

A woman with long brown hair tied back, wearing a light blue t-shirt and patterned shorts, is sitting on a mossy concrete ledge. She is holding a smartphone up to take a photo of a vast, scenic landscape. The landscape features a large, calm lake in the foreground, a small town with red-roofed buildings on the far shore, and towering, forested mountains in the background under a clear sky. The scene is bathed in bright, natural light.

SUSTAINABILITY REPORT 2019



EGYÜTT. VELED

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

To increase the transparency of the company's corporate governance practices Magyar Telekom provides several information on **this** website.

Information on annual general meetings and the resolutions adopted at them is available on **this** website.

SUSTAINABILITY COORDINATION

The group-level governance of corporate sustainability operations in 2019 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.

COMPETENCE

determination of main directions, decision on key issues

ensuring the necessary framework and supervision of the activities

making the decisions and resolutions necessary for the operation, ensuring the coordination for the performance of tasks

professional management; harmonized implementation of group level tasks; participation in the Hungarian and international professional activities

implementation of tasks of the management area/organization/member company, information, participation in meetings, data supply, implementation of operative tasks

RESPONSIBLE

Management Committee (MC)

responsible senior manager - Chief Human Resources Officer (CHRO), member of the MC

Group Sustainability Coordination Council (GSCC)

GSCC manager - leader of the HR-VFK

GSCC members

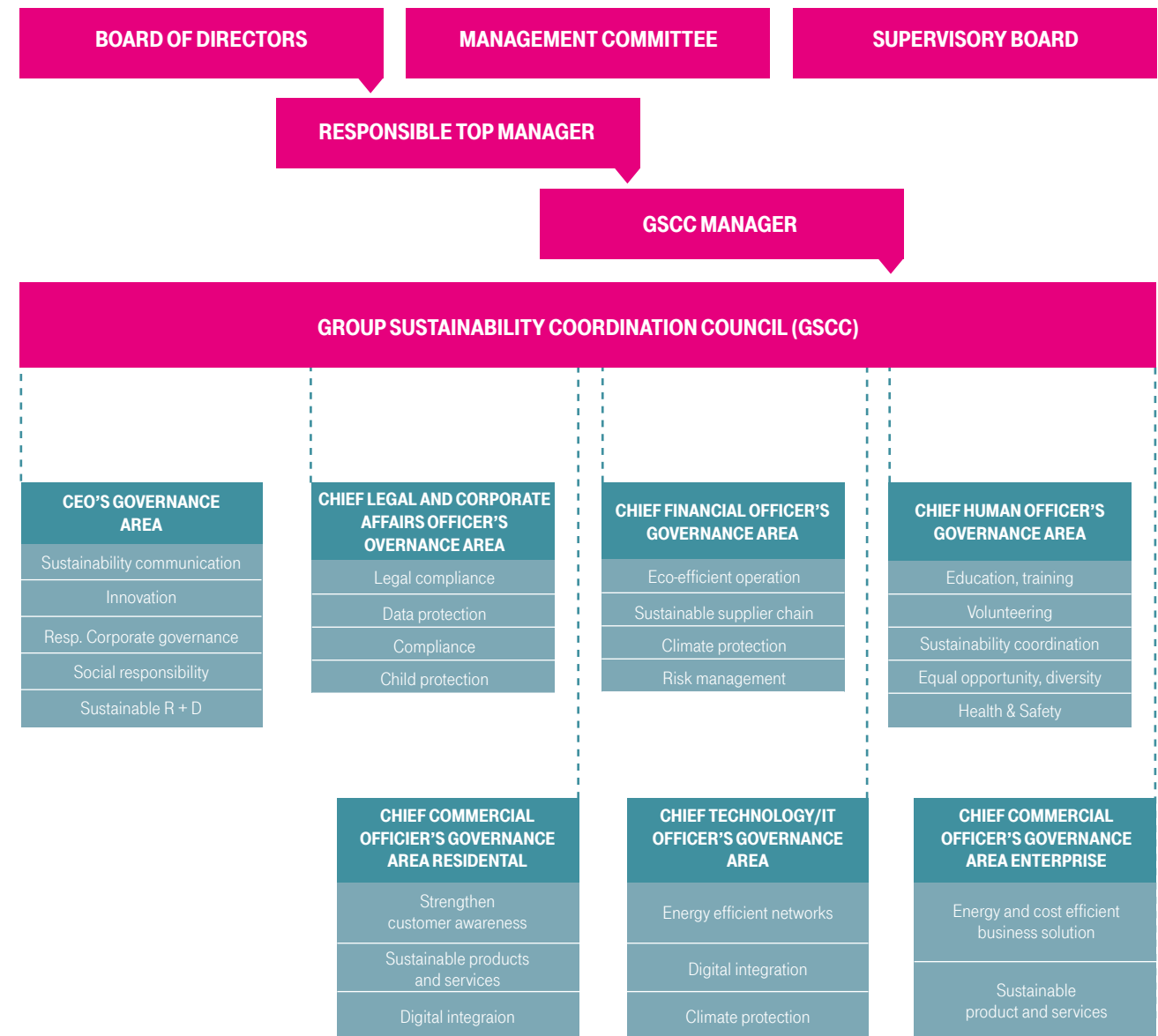
The GSCC's operation is regulated by a group level directive: on the regulation of Magyar Telekom Group's sustainability operation and the responsibilities and competence of stakeholders.

According to the directive the operative leadership of Magyar Telekom Group, the Management Committee¹ (MC) receives annual track report on the Group Sustainability Strategy tasks and related significant sustainability activities, results, potential exposures and opportunities.

The annual track-report allows the MC to be up-to-date about the latest sustainability trends and respond to the stakeholder feedback in the annual report. The Committee may also decide on the amendment of the strategy based on the annual report. 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.

Communication is based on the results of the above activities a key element of which is the annual Sustainability Report. In 2019 professional management of the data collection and editing process of the report was carried out by the Corporate Sustainability Center under the supervision of the Chief Human Resources Officer.

SUSTAINABILITY MANAGEMENT OF MAGYAR TELEKOM IN 2019



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.

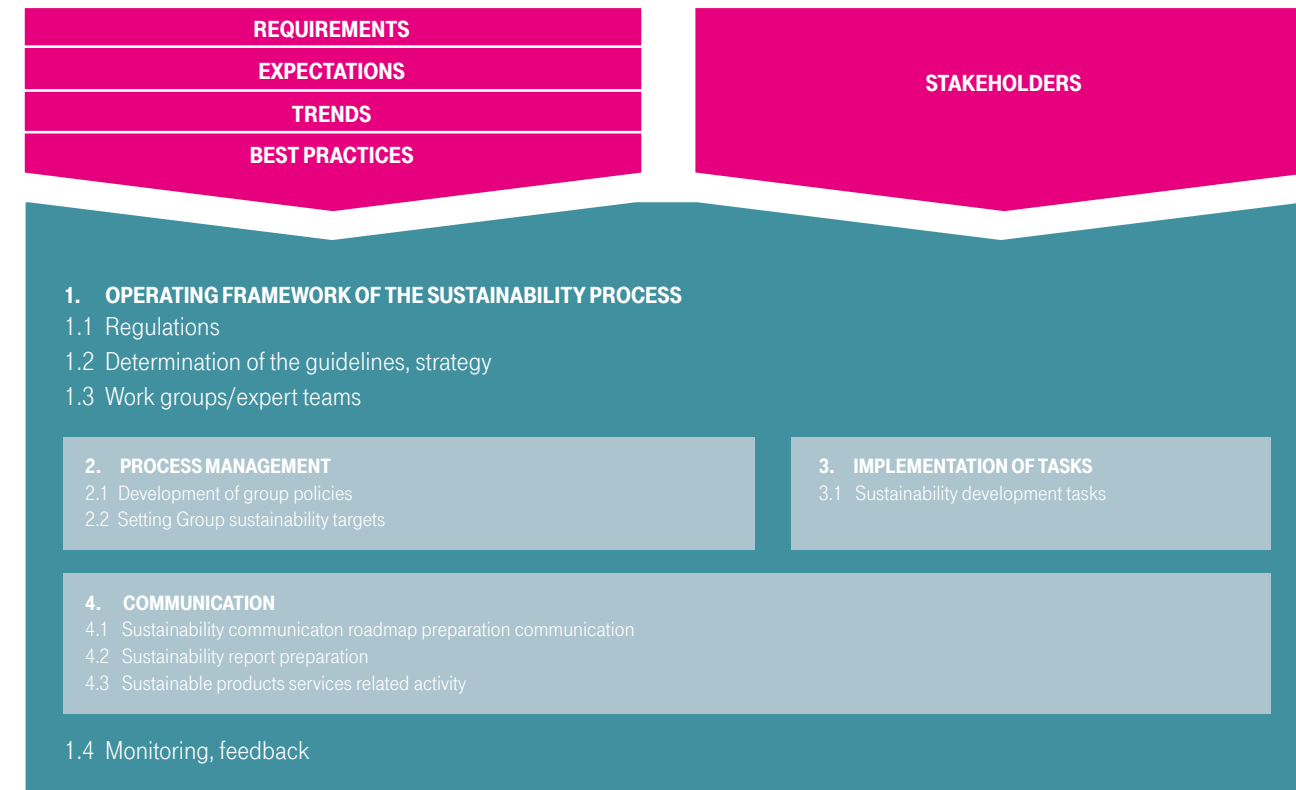
¹ The Management Committee, ceased to exist, as a decision-making body of the Company, with effect from January 01, 2020. The responsibilities and authorities of the Management Committee were reallocated partly to the Board of Directors, partly among the CEO and the other Chief Officers.

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

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



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



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.

RISK MANAGEMENT

It is our **policy** that all disclosures made by us to our shareholders and the investment community be accurate and complete, and fairly present our financial condition and results of operations in all material respects. Such disclosures should be made on a timely basis as required by applicable laws, rules and regulations. To achieve these objectives, we developed and have continuously enhanced our risk management policies.

Our 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, we must ensure that management take business decisions with full understanding of all relevant risks.

In 1999 we 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.

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.

Risk items affecting our operations are reviewed quarterly throughout the Company. All of our 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 our management, to the Board of Directors and to the Audit Committee.

For the sake of prompt disclosure of all risk items influencing investors' decisions, we enhanced our risk management procedures with a new element, we complemented our quarterly risk reporting system with a continuous reporting procedure which requires all of our departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the 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.