employees to make decisions for the employees' benefit or that of the employees' family, friends, associates and acquaintances. No gift or invitation to events can be granted to a third-party where they could affect or be perceived to affect the outcome of a business transaction. The Magyar Telekom Group does not financially or morally support political parties, political organizations or their representatives. Its charitable contribution activities are disclosed on its internet site . Magyar Telekom does not intent to conduct any business with third parties who violate the anti-corruption regulations or the guiding principles of the Compliance Program.		✔
205-1			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Our yearly Compliance Risk Assessment (CRA) addresses active and passive corruption separately. It always includes Magyar Telekom, T-Systems, Makedonski Telekom and Crngorski Telekom. Other subsidiaries may be included on an ad-hoc basis based on inputs coming from compliance investigations. The CRA covers the before mentioned companies entirely (100%).		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
205-2			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	a. number and proportion of the members of management bodies to which the organization's anticorruption policy and processes have been communicated, broken down to regions: 100%, all regions, Magyar Telekom: 7 persons (Management Committee) b. number and proportion of employees to whom the organization's anticorruption policy and processes have been communicated, broken down to employee categories and regions: 100%, all regions c. number and proportion of business partners to which the organization's anticorruption policy and processes have been communicated, broken down to business partner type and region: 100%, Magyar Telekom's current business partners. There was no external communication on this topic. d. number and proportion of management organizations that were trained on anticorruption, broken down to regions: 100%, all regions, Magyar Telekom: 7 persons e. number and proportion of employees who were trained on anticorruption, broken down to employee a category and region: Magyar Telekom Plc.: 1442 persons, in 2016 86% of new entrants completed the course successfully.		✔
205-3				Number of confirmed incidents: 0		✔
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016						
103-1 2 3			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strive to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing our processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations.		✔
206-1				In 2016 no fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes. In 2015 there was one Competition Office proceeding initiated against Telekom, which is still pending.		✔
GRI 300: ENVIRONMENTAL 2016						
GRI 301: MATERIALS 2016						
103-1 2 3	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	6,8 17	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf http://www.telekom.hu/about_us/society_and_environment/environment/management_systems			✔
301-1	Our approach 1.2.5 Paper consumption 1.3.1 Waste 1.3.2 Producer's responsibility	5 21 22 22	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management http://www.t-systems.hu/a-t-systemsrol/iranyelveink/gyartoi-tajekoztato			✔
301-2	1.2.5 Paper consumption 1.3.2 Producer's responsibility 1.3.3 Effects of transport and logistics	21 22 22	http://www.telekom.hu/about_us/society_and_environment https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✔
301-3	1.3.2 Producer's responsibility	22	https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/vendors/information/main.vm http://www.t-systems.hu/a-t-systemsrol/iranyelveink/gyartoi-tajekoztato (only HU) http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)	Magyar Telekom Plc.'s intermediary partner for batteries is ReLEM (http://www.relem.hu/).		✔
GRI 302: ENERGY 2016						
103-1 2 3	Our approach (Sustainability strategy, Environmental policy, Management systems) 1. Climate and environmental protection	6 17	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✔
302-1	1.1. Climate protection and energy efficiency 1.2 Resources management	18 19				✔
302-2	1.1.3 Equipment in customers' premises 1.2.2 Fleet management, fuel consumption	19 19	http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management			✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
302-3	1.1.2 Energy efficiency	19				✔
302-4	1.1. Climate protection and energy efficiency 1.2 Resources management	18	http://www.telekom.hu/about_us/society_and_environment			✔
302-5	1.1.2 Energy efficiency 1.2.1 Electricity consumption	19 19				✔
GRI 303: WATER 2016						
103-1 2 3	Our approach (Environmental policy, Management systems) 1. Climate and environmental protection	5 17	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✔
303-1	1.2.6 Biodiversity (Water consumption)	21				✔
303-2	1.2.6 Biodiversity (Water consumption)	21		Note: the usage of groundwater is only a minor part of the total water consumption, the wells are not located in protected areas therefore we only report quantitative data.		✔
303-3	1.2.6 Biodiversity (Water consumption)	21		There is no water-recycling during our operations.		✔
GRI 304: BIODIVERSITY 2016						
103-1 2 3			http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✔
304-1	1.2.6 Biodiversity (Water consumption)	21	http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/about_us/society_and_environment			✔
304-2	1.2.6 Biodiversity (Water consumption)	21		Our company avoids operations on protected and Natura 2000 areas.		✔
304-3				We do not conduct operations on protected or restored habitats.	Not relevant	✔
304-4				Our operations do not affect habitats of endangered and/or IUCN Red List species.	Not relevant	✔
GRI 305: EMISSIONS 2016						
103-1 2 3	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	5 17	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✔
305-1	1.1. Climate protection and energy efficiency 1.2 Resources management	18 19				✔
305-2	1.1. Climate protection and energy efficiency 1.2 Resources management	18 19		All emissions are location based.		✔
305-3	1.1. Climate protection and energy efficiency 1.1.3 Equipment in customers' premises 1.2.5 Paper consumption	18 19 21				✔
305-4	1.1.2 Energy efficiency 1.1.3 Equipment in customers' premises	19 19		We have conducted the following measurements: Scope 1: g/CO2/km, Scope: 2 Gbit/kWh, energy intensity: GJ/HUF M, Scope 3: we measure the emissions related to CPE energy consumption.		✔
305-5	1.1. Climate protection and energy efficiency 1.2 Resources management	18 19		The quoted emission data refer to Scope 1 and Scope 2 emissions.		✔
305-6				ODS material: Magyar Telekom does not produce, export or import substances that damage the ozone layer. No leakage was detected from air-conditioning equipment. Due to the very low number of occurrences Telekom does not report this item.		✔
305-7	1.3.4 Emissions into the air	23				✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
GRI 306: EFFLUENTS AND WASTE 2016						
103-1 2 3	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	5 17	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✔
306-1	1.2.6 Biodiversity (Water consumption)	21		Magyar Telekom Group only uses potable water for social purposes (we do not use water for technology purposes) therefore the quantity of sewage water output is the same as the potable water consumption		✔
306-2	1.3.1 Waste 1.3.2 Producer's responsibility	22 23				✔
306-3				There was no significant leakage or unsupervised output.		✔
306-4				Magyar Telekom does not import or export or manage hazardous waste.		✔
306-5				Our operations do not directly affect water bodies, water discharges and/or freshwater habitat.		✔
GRI 307: ENVIRONMENTAL COMPLIANCE 2016						
103-1 2 3	Our approach (Environmental policy, Management systems) 1. Climate and environmental protection	5 17	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf http://www.telekom.hu/about_us/society_and_environment/environment/management_systems			✔
307-1	1.4 Environmental objectives, costs and compliance	23		The company has not been sanctioned by the environmental protection authorities.		✔
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016						
103-1 2 3	Our approach (Sustainability strategy) 3. Suppliers	5 33				✔
308-1	3. Suppliers	33	https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm			✔
308-2	3. Suppliers	33		Magyar Telekom has not terminated any contracts with any of its suppliers with reference to negative environmental impacts.		✔
GRI 401: EMPLOYMENT 2016						
103-1 2 3	Our approach (Human resources strategy) 5. Employees	5 42		On January 1st, 2016 there were 11 pending labor law litigations. In 2016 3 more cases were initiated and 6 cases were carried over to 2017.		✔
401-1						✔

FLUFLUCTUATION AT MAGYAR TELEKOM GROUP

	2011 (Plc./group)	2012 (Plc./group)	2013 (Plc./group)	2014 (Plc./group)	2015 (Plc./group)	2016 (Plc./group)
Total fluctuation	9,3%/9,5%	10,6%/8,0%	13,4%/13,5%	16,8%/15,4%	15,0%/13,7%	15,85%/15,63%
Termination initiated by the employee	2,1%/2,8%	3,7%/3,8%	3,9%/3,4%	4,4%/4,7%	5,5%/6,9%	5,00%/7,75%

FLUCTUATION AT MAGYAR TELEKOM GROUP IN 2016

	Magyar Telekom Group	Magyar Telekom Plc.	T-Systems	Makedonski Telekom	Crnogorski Telekom
Total fluctuation	15,63%	15,85%	10,00%	28,37%	0,0%
Termination initiated by the employee	7,75%	5,00%	6,00%	30,81%	0,0%

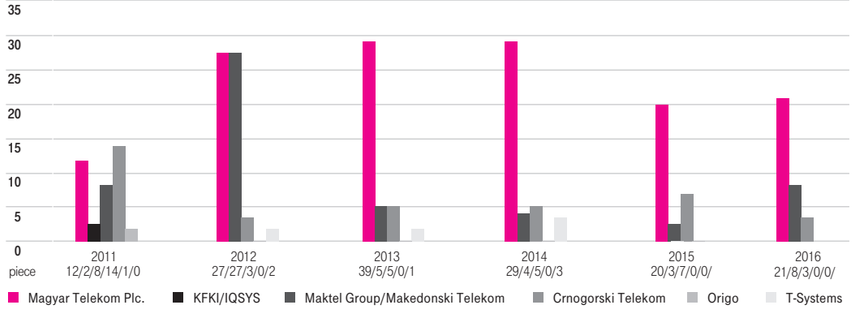
AGE GROUPS AND GENDER DISTRIBUTION OF NEW HIRES AT MAGYAR TELEKOM PLC. IN 2016

Age group	15–25	26–30	31–35	36–40	41–45	46–50	51–55	56+	Total
Male	134	115	67	38	30	24	2	3	413
Female	101	85	32	10	9	4	2	2	245
Total Headcount	235	200	99	48	39	28	4	5	658

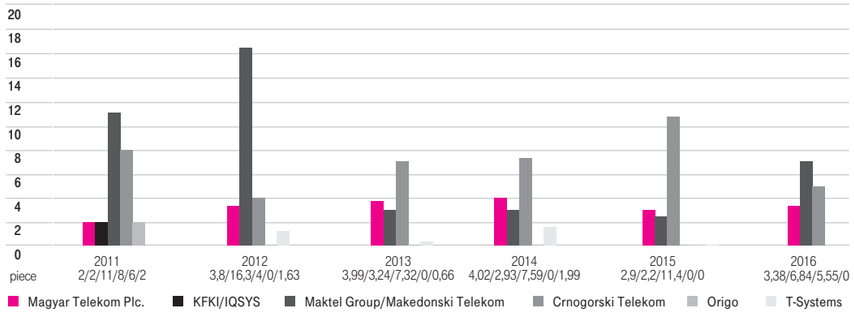
401-2	Our approach (Human resources strategy) 5.1 Human rights, equal opportunities	5 43		The remuneration elements are determined by the position level (job grade) of the given position (base wage, bonus %, cafeteria, etc.).		✔
401-3	5.1 Human rights, equal opportunities	43				✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
GRI 402: LABOR/MANAGEMENT RELATIONS 2016						
103-1 2 3	Our approach (Human resources strategy)	5		Magyar Telekom has long traditions of negotiation with employee representative bodies. Employee representation bodies are treated as partners in the operation of the company. At present two unions and workers council operate at Magyar Telekom, communication with them runs on two levels. Central decisions concerning the whole Company, when the employee representation bodies need to be consulted, are deliberated with the Central Workers Council and the representatives delegated by the trade unions, either in the frame of joint consultation (Interest Reconciliation Council), or separately, depending on the nature of the matter discussed. Central communication is managed both verbally (negotiation) and in writing. The Chief HR Officer and the HR Strategic Director are responsible for central-level communication with the employee representation bodies. Interest enforcement issues concerning a given governance area are also discussed locally with the representatives of the trade unions and the local workers council. The HR Business Partners of the governance area are responsible for communication with the local employee representation bodies.		✔
402-1				Trade union and the workers council (Central Workers Council) must be consulted and their opinion solicited on significant decisions resulting in organizational changes or changes affecting a large group of employees. In organization restructuring decisions the collective bargaining bodies have 7 days to submit their comments, in other cases 15 days. The measure in question may not be implemented during this 15-day period. Trade unions and workers councils (Central Workers Council) must be consulted with regard to draft resolutions, aiming at organizational changes without regard to the number of employees concerned.		✔
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016						
103-1 2 3	Our approach (Human resources strategy)	5	http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees	Magyar Telekom looks at health and safety as a precondition of the success of the company that play an important role in the satisfaction of our employees as well as in the quality of work and corporate culture. That is the reason why the company is committed to operate the Workplace Healthcare and Occupational Safety Management System that ensures the successful fulfillment of the objectives. The results justify Telekom's work, i.e. as a result of the year 2016 audit the Company successfully renewed the MEBIR certification. Magyar Telekom together with all of its national and international subsidiaries have the DECRA Certification OHSAS 18001:2007.		✔
403-1				Workers representation in formal joint mamagenet-worker health and safety committees: a. Depending of the risk category of the respective areas the occupational safety risks - and interests - are weighted. In general the technical areas have the highest representation rate in the weighted structure. b. Magyar Telekom Plc. 1.28 % (80 persons), T-Systems: 1.91% (27 persons).		✔
403-2						✔

WORKPLACE ACCIDENTS AT MAGYAR TELEKOM GROUP



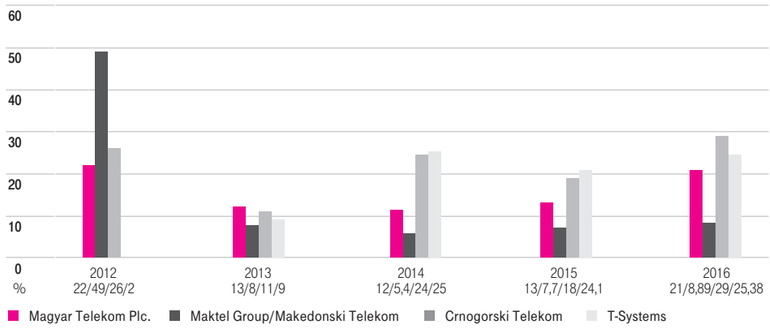
ACCIDENT RATIO FOR ONE THOUSAND EMPLOYEES



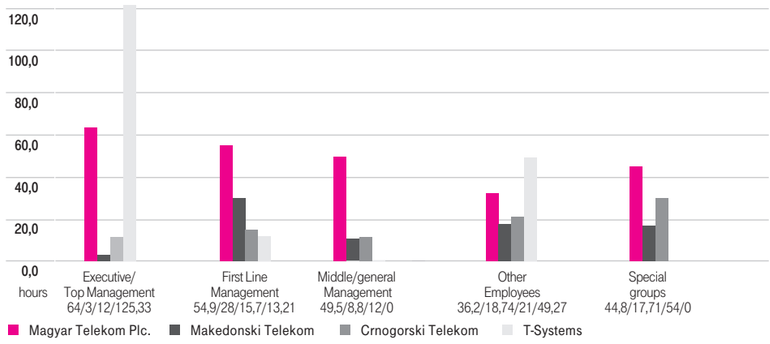
Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
403-2				a. There were no occupational diseases or fatal accidents in 2016. Most frequesnt injuries are bruises and dislocation of limbs. Magyar Telekom Plc.: 43 injuries (5 female, 38 male): 20 cases involved the loss of more than 3 workdays, 1 case involving the loss of 1 to 3 workdays, 22 cases that did not involve loss of workdays, 0 unsubstantiated accidents, i.e. a total of 893 lost workdays. Ditribution of injury types: 36 technical and 7 office injuries. T-Systems: no injuries in 2016. Magyar Telekom does not keep records on injuries of its suppliers. Crnogorski Telekom has registered 3 injuries and a total of 193 lost workdays. b. Injury rate of all workforce: Magyar Telekom Plc.: 1,28% (80 persons), T-Systems: 1,91% (27 persons)		✔
403-3				Prevention and screening examinations are important part of Magyar Telekom's prevention system. Within the frame of the system the Company requires the vaccination of employees who are exposed to thick bites. It is also important that within aptitude tests Telekom performs hearing and eye examinations. The company pays special attention to locomotor screening examinations too. Independently from the activities performed Telekom provides opportunities for heart and cardiovascular examinations as well. The Company elaborates technological processes to avoid electric shock accidents and to ensure the safety of work performed in heights. In the case of business trips abroad - if necessary - the relevant vaccination is determined. rnogorski Telekom continued to apply systematic approach regarding development and implementation of regulations related to occupational health and safety. Within the scope of intensive work to meet the highest standards in this field, the following measures have been implemented in 2016: Employees being engaged on the positions with increased risk undertook medical check-up thus confirming they are able for work. Total number of affected employees: 59. Work safety training for all new employees. 53 TCS colleagues attended the workshops on health and safety which were held in 8 locations throughout the country. That occasion was used to distribute the Procedural order for carrying out work in a safe manner to these employees. In cooperation with the Red Cross of Montenegro, First Aid Trainings continued to be organized during 2016. Total number of employees who are certified to provide first aid is 46. Promoting a healthy lifestyle through the possibility of using the benefit of fitness center within the company Makedonski Telekom and cooperation with foreign sports centers and experts with their knowledge and experience contribute to the proper guidance to employees when choosing physical activities according to the health and physical is prepared employee, available to all employees. (100 % available to all employees. For 77 managers there are special extended health checks available as a benefit to raise awareness and preservation of health. All employees receive an Action Plan through regular notifications for a healthy diet, and natural disasters, and protection from infectious diseases. Special training is available for all employees in Group 3 working in jobs with an increased risk of injury, training for safe working at height and depth. Detailed technical examination of personal protective equipment for working height throughout Macedonia is available for all relevant employees.		✔
403-4				Besides determining the tasks and responsibilities of occupational safety representatives in the Occupational Safety Rules and Regulations, the competences of the Central Works Council also includes participation in measures to provide healthy and safe workplaces and to avoid accidents and occupational diseases. The regulatory function of the Central Works Council (Occupational Safety Rules and Regulations) guarantees that employees may work in a healthy and safe environment and the Council also has the right to express its opinion in such matters. The Occupational Safety Rules and Regulations determines the scope of personal protective equipment, the environment to provide healthy and safe workplaces that also ensures compliance with the effective legislation as well as the MSZ 280001 MEBIR safety standards. I n Cooperation with Trade Union Crnogorski Telekom continued to provide and improve a large scale of employee benefits related to health protection and promotion of healthy life styles: – Voluntary systemic check-ups for all employees – numerous sport and recreation offers for all employees – free of charge medical check-ups for all children of the employees (children up to 14 yrs) – 77 medical check-ups (prevention) for female colleagues – medical check-ups (prevention) for male colleagues Crnogorski Telekom joined this global initiative and launched "Sea Hero" DT mobile game, to contribute to the scientific community in the fight against dementia. This initiative was supported by the Clinical Center, Faculty of Medicine and the Ministry of Health of Montenegro, pointing to the problem of dementia and the importance that this initiative has further research and assist the scientific community in its healing. Both, quality and quantity of extended offers which support healthy lifestyles in 2016, have been highly appreciated by the employees.		✔
GRI 404: TRAINING AND EDUCATION 2016						
103-1 2 3	Our approach (Human resources strategy)	5		Magyar Telekom Group lays much emphasis on constant training, development of its employees and supports the use of the acquired knowledge. Magyar Telekom Group is a decisive organization of Hungary's ICT sector. In this industry it is imperative to know and apply new trends, research results both at employee and managerial levels. The development plans are based on the alignment of the company's strategic objectives and the individuals' development targets.		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
404-1						✔

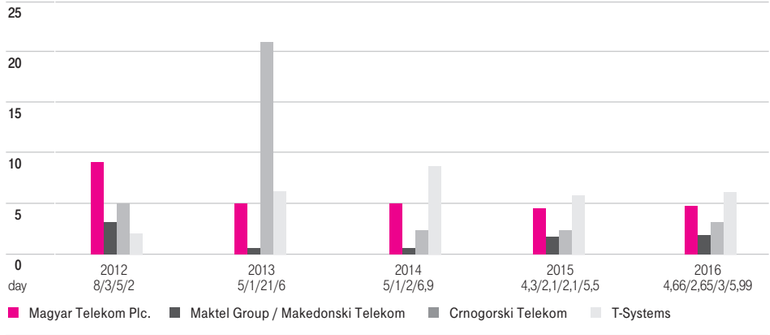
RATIO OF DISTANCE LEARNING AT MAGYAR TELEKOM GROUP



ANNUAL AVERAGE TRAINING HOURS PER CAPITA, BROKEN DOWN TO EMPLOYEE CATEGORIES AT MAGYAR TELEKOM GROUP IN 2016



STUDENT DAYS PER CAPITA AT MAGYAR TELEKOM GROUP



Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
404-2	5.1 Human rights, equal opportunities	43		The company's management has been using its best efforts to devote 1.5-2% of the personnel expenses to the training and development of managers and employees. Telekom has strengthened the internal knowledge sharing system (Knowledge Stock Exchange, Employee Academy). Training plans at business unit level define the direction of development activities, professional training courses, skills and cooperation development programs, management development events and conferences of the given year. Coaching is a key management development and culture forming tool at Magyar Telekom both for individuals and groups. Telekom elaborated the corporate mentoring system with the focus on knowledge sharing and self-development. The company also supports its employees in their studies, pursued in the framework of the state education system by concluding study contracts with them, thus providing financial subsidy and some reduction of working hours. In 2016, Magyar Telekom concluded a total of 118 study contracts. Out of them 15 covered school training, the others were related to training courses or agreements containing mutual commitments. Upon registration the employees involved in downsizing could use the following services: two-day labor market training course in groups, support in active job search, financial support to training and retraining activities to meet labor market requirements, personal psychological and labor law consulting, as well as follow-up activities and monitoring participants' potential placement are also granted.		✔
404-3				In 2016 almost 100% of Magyar Telekom Plc. employees participated in the centrally operated performance management system (TM). The majority of the member companies apply the same TM-KMR system as the parent company does, or run their own performance assessment system to assess the employees' performance and professional development. In the career management (KMR) system not only the employees' professional performance, but also their personal competences and the performance-potential are assessed and the areas of future development are also planned jointly by the relevant manager and the employee. The system does not store information on the gender of employees therefore it is not possible to assess the male - female ratio of the evaluated staff.		✔
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016						
103-1 2 3	Our approach (Human resources strategy) 5.1 Human rights, equal opportunities	5 43				✔
405-1	5.1 Human rights, equal opportunities	43				✔
405-2	5.1 Human rights, equal opportunities	3				✔
GRI 406: NON-DISCRIMINATION 2016						
103-1 2 3	Our approach (Human resources strategy) 5.1 Human rights, equal opportunities	5 43	http://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_31March2011.pdf https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf	Magyar Telekom Group's Code of Conduct is a summary of the corporate compliance requirements; this document sets out the common values of the Group and it is also the token of the strong position, reputation and successful future of Telekom. Everyone at Magyar Telekom Group must comply with the Code of Conduct from staff employees to the Board members. In addition to the employees the contracted partners of Magyar Telekom Group are also required to learn and accept these values when registering on the Company's procurement site.		✔
406-1				In 2016 there were no complaints issued against the company by the Equal Opportunity Authority for Discriminative Practices (EBH). One case concerning the termination of an employment status that was issued in 2015 was examined and rejected by the authority.		✔
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016						
103-1 2 3	Our approach (Human resources strategy) 3. Suppliers 5. Employees	5 33 42	https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf			✔
407-1	3. Suppliers 5.1 Human rights, equal opportunities	33 43				✔
GRI 408: CHILD LABOR 2016						
103-1 2 3	3. Suppliers 5.1 Human rights, equal opportunities	33 43	https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf			✔
408-1	3. Suppliers 5.1 Human rights, equal opportunities	33 43				✔
GRI 409: FORCED OR COMPULSORY LABOR 2016						
103-1 2 3	3. Suppliers 5.1 Human rights, equal opportunities	33 43	https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf			✔
409-1	3. Suppliers 5.1 Human rights, equal opportunities	33 43				✔
GRI 410: SECURITY PRACTICES 2016						
103-1 2 3			http://www.telekom.hu/static-tr/sw/file/Code_of_Ethics.pdf	Security personnel of the company do not receive particular training on human rights procedures, since the thorough knowledge of human rights policies in relation to their professional fields is a mandatory ethical requirement of their employment. As employees of Magyar Telekom they are too obliged to thoroughly comprehend and comply with the contents of Magyar Telekom Group Code of Business Conduct and Ethics.		✔
410-1			http://www.telekom.hu/static-tr/sw/file/Code_of_Ethics.pdf			✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016						
103-1 2 3				In Hungary there is no adequate denotation of the group 'Indigenous Peoples'.	Not relevant	✔
411-1				In Hungary there is no adequate denotation of the group 'Indigenous Peoples'.	Not relevant	✔
GRI 412: HUMAN RIGHTS ASSESSMENT 2016						
103-1 2 3	3. Suppliers 5.1 Human rights, equal opportunities	33 43				✔
412-1	3. Suppliers 4.2. Involvement of our customers 5.1 Human rights, equal opportunities	33 40 43	http://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_31March2011.pdf http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlosegi_Terv_2016_2020_en.pdf			✔
412-2				In 2010 an external, independent party audited the Compliance program and they issued a certificate on Telekom's compliance with the external expectations and the system itself. In 2013 the Company reviewed the program, involving other areas, like the procurement, internal audit, HR, sales area. This audit did not only focus on the system at various areas but also measured the operational effectiveness of the control system as well. We again met the requirements that is certified by Ernst&Young, as an independent external auditor. In 2012 every employee of Magyar Telekom Group had to update their knowledge and accept the Code of Conduct after an online training. In addition, the Company launched online training courses at group-level on anti-corruption and employee conflict of interest for employee target groups selected through risk analysis. The Company provides training for the new entrants appropriated for their positions on an ongoing basis.		✔
412-3	3. Suppliers	33				✔
GRI 413: LOCAL COMMUNITIES 2016						
103-1 2 3	2.1 Closing the digital divide 4.2 Involvement of our customers 5.2 Involvement of our employees	24 40 46				✔
413-1	2.1 Closing the digital divide 4.2 Involvement of our customers 5.2 Involvement of our employees, 5.1 Human rights, equal opportunities	24 40 43 46	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary https://www.facebook.com/LegyelTeisInformatikus/ https://www.facebook.com/DigitalisHid/?fref=ts			✔
413-2			http://www.telekom.hu/about_us/company/telekom-for-digital-hungary	In some cases of network development processes the physical construction of the network might cause inconvenience to residents.		✔
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016						
103-1 2 3	Our approach (Sustainability strategy) 3. Suppliers	5 33				✔
414-1	3. Suppliers	33				✔
414-2	3. Suppliers	33				✔
GRI 415: PUBLIC POLICY 2016						
103-1 2 3				Magyar Telekom Group is involved in shaping public politics indirectly, through its representation organizations, in such a way that the representation organizations, in compliance with the effective regulation, are given the opportunity to comment draft laws and industry-specific strategies. The ministries and authorities supervising the industry pass the relevant regulations to the representation organizations, which synthesize the opinions received from the member companies and submit a summary to the relevant ministries. Such regulation commenting procedures are implemented through e.g. the Telecommunication Reconciliation Council, the Joint Venture Association, the American Chamber of Commerce (AmCham), the German-Hungarian Chamber of Industry and Trade, the Association of IT Enterprises, the Communication Interest Conciliation Council and the Hungarian Energy Traders' Association.		✔
415-1			http://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_31March2011.pdf https://www.telekom.hu/about_us/about_magyar_telekom/principles	The Company has no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2015, which is in full compliance with the detailed stipulations set forth in the Code of Conduct - Paragraph [3.1.1 and 3.1.4]. If it would have done so the operation would have been in full comliance with the relavant international bookkeeping regulations.		✔
GRI 416: CUSTOMER HEALTH AND SAFETY 2016						
103-1 2 3	2.4 Protecion of our children in the digital age 2.6. Safe mobile use, electromagnetic field	29 31	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety	Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called `EMF Policy Recommendations', with special emphasis on transparency, information provision, support of and involvement in research. Magyar Telekom applies the relevant Deutsche Telekom recommendation as mandatory regulation since 2004, T-Mobile Macedonia since March, 2011, and the Management Committee of Crnogorski Telekom adopted the company's EMF regulations aligned to the DT regulations on October 27, 2011. To support preventive action both Magyar Telekom and T-Mobile Macedonia set up dedicated workgroups, which meet quarterly and monitor EMF-related national and international developments and respond to the EMF-related queries of the authorities, residents or employees.		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
416-1				Magyar Telekom did not identify such impacts.		✔
416-2				The number of health and safety incidents regarding products and services, involving disorderly operating equipment or the breach of internal policies were as follows: penalty or fine due to disorderly operation of equipment: 0 warning due to disorderly operation of equipment: 0 internal warning due to disorderly operation of equipment: 0		✔
GRI 417: MARKETING AND LABELING 2016						
103-1 2 3	Our approach (sustainability strategy) 2.2 ICT for sustainability 1.3.2. Producer's responsibility 4.3 Informing our customers	5 23 27 40	http://www.telekom.hu/lakossagi/english http://www.telekom.hu/lakossagi/english/plans/mobile https://www.telekom.hu/lakossagi/english/plans/phone https://www.telekom.hu/uzleti/main http://www.t-systems.hu/home-page http://kibu.hu/ http://www.kalasznet.hu/ (only HU) https://www.telekom.mk/prepaid-en.nspx https://www.telekom.me/	"Magyar Telekom Group is making ongoing efforts to simplify its propositions as much as possible and to make them available to the widest possible scope of customers. We offer detailed information about the services and tariff packages of Magyar Telekom Plc.'s business units, and information about the services of our most important member companies on the listed websites. Customers can inquire about Telekom tariff packages and services or even request modifications 24 hours a day through the consumer customer service call center, which can be called toll free from Telekom's Hungarian mobile network at 1414 or the 1777 (Domino pre-paid center) number. We have made Telekom website more user-friendly, among others by highlighting search keywords and developing the webshop service to enable quick and simple purchase. The services are available on the following website: http://www.telekom.hu/lakossagi/szolgaltatasok/mobil. The integrated servicing of T-Systems customers is provided through the 1400 telephone number and the TS_ugyfelkapcsolat@t-systems.hu e-mail address. Magyar Telekom considers it as high priority to communicate its advertisements to the existing and prospective consumers in compliance with the relevant regulations. We take all measures necessary to ensure that our advertisements deliver our proposals accurately and clearly, excluding any deception. In view of the above, compliance with the consumer protection and GVH (Competition Office) guidelines, and checking regulatory compliance are important requirements of the work processes of producing advertisements is a crucial part of our advertising operations. We convey our proposals to everyone by using the greatest number of communication tools possible and with maximum exploitation of the possibilities offered by the given media. In this way we allow our audience to receive thorough information to be able to make carefuly contemplated and responsible decisions. Telekom New Media operates a call center since its inception, which runs 24 hours a day. Our customer service professionals act in accordance with the customer relationship management manual. Up to this day, no official charges were filed to the relevant authorities. Our customer service handles 80% of the Hungarian television market, including the interactive services of some television programs, and the hotline! system of freemail.hu service, that is operated by Origo Zrt. Based on the service type (upon request) and in accordance with the relevant national rules and regulations, the management of some customer complaint issues is being supplemented with voice recording and data recording. The operation and responsibility of the customer service is extended to the online moderation service for particular clients, where compliance with ethical rules, relevant laws and regulations and customer requirements secure that only controlled messages are being published online.The integrated customer service hotline available for T-Systems clients could be reached by dialing 1400 or by writing to TS_ugyfelkapcsolat@t-systems.hu. Through these channels we are handling customer complaints and service change demands. These are also platforms for all incoming customer notifications that are being forwarded to the areas in charge for further processing and resolution.		✔
417-1	Our approach (sustainability strategy) 1.3.1 Waste 1.3.2 Producer's responsibility	5 22 23		The information related to electromagnetic fields (SAR values) can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.		✔
417-2				The Company did not identify such incidents.		✔
417-3				In 2015 there was one, and in 2016 there were 4 proceedings against Magyar Telekom before the Hungarian Competition Authority (GVH) initiated due to the alleged breach of the relevant rules, none of which have concluded in 2016.		✔
GRI 418: CUSTOMER PRIVACY 2016						
103-1 2 3	2.5. Data Protection	30	http://www.telekom.hu/about_us/data_protection			✔
418-1	2.5. Data Protection	30	http://www.telekom.hu/about_us/data_protection			✔
GRI 419: SOCIOECONOMIC COMPLIANCE 2016						
103-1 2 3			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm	The Management and Board of Magyar Telekom Group are unanimous in their commitment that the Magyar Telekom Group (hereinafter 'Magyar Telekom' or 'Group') will conduct all business activities in accordance with the highest legal and ethical standards. In support of this commitment the Magyar Telekom Corporate Compliance Program ('hereinafter 'Compliance Program') has been developed to create an internal culture where 'Respect and Integrity' is one of the most crucial values. The Compliance Program is enacted at all members companies of the Group where Magyar Telekom has effective control. The Compliance Program applies to all bodies, organizations, directors, officers and employees of the Magyar Telekom Group, as well as to consultants, agents, representatives, and all other persons or bodies who carry out work on behalf of any company within the Group. Additionally, we expect our business partners, suppliers and customers to aid us in this effort by acting in a similarly ethical manner. As such, certain aspects of the Compliance Program, apply not just to Magyar Telekom Group employees, but also to third parties with whom we do business. The Compliance Program has been designed to ensure that the Group conducts its business to the highest standards of awareness, transparency, accountability, commitment, and adherence to applicable laws and regulations. To do so requires the implementation of policies and procedures that address potential compliance risk areas together with identifiable mechanisms for reporting, investigating, monitoring, and correcting cases of suspected or actual non-compliance. The elements of Compliance Program is continuously tailored to the changes in the business sector, location of operation, business circumstances, culture and risks, international best practices. The Compliance Program is reflected in the Code of Conduct which is accepted internally by all employees, and by all suppliers through Magyar Telekom Procurement Intranet site . The Group Compliance Officer is responsible for operation and monitoring the Compliance Programme.		✔
419-1			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strives to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations. In 2016 the National Media and Info-Communications Authority conducted several individual complaint and general/overall market supervision proceedings against the Company. Within the frame of general market supervision proceedings the authority imposed HUF 40 million HUF whereas in the case of subscriber complaints a total of 261.3 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2016 the total amount of fines were HUF 28.9 million. Our clients have used the services of alternative dispute resolution fora, in relation to which there were a total of 373 cases handled with the assistance of the Media and Communicatios Commissioner, and 631 cases in which dispute resolution plenums provided assistance.		✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
GRI TELECOMMUNICATION SECTOR SPECIFIC INDICATORS 2016						
CATEGORY: INTERNAL OPERATIONS						
ASPECT: INVESTMENT						
IO 1.	Letter from the CEO 2.1 Closing the digital divide	3 25				✔
IO 2.			http://www.telekom.hu/about_us/company/telekom-for-digital-hungary, http://www.telekom.hu/lakossagi/szolgaltatasok/mobil/domino-dijcsomagok/hello-holnap-dijcsomagok https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok	In compliance with the Universal Service Obligation Magyar Telekom is aiming to make broadband nternet accessible in all households by the end of 2018. In connection to the same obligation we have also developed the hello holnap! tariff package with reduced prizes vailable for our customers living with dissabilities and to one of their supporters or relatives in order to make their lives easier by providing access.		✔
ASPECT: HEALTH AND SAFETY						
IO 3.	2.6. Safe mobile use, electromagnetic field	31	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)	According to the Company's common practice, at base station antennas are installed in a way that employees normally cannot stay in front of them, they cannot and do not have to work in the relevant zone, and passage ways do not cross the areas in question. If, in extraordinary cases, people must pass or work in front of the antennas - which usually occurs with external contractors' work, e.g. when renovating a building, safety distance data are made available. If necessary, site measuring can be conducted, or in justified cases the antennas can be temporarily relocated or the performance of the transmitter can be reduced. If a Magyar Telekom employee performing work in the vicinity of an antenna detects unidentified signal source, he will use his RADMAN personal radiation detector to determine the boundaries of safe zone and prevent health risk. Compliance with the value limits defined by law for Magyar Telekom mobile network is audited and certified by independent measurement bodies. IIn 2016 there were 13 on-site non-ionization electromagnetic exposure measurements were made, all of which found the emission levels to be under the relevant limits. In the framework of the company's overall education program, new employees are informed about matters concerning electromagnetic fields as part of their mandatory orientation training. The adaptation of the year 2014 amendments of the law regulating industrial climbing was completed in 2015 upon the Work Safety Regulation's entry into force. The applicable law requires the formal education of employees ("OKJ" training) who do not have the relevant educational background. In 2016 the effected employees have started the necessary formal education.		✔
IO 4.	2.6. Safe mobile use, electromagnetic field	31	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)	The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/EC/519 of the European Commission. As a result of the relevant Hungarian decree adopted in August, 2004 (63/2004./VII. 26. - ESzCsM/) on the basis of ICNIRP guidelines, the regulations in Hungary are compliant with the EU regulation on electromagnetic fields.		✔
IO 5.	2.6. Safe mobile use, electromagnetic field	31	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)	The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/EC/519 of the European Commission. As a result of the relevant Hungarian decree adopted in August, 2004 (63/2004./VII. 26. - ESzCsM/) on the basis of ICNIRP guidelines, the regulations in Hungary are compliant with the EU regulation on electromagnetic fields.		✔
IO 6.	2.6. Safe mobile use, electromagnetic field	31	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)	Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called ` EMF Policy Recommendations', with special emphasis on transparency, information provision, support of and involvement in research. Magyar Telekom applies the relevant Deutsche Telekom recommendation as mandatory regulation, T-Mobile Macedonia since 2004 and Crnogorski Telekom since 2011, too. The information related to electromagnetic fields (SAR values) can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.		✔
ASPECT: INFRASTRUCTURE						
IO 7.	1.2.6 Biodiversity	21		The company consults and cooperates with the relevant stakeholders in each and every case when building new base stations. If needed, citizens' forums are held with the participation of all concerned parties in order to reach satisfactory agreement to all concerned parties.		✔
IO 8.	1.2.6 Biodiversity	21				✔
CATEGORY: PROVIDING ACCESS						
ASPECT: ACCESS TO TELECOMMUNICATION PRODUCTS AND SERVICES: BRIDGING THE DIGITAL DIVIDE						
PA 1.	2.1 Closing the digital divide	25	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary			✔
PA 2.	2.1 Closing the digital divide 2.4 Protecion of our children in the digital age	25 29	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary http://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok (only HU)			✔
PA 3.			The General Contract Terms and Conditions are available at: http://www.telekom.hu/rolunk/szolgaltatasok/aszf (only HU)	Magyar Telekom Plc. guarantees its customers rights in connection with service availability and troubleshooting on the basis of the General Contract Terms and Conditions (GTC) available at the customer service points and also in the Internet. In this it declares to fulfill the published quality targets during providing services on the entire service territory, to check this via measurements and to publish the measurement methods. Here, the Company also defines the quality targets for the services provided, meeting of which is continuously measured and made available to everyone on an annual basis. The trouble management for customers is handled along a defined process - in accordance with their rights set out in the GTC, inter alia - after having detected the problem and having filed the trouble at the company. Magyar Telekom, by permanently developing technical solutions, security systems and backup tools, seeks to ensure continuity of the availability of the services, with setting the enhancement of customer experience as an objective.		✔
PA 4.	2.1 Closing the digital divide (Partnership for Digital Hungary) Key operating statistics of Magyar Telekom Group	25 57	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary http://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok (only HU)			✔

Disclosure Number	Chapter in Sustainability Report 2016	Page Number	Website	Direct Answer	Omission	External Assurance
PA 5.	2.1 Closing the digital divide (Partnership for Digital Hungary) Key operating statistics of Magyar Telekom Group	25 57	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary			✔
PA 6.	Our approach (Management systems) 2.2 ICT for sustainability	5 27				✔
ASPECT: ACCESS TO CONTENT						
PA 7.	2.4 Protecion of our children in the digital age	29	http://www.telekom.hu/static-tr/sw/file/etikaikodex_en.pdf	There is an effective service contract and a Code of Ethics in place between the content providers and Magyar Telekom that regulate the terms and conditions of providing services, however, it does not contain provisions on the content.		✔
ASPECT: CUSTOMER RELATIONS						
PA 8.	2.6. Safe mobile use, electromagnetic field	31	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety	As a result of the three mobile operators' cooperation a new website - EMF portal (http://www.emfportal.hu) - was created in 2006 where questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements ordered by the operators from external organizations.		✔
PA 9.	2.6. Safe mobile use, electromagnetic field	31	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety			✔
PA 10.			http://www.telekom.hu/lakossagi/english http://www.telekom.hu/lakossagi/english/plans/mobile https://www.telekom.hu/lakossagi/english/plans/phone https://www.telekom.hu/uzleti/main http://www.t-systems.hu/home-page http://kibu.hu/ http://www.kalasznet.hu/ (only HU) https://www.telekom.mk/prepaid-en.nspx https://www.telekom.me/	Magyar Telekom puts substantial efforts in making its offers be transparent and easily comprehendable and widely accessible. Inquieries about tariffs and services of the company and its subsidiareies, together with detailed information about the operations of all company ranches could be received on the listed links. Customer inquiries about the tariff packages and services of Magyar Telekom could be made 24 hours a day through the residential customer service call center. Postpaid service clients can dial 1414 while prepaid service customers can turn to the service by dialing number 1777.Information about our residential services is also available at https://www.telekom.hu/lakossagi/english. Magyar Telekom considers it top priority to communicate its advertisements to the existing and prospective consumers in compliance with the relevant regulations. We do everything to ensure that our advertisements carry our proposals accurately and clearly, excluding any deception. In line with these preferences all processes of our advertisement production are in compliance with the consumer protection and GVH (Competition Office) guidelines and regulatory rules. We convey our proposals to everyone through all possible communication tools by maximizing our visibility through all channels. Thus we allow the most thorough and detailed information availability to ensure our customer's responsible decision making process is supported with all relevant information. Telekom New Media operates a call center since its inception, which runs 24 hours a day. Our customer service professionals act in accordance with the customer relationship management manual. Up to this day, no official charges were filed to the relevant authorities. Our customer service handles 80% of the Hungarian television market, including the interactive services of some television programs, and the hotline! system of freemail.hu service, that is operated by Origo Zrt. Based on the service type (upon request) and in accordance with the relevant national rules and regulations, the management of some customer complaint issues is being supplemented with voice recording and data recording. The operation and responsibility of the customer service is extended to the online moderation service for particular clients, where compliance with ethical rules, relevant laws and regulations and customer requirements secure that only controlled messages are being published online.The integrated customer service hotline available for T-Systems clients could be reached by dialing 1400 or by writing to TS_ugyfelkapcsolat@t-systems.hu. Through these channels we are handling customer complaints and service change demands. These are also platforms for all incoming customer notifications that are being forwarded to the areas in charge for further processing and resolution.		✔
PA 11.			https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU) https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/fenntarthato_keszulekek (only HU) http://www.t-systems.hu/a-t-systemsrol/iranyelveink/gyartoi-tajekoztato (only HU)			✔
ASPECT: RESOURCE EFFICIENCY						
TA 1.	1.1 Climate protection and energy efficiency 2.2 ICT for sustainability	18 27				✔
TA 2.	1.1 Climate protection and energy efficiency 1.2.2 Fleet management, fuel consumption 1.2.5 Paper consumption 2.2 ICT for sustainability 2.3 Innovation for sustainability	18 19 21 27 28	https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✔
TA 3.	1.2.2 Fleet management, fuel consumption 2.2 ICT for sustainability	19 27	https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✔
TA 4.	1.2.5 Paper consumption 2.2 ICT for sustainability	21 27				✔
TA 5.				Magyar Telekom respects intellectual property and observes the provisions of the relevant law. All software used by Magyar Telekom are procured from lawful sources and are used in accordance with the provisions of law.		✔

COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL COMPACT

On May 6, 2009 the company joined the UN Global Compact initiative and its 10 principles in the areas of human rights, labor, environment and anti-corruption.

The Report complies with the principles set forth by the UN Global Compact, and is also to be considered as Magyar Telekom Group's Communication on Progress Report.

The following table shows the occurrence of information in the report relating to the principles.

GLOBAL COMPACT PRINCIPLES	CHAPTER
1. Support and respect the protection of internationally proclaimed human rights	3, 5.1, 7.3
2. Make sure that they are not complicit in human rights abuses	3, 5.1, 7.3
3. The freedom of association and the effective recognition of the right to collective bargaining	3, 5.1, 7.3
4. The elimination of all forms of forced and compulsory labour	3, 5.1
5. The effective abolition of child labour	3, 5.1
6. The elimination of discrimination in respect of employment and occupation	Our Approach, 3, 5.1
7. Support a precautionary approach to environmental challenges	Our Approach, 1, 3
8. Undertake initiatives to promote greater environmental responsibility	Our Approach, Stakeholders, 1, 2.3, 3, 4.3, 5.2, 6.1, 6.2,
9. Encourage the development and diffusion of environmentally friendly technologies	Our Approach 1, 2.2
10. Work against corruption in all its forms, including extortion and bribery	3, 7.3

LIST OF ABBREVATIONS

Abbreviation	Full name
AD	private company limited by shares Macedonia
ADSL	asymmetric digital subscriber line
AG	Aktiengesellschaft (Company limited by shares)
AOSZ	National Association of autism
BB	broadband
VÜK	Enterprise customer support unit
BCM	Business Continuity Management System
BKK	Budapesti Közlekedési Központ (Centre for Budapest Transport)
BME	Budapest University of Technology and Economics
BSC	BSC Bachelor of Sciences
BTL	Below the line
BTS	base transceiver station
BuBI	Budapest Public Bike System
CC	call center
CDP	Carbon Disclosure Project
CEERIUS	Central and Eastern European Responsible Investment Universe
CEO	chief executive officer
CES	customer effort score
CEMP	Central European Media & Publishing
CER	Certified Emission Reduction
CEX	Customer Experience
CFM	Customer Feedback Management
CO	carbon monoxide
CO_2	carbon dioxide
CHRO	Chief HR officer
CPEx	Customer Profile Exchange
CPE	Customer Premise Equipment
CR	Corporate Responsibility
CRM	customer relationship management
CSR	Corporate Social Responsibility

Abbreviation	Full name
CT	Crnogorski Telekom
CRT	Cathode Ray Tube
DEFRA	Department for Environment, Food & Rural Affairs
DELFIN Award	Award for a Committed, Sustainable, Innovative Generation
DWP	Digital Wellfare Program
DJSI	Dow Jones Sustainability Index
DMA	Disclosure on Management Approach
DNFP	Digital National Development Program
DSL	digital subscriber line
DSLAM	digital subscriber line access multiplexer
DT	Deutsche Telekom
DTAG	Deutsche Telekom Aktiengesellschaft (Company limited by shares)
EBH	Equal Treatment authority
EC	economic performance indicators
EC	European Commission
eDM	electronic direkt marketing
ÉFOÉSZ	Hungarian Association for Persons with Intellectual Disability
EFOTT	University and college students' national tourist meeting
EIR	Energy management system certificate
EMF	electromagnetic fields
EN	environmental performance indicators
UN	United Nations
ESzCsM	Ministry of Health, Welfare and Family Affairs
ETNO	European Telecommunications Network Operators' Association
EU	European Union
FGSM	Fixed Global System for Mobile Communications
Gbit	gigabit (1000 000 000 bits)
FTC	Ferencvárosi Torna Club (a Hungarian football team)
FTSE4GOOD	Financial Times Stock Exchange
FN	Sustainability Day

Abbreviation	Full name
GC	global compact
FINA	International Swimming Federation
GeSI	Global e-Sustainability Initiative
GJ	giga Joule
GHG	Green House Gases (üvegházhatású gázok)
GmbH	Gesellschaft mit beschränkter Haftung
GPON	gigabit passive optical network
GPS	Global Positioning System
GRI	Global Reporting Initiative
GSM	Global System for Mobile Communication
GSMA	GSM Association
GW	Gateway
GWh	gigawatt-hour
HBLF	Hungarian Business Leaders Forum
HCM	Health Care Mobile
hh!	hello holnap!
HSPA	High Speed Packet Access (nagy sebességű csomagletöltési hozzáférés)
HSE	Health, Safety and Environment (Egészség, biztonság és környezetvédelem)
HR	Human Resources
HTE	Scientific Association for ICT Hungary
IAESTE	The International Association for the Exchange of Students for Technical
ICCA	International Customer Contact Analysis
ICCM	integrated customer care modul
ICNIRP	International Commission on Non-Ionising Radiation Protection
ICS	Internal Control System
ICT	information and communication technology
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IO	Internal Operations
iOS	mobile operating system developed and distributed by Apple Inc.

Abbreviation	Full name
IoT	internet of things
IP	internet protocol
IPTV	internet protocol TV
ISDN	integrated services digital network
ISO	International Organization for Standardization
IT	Information technology
IVR	interactive voice response
IVSZ	ICT Association of Hungary
IWF	British Internet Watch Foundation
JAC	Joint Audit Cooperation
KFKI	Central Physical Research Institute
kg	kilogramm
km	kilometer
KIBU	Kitchen Budapest
Kft.	limited liability company
KIR	Environmental management systems
KKV	SMB - small and medium-sized business
KMR	performance management system
KPI	key performance indicators
kWh	kilowatt-hour
kW	kilowatt
LA	labour practices and decent work performance indicators
LED	Light Emitting diode
LTE	long term evolution
LTI	Legyél Te is Informatikus!
M2M	Machine to machine
MakTel	Makedonski Telekomunikacii
Mbps	mega bit per second
MEOSZ	National Federation of Disabled Persons' Associations
MHz	Megahertz

Abbreviation	Full name
MOB	Hungarian Olympic Committee (Magyar Olimpiai Bizottság)
MSAN	multi-service access node
MKT	Makedonski Telekomunikacii
MMS	Multimedia Messaging Service
MSZ	Hungarian Standard
MT	Magyar Telekom
MTA	Hungarian Academy of Sciences
MTE	Association of Hungarian Content Providers
MVGYOSZ	Hungarian Federation of the Blind and Partially Sighted
MWh	megawatt-hour
NAC	network access control
NAV	hungarian Tax Office
NatCo	National Company
NG	next generation
NGO	non-governmental organization
NIOK	Nonprofit Information and education Center
NMHH	(NMIA) National Media and Infocommunication Authority
NOx	nitrogen-oxide
NYSE	New York Stock Exchange
Nyrt.	(Plc.) public limited company
ODP	Smart digital Program (Okosdigitális Program)
OHSAS	Occupational Health and Safety Management System
OSS	open source software
OSSKI	Frédéric Joliot-Curie National Research Institute for Radiobiology and Radiohygiene
PA	providing access
PhD	philosophie doctor
PR	public relations
PR	product responsibility performance indicators
PSTN	public switched telephone network
PSA	Probabilistic Safety Assessment

Abbreviation	Full name
PSU	power supply units
Q4	quarter4
PwC	PricewaterhouseCoopers Könyvvizsgáló Kft.
QR	2 dimensional barcode
SAR	Specific Absorption Rate
SAP	Systems, Analysis and Program Development
SatTV	satellite TV
SIM	subscriber identity module
SME	small and medium enterprieses
SMS	short message service
SO	social performance indicators
SOx	Sulfur oxide
SOHO	Small Office Home Office
SSC	Shared Service Center
SSO	Single Sign On
TA	technology applications
TCG	Telekom Crne Gore/Crnogorski Telekom/Telekom Montenegro
TRI*M Index	a standardized indicator system to explore customer satisfaction and customer loyalty
UN	United Nations
UNEP	United Nations Environmental Programme
UNICEF	United Nations International Children's Emergency Fund
UNDP	United Nations Development Programme
VFK (CSC)	Corporate Sustaibnability Centre
VDSL	Very high bit-rate Digital Subscriber Line
VoCa	voice over cable TV
VoIP	voice over internet protocol
VR	Virtual Reality
WHO	World Health Organization
WWF	World Wide Fund for Nature
Zrt.	cPLC

IMPRESSUM

Magyar Telekom Public Limited Company
Magyar Telekom Group Center: 1013 Budapest, Krisztina krt. 55.
Postal address: 1519 Budapest, Pf. 434
Telefon: + 36 1 458 0000
Internet: www.telekom.hu

Published by:
© Magyar Telekom Plc.
Corporate Sustainability Centre
Budapest, 2016

Officer responsible for edition:
Christopher Mattheisen, CEO

Creative concept and design:
Escript Design

Information on sustainability:
http://www.telekom.hu/about_us/society_and_environment

Corporate Sustainability Centre
Address: 1013 Budapest, Krisztina krt. 55.
Postal address: 1519 Budapest, Pf. 434
e-mail: sustainability@telekom.hu