

A photograph of two young women sitting outdoors at what appears to be a music festival. The woman in the foreground is holding a smartphone and looking at it, while the woman behind her looks on. They are both wearing festival wristbands. The background is filled with green foliage and out-of-focus festival lights, creating a warm, bokeh effect. A large magenta rectangle is overlaid on the left side of the image, containing the report title and logo.

SUSTAINABILITY REPORT

2018



EGYÜTT. VELED

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LETTER FROM THE CEO

DEAR READER,

It is my privilege that, as the CEO of the company, I can present to you Magyar Telekom Group's Sustainability Report 2018.

Our results show that sustainability based upon the harmonization of economic, environmental and social interests is a profitable operational model, indeed. The measures we have taken for the sake of sustainability in our business are being confirmed by the outstanding ratings we have achieved in terms of international investor assessments and indices. In their report published in April 2018, responsible investor analysts, ISS-oekom ranked Magyar Telekom as the highest performer in its industry considering its dedication to corporate sustainability. We retained our position as member of the London-based FTSE-4Good index family in 2018, too, the assessment relevant to which put the company among the top 10% performers in the sector, while MSCI ESG Research gave us an AA ranking on a scale ranging from CCC to AAA. These results show that we are running a responsible corporate group that is recommended for long-term investment.

In the meantime, our role in the lives of our customers encourages us to renew, transform and innovate. As a major aspect of our evolvement, we moved to a new headquarters building, which is the largest office building in Budapest, where we could start the transformation of our operational processes in an even more focused manner. We believe that by working together in the same building, we can increase our innovative potential, while simultaneously decreasing our work-related emissions. We put the key areas of our corporate operations on an agile platform to ensure that we be able to jump to the next level in all aspects. We establish more flexible, more efficient fast-response units, which transgress from hierarchies towards empowered

cooperative communities in order to serve our clients' needs even better. The only way we can achieve this is by working together in teams, where people can be themselves, regardless of their backgrounds, and where our differences are being built upon, because we believe that innovation springs from diversity.

It is our firm belief that by seizing the opportunities offered by digitalization, we can help people to become true winners of their lives. We are convinced that ICT can link the needs and problems of society with the innovative solutions that address them, thus enabling us to build a better-informed, more ready-to-act society, living a better life. Due to its size, Magyar Telekom is a major social and economic player, thus can have a significant impact on social issues. The scope of our responsibility extends to all those whom we enable by ICT solutions, and we build a corporate structure in which responsibility for the society, for the economy and for the environment are integral to our everyday lives, thus promoting sustainable development and creating opportunities for future generations. It is also our goal to make sure that our social measures and actions generate change. Therefore, we continue to put special emphasis, as we have done so from the beginning, on the communication of our social initiatives and the active involvement of our customers and employees. We also remain committed to supporting the 10 principles laid down in the UN Global Compact in the areas of human rights, the environment and anti-corruption. The progress we make in those areas is addressed by this report.

For the first time, this year, we also report how our current operations and sustainability goals contribute to, as well as pose risks or offer opportunities in terms of the achievement of the UN Sustainable Development Goals (SDG).

According to our expectations major changes are about to come. New megatrends and technologies (IoT, Big Data, AI, 5G) are in the process of transforming the whole industry, at the same time, our local market is about to undergo changes, too. It is one of our key objectives to draw on our adaptability use this ability to make Magyar Telekom and its customers winners of the changes to come.

It is our important decision to keep playing a key role in the digitalization of Hungary and promote this cause, because the opportunities inherent in digitalization can take us closer to resolving the most pressing social, economic and environmental challenges. It is our company's firm belief that this is the time to take action to enable everyone to become part of the digital world and to exploit the unlimited potential it offers. It is in that spirit that we work on our integrated services, and take an active role in the areas of digital education and skills development. We continuously develop the Network of Action, set up with the purpose of providing extra-fast internet access, to make it a reliable resource for individuals and communities in achieving their goals.

As a result of the intensive network development of the past years, Telekom's network today provides more than 3.5 million fixed-line access points providing at least 30 Mbps speeds. One million of those lines provide gigabit speeds on fiber. The benefits of fiber-optic networks are available not only within the city limits, but at more than 300 settlements with populations less than 5000, and close to half of those settlements have less than 1000 inhabitants. But it is not only those living in areas covered by fiber-optics that can enjoy the benefits of faster fixed-line access: one out of two Telekom access points offer at least 100 Mbps speeds. It is Magyar Telekom's long-term goal to provide gigabit networks everywhere in the whole territory of the country. Therefore, the company will put extra emphasis on further increasing its fiber coverage in the following years, gradually phasing out its copper network.

We have managed to maintain the excellent quality of our mobile network, which is outstanding in international comparison, too, because we view network excellence as one of our most important assets. Based on the measurements conducted by independent consultants, P3, Magyar Telekom's mobile network has achieved the best overall score ("Best in test" 2018/8) among Hungary's mobile operators for the third time in the area of voice and data services. The outdoor residential coverage of our 4G network exceeds 99%, and indoor residential coverage is close to 89%. Our 4G+ mobile internet network, offering 2-300 Mbps nominal speeds is already available at 190 settlements in Hungary, for approximately 35-40% of the population.

We are conducting advanced tests about the next, 5th generation of mobile technology, too: in July 2018, we were the first in Hungary to demonstrate a real-time 5G network; in January, we launched Hungary's first standard 5G test station at downtown

Zalaegerszeg; at the same time, we started to roll out a 5G test network with T-Systems at Zalaegerszeg, at the vehicle test field implemented there.

We are at half-time with implementing our Sustainability Strategy launched in 2016. Our services were provided to our customers through carbon-neutral operations in 2018, too. Being a responsible company, we are convinced that climate protection, digital sustainability and education are the foci by which we can make sustainability part of our business. As a result of our network development efforts, we now have a much more reliable platform to help us achieve the ambitious goal of our educational activity. By 2020, we want to have contributed to the education of one million people in order to enable them to become winners in their lives by living in a more conscious, more sustainable and smarter manner. Since the launch of the strategy in 2016, we have put in close to 37 000 hours of volunteer work aimed at supporting digital sustainability, thus generating value for the society equivalent to HUF 157 million.

We firmly believe that sustainability comes from conscious decisions and actions based on them.

We would like to enable our customers who think like us, and consider the fight against climate change important to choose services that contribute to climate protection. That is why in 2019, we developed our globally unique ExtraNet Green 1 GB option, by which we guarantee that we generate the same amount of energy by our own solar panels as the amount used for the respective data transmission.

We also stepped up to the next level in terms of our climate protection commitment, when we announced, being the first large enterprise in Hungary to do so, our long-term emissions decrease undertaking, covering the years through 2030, towards the global Science Based Target Initiative (SBTi).

I became CEO of Magyar Telekom in 2018. I am convinced that by openness, flexibility and readiness to take action, we can pave the way for the changes ahead of us. At the same time, I am also certain that our market excellence and authenticity can best be demonstrated by us taking part in the fight against the greatest global threat posed by this day and age, while also taking a responsible approach in facing local social challenges.



TIBOR RÉKASI
Chief Executive Officer

SUSTAINABILITY APPROACH

Since 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

- Business venture, integrity, transparency
- Vision, innovation
- Employees, team, dynamism
- Client

Social dimension

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

Environmental dimension

- The Earth
- A viable and wholesome environment
- Nature, biological diversity
- Natural resource

CORPORATE STRATEGY

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 2018, we successfully improved customer retention and delivered strong volume figures. We built a world class 4G mobile network and preparing to roll out 5G while massively improving our fixed line optical coverage in the coming 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.

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

SUSTAINABILITY STRATEGY 2016–2020 ALIGNED WITH UN SUSTAINABLE DEVELOPMENT GOALS

We are convinced that our services and digitalization improve the quality of life and increase economic efficiency. By providing the required level of broadband access, we help the progress of the entire society and individuals alike. We firmly believe that by bridging the digital divide, we can contribute to new, significant innovations that can provide simple and tangible answers to the most urgent social and environmental problems of our times. By digital education, we make everyone a member of Generation NOW, regardless of one's age, from the youth already safely navigating cyberspace to the digital immigrant elderly. Being a responsible player of the industry, we can envision our operations only along a sustainable social, economic and environmental framework. Therefore, we work in a way and with the aim to exploit our business and sustainability potential simultaneously.

The slogan of Magyar Telekom Group's 5-year Sustainability Strategy from 2016 through 2020 is "Be Smarter", i.e. be more sustainable, more conscious, more responsible and better qualified through exploiting the opportunities offered by digitalization. In line with our responsibilities to society, in 2018, we included a Corporate Diversity and Inclusion Concept in our Sustainability Strategy, thus promoting the achievement of the complex sustainability priorities set forth by the UN Sustainable Development Goals (SDG) by seizing the opportunity to create an open and inclusive workplace for every employee.

As early as in 2016, we already elaborated our strategy in the spirit of promoting the achievement of the SDGs, and we have monitored our progress on an annual basis since then. We explored, in the framework of an impact analysis, which key

goals we can promote to the greatest extent in light of our activities that also create business opportunities for us.

Due to the nature of our core business, our main focus is on **SDG 9: Industry, innovation, infrastructure**. By striving to be an active player and enabler in Hungary's digitalization, we exploit the opportunities offered by digitalization that bring us closer to finding the answers to the most urgent social, economic and environmental challenges.

The main objective of our Sustainability Strategy is to make sustainability a part of business. The foci identified by the strategy encompassing the years through 2020 are as follows:

Climate protection

In addition to generating revenue from our climate protection activities, our goal is to bring Magyar Telekom Group's actual CO₂ emissions down to below 100 000 tons. During the three years of carbon-neutral operations since the launch of the Strategy in 2016, we have neutralized more than 300 000 tons of CO₂ emissions, which is approximately the equivalent of the emissions generated by the city of Szolnok.

Therefore, we identified **SDG 13: Climate action** and **SDG 7: Affordable and clean energy** as high-priority goals.

We have significantly decreased our climate change effect by having completed our fourth carbon-neutral year in 2018, and by having carbon-neutralized not only our own operations, but also our Magenta 1 and Magenta 1 Business services in the whole service chain, thus involving our customers in our climate protection efforts, too. Our success in that was partly due to the fact that we provided 100% of the electric power supply for all of our affiliates in Hungary from renewing sources.



We also involved our employees in our climate protection efforts: as part of our community solar panel project, we invited colleagues to adopt 100 solar panels, all of which were taken for 2018 within only 2 workdays at the end of 2017, and for 2019 in only 18 hours at the end of 2018. The solar panels thus adopted generated 33.3 MWhs of clean energy in 2018.

We also track the CO₂ emissions of our suppliers, which is a necessary factor in laying down our CO₂ emissions decrease plan for the period through 2030, which is also the first such corporate plan to be endorsed by the Science Based Targets initiative (SBTi) in Hungary.

Education

Our goal is to make people better educated, more digital, more conscious and more responsible. We increased our target set for 2020 from 100 000 to 1 million people reached, which we already exceeded in 2018.

The respective goal is **SDG 4: Quality education**.

We organized our Sustainability Day festival conference, which addresses the most urgent sustainability issues each year, for the 11th time in 2018. The theme was to be ELEVEN (also meaning “lively” in Hungarian). The event was attended by more than 6000 visitors last year, and by a total of twenty thousand since 2016.

Escalating the “Choose an IT career!” Program, in 2018, Telekom and T-Systems launched a game called “Be a creative mind!” aimed at high-school students, which popularizes not only IT specifically, but the educational potential of digital devices in general. The volunteers of the company have reached more than 28 000 students through the “Choose an IT career!” Program since its launch in 2016.

In the framework of the volunteer day event organized at various locations across the country, the volunteers held interactive presentations, relying upon the company’s collective knowledge, as well as the employees’ expertise and experience, for 2000 pupils aged 10-14 at 13 schools about four topics: social media and personal brand, internet security, IT career orientation and future jobs.

We are also committed to supporting kids’ and their parents’ safe internet content use. We strive to help children and parents alike to get prepared for the threats posed by the use of digital interfaces through providing verified content, advice and education aimed at kids, as well as smart watches designed specifically to protect kids.

Digitally enabled digitalization

We set the goal to achieve 50% awareness of Telekom as a sustainable brand. It is our objective to ensure that our customers, too, use our sustainable digital services. For that, we strive to demonstrate and pursue activities that enable and inspire others, as well as rely upon sharing.

By that, we promote the achievement of **SDG12: Responsible consumption and production**.

Our “hello holnap!” mobile app has exceeded 20 000 downloads. Its purpose is to inspire people to get involved in sustainability activities, to give tips that promote a conscious mindset, and not only to generate value through the activities themselves, but also to credit points to those completing the activities that Telekom converts into money to be donated to the NGOs of the participants’ choice. Users of the app collected thousands of points, and thus donated 3.5 million in 2018, and a total of close to 5 million.

As part of the volunteer day organized at several locations across the country, besides delivering digital courses, our colleagues also undertook traditional types of volunteer work. In course of the year, Magyar Telekom’s 1059 volunteers put in a total of 11 988 volunteer hours. That is the equivalent of one person doing 24 hours of volunteer work a day for close to 1.5 years. By that, we generated a theoretical donation value of HUF 42 million for the society in 2018, and a total of 157 million since the launch of the Strategy.

We incorporated the analysis of sustainability aspects into our product development processes, thus achieved that by 2018, 35% of our sales came from products and services deemed promoting sustainability.

Diversity

Our goal is to create a diverse and inclusive corporate culture. We consider the innovative potential of our teams consisting of different people representing different skills as an asset, and it is an important objective of ours to be an inspiring, safe and open workplace for everyone.

We consider **SDG5: Gender equality** as a top priority.

We conducted an anonymous survey regarding the diversity and equal opportunity status of the company. The feedback and recommendations received served as one of the main pillars of our Diversity Concept, which puts emphasis on establishing

an anti-discriminatory, safe space, ensuring equal opportunity for vulnerable groups of employees and on the importance of assuming joint responsibility for maintaining the above. It was also in course of this process that we realized that in order to create a corporate culture free of discrimination, first we need to become aware of our unconscious biases. Therefore, we became the first in Hungary to develop our own training material aimed at increasing awareness about unconscious bias in Hungarian and adapted to local cultural conditions, which we made available for our employees in the spring of 2019.

We also consider the increase of the ratio of women in executive positions important. Therefore, we work, as part of Deutsche Telekom Group, to achieve a ratio of at least 30% by 2020.

We are aware that one way to do so is to develop an equal opportunity-based nomination process, parallel to which we

must also ensure that life events specific to women (child birth or times when they have to care for someone else) do not undermine their career opportunities.

In 2018, we launched a human rights course, in the spirit of compliance with the Code of Human Rights and Social Principles, aimed at our employees and partners working closely with us, which close to ten thousand of them completed by September 2018. The human rights course became mandatory from October 2018 at Magyar Telekom.

In each chapter of the Sustainability Report, we indicate which SDG the specific chapter is relevant to, and for the first time this year, we also compiled a **separate report** that includes which goals we consider as priorities along our activities, and how we contribute to the achievement of specific targets.



ZSUZSANNA FRIEDL

Chief HR Officer,
executive in charge of sustainability



KATALIN SZOMOLÁNYI

Head of the Corporate Sustainability Center

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, FTSE Russell, Sustainalytics, Robeco SAM) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector.

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 2018 report we took into account the results of the stakeholder survey 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 2018

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

partly in the GRI table of contents whereas 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.

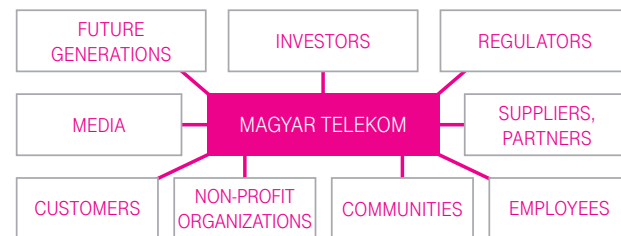
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STAKEHOLDERS

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 maintains 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 2018, we organized the 19th Sustainability Roundtable hosting an open discussion platform for a better insight about the sustainability 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 present 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.

In the course of the roundtable discussions participants received a wrapup of our sustainability strategy, goals and results, and in the second part of the event, our guests – Dr. Juhos Andrea (Managing Partner Lee Hecht Harrison Hungary), Friedl Zsuzsanna (CHRO Magyar Telekom Plc.), Mautner Zsófia (gastro blogger, Chili és Vanília blog), Sterczér Hilda (mountain climber, wall climbing trainer) and Szentesi Éva (writer, anti-cancer activist, Senior Fellow WMN.hu) – joined in a discussion about the challenges of lives and careers of women from diverse perspectives. The presentations are available [here](#).

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 aiming 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 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,
- which global Sustainable Development Goals (SDGs) should Magyar Telekom consider as priorities, based on its activities.

The latest survey, conducted in December 2018, shows that most of our stakeholders consider climate protection, energy efficiency, protecting children in the digital world and customer satisfaction as priorities. In the areas of ICT-relevant scientific achievements, they underlined the importance of climate protection and innovation, which we address in our report in separate subchapters. As to risks and opportunities, the responders mentioned climate protection, information security and circular economy. Our stakeholders found that Telekom can mainly contribute to the achievement of SDG4: Quality Education, SDG8: Decent Work and Economic Growth and SDG12: Responsible Consumption and Production.

TOPICS EVALUATED BY THE STAKEHOLDER GROUPS AND THEIR IMPORTANCE

	Employee	NGO	Supplier, partner	Regulator	Customer	Local community	Future generation	Investor	Average
Climate protection and energy efficiency	3,65	3,31	3,20	3,20	2,93	2,65	2,62	2,67	3,03
Protection of minors in the Digital Age	3,53	3,46	3,17	3,20	2,85	2,59	2,51	2,43	2,97
Customer satisfaction	3,60	3,22	3,33	2,87	2,85	2,57	2,48	2,64	2,94
Environmental targets, costs and compliance	3,49	3,21	3,11	3,20	2,78	2,51	2,52	2,49	2,91
Management of customer complaints	3,42	3,23	3,26	2,87	2,77	2,53	2,49	2,49	2,88
Corporate governance	3,65	3,27	3,26	1,93	2,88	2,64	2,63	2,70	2,87
Resource consumption	3,44	3,15	2,90	3,20	2,70	2,55	2,62	2,31	2,86
Data protection	3,30	3,36	3,20	2,87	2,68	2,58	2,32	2,26	2,82
Human rights, equal opportunities	3,26	3,43	3,13	2,53	2,70	2,46	2,56	2,43	2,81
Emissions	3,44	3,12	2,77	3,20	2,68	2,36	2,39	2,46	2,80
Sustainability in the supplier chain	3,44	2,65	2,94	2,87	2,75	2,52	2,41	2,71	2,79
Informing our customers	3,21	3,22	3,04	3,20	2,61	2,42	2,35	2,23	2,78
Cooperation in environmental and social issues	3,20	3,31	3,02	2,87	2,55	2,48	2,37	2,20	2,75
Occupational health and safety	3,49	3,07	2,92	2,53	2,66	2,54	2,32	2,46	2,75
Innovation for sustainability	3,29	3,15	3,01	2,53	2,68	2,53	2,46	2,30	2,74
Involvement of our employees	3,30	3,01	3,05	2,87	2,63	2,31	2,38	2,26	2,72
Corporate compliance	3,12	2,78	2,70	2,93	2,55	2,33	2,11	2,47	2,62
Supplier relations	3,09	2,96	3,04	2,53	2,51	2,31	2,19	2,34	2,62
Local procurement	3,07	2,79	2,77	2,87	2,46	2,32	2,31	2,36	2,62
Service availability	2,84	3,02	3,18	2,87	2,43	2,33	2,01	2,11	2,60
Initiatives to eliminate the digital divide	3,24	2,84	2,89	2,53	2,58	2,38	2,27	2,04	2,60
Addressing legal and ethical aspects of content service providing	2,82	3,19	2,98	2,87	2,27	2,38	2,12	1,80	2,55
Regulatory compliance	2,96	2,85	2,86	2,93	2,47	2,37	2,09	1,89	2,55
ICT for sustainability	2,89	2,90	2,71	2,87	2,39	2,31	2,13	2,03	2,53
Risk management	3,07	2,86	2,80	2,27	2,44	2,32	2,23	2,14	2,52
Managing changes	2,98	2,63	2,74	2,53	2,50	2,14	2,27	2,29	2,51
Suppliers' Award	2,84	2,75	2,96	2,87	2,34	2,21	2,09	2,00	2,51
Safe use of mobile phones, electromagnetic fields	2,96	3,18	2,75	2,53	2,35	2,27	1,93	1,87	2,48
Our employees as corporate citizens	2,97	3,21	2,95	1,93	2,42	1,99	2,00	2,29	2,47
Talent management	2,98	2,55	2,60	2,87	2,38	2,12	2,24	2,01	2,47
Professional cooperation	3,01	3,33	2,70	1,87	2,46	2,06	2,09	2,03	2,44
Involvement of our customers	2,70	2,60	2,36	2,87	2,17	1,78	2,08	2,09	2,33
Donation	2,76	3,02	2,52	2,20	2,26	1,84	1,91	2,04	2,32
Investor relation	2,73	2,71	2,27	2,53	2,24	1,82	1,83	2,06	2,27
Sponsorship	2,13	2,69	1,99	2,20	1,79	1,54	1,57	1,59	1,94
Political presence	1,33	1,52	1,27	2,00	1,11	0,99	1,13	1,03	1,30

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

Successful operations necessitate strong stakeholder relations. 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, hello holnap! mobile application
- Employees – community solar project pilot, corporate diversity culture survey, hello holnap! points
- Regulators – conformity, regulatory relations
- Local communities – Telekom Voluntary Day, Autistic Art strategic partnership, Telekom Community Gardens
- Non-profit organizations – sustainability panel discussions, Sustainability Day
- Suppliers – sustainable supplier chain, Magyar Telekom TOP3 sustainable supplier award
- Media – Sustainability Media Club, Sustainability Press Award
- Future generations – Become an IT expert!, sustainable innovation

FREQUENCY OF THE INVOLVEMENT OF OUR STAKEHOLDERS AND KEY EVENTS IN 2018

CUSTOMERS

Within the frame of the Omnibus 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 752 persons in the survey.

The hello holnap! mobile application was downloaded more than 19,000 times by the end of 2018. Users may collect points through the application that can be exchanged into money then donated to non-profit organizations available in the application. In 2018 users collected thousands of points and donated HUF 3.5 million to the beneficiaries.

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. Our revenue from sustainable products and services is increasing year by year. By 2018, the revenue from these products has reached a 35.6% ratio.

On November 27, 2018 T-Systems Hungary Symposium was organized for the seventh 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 2018 the motto of Symposium was “Human dimensions, technological distances” to showcase the digital future, what social, cultural, business and economic effects it brings and what does this mean technologically.

In 2017, for the first time on the second day of T-Systems Symposium, we opened the gates for the students as the digital future is already being built together. In addition to the innovations in the field of entertainment, the university students were able to listen to exciting presentations and a roundtable conversation.

SHAREHOLDERS

The Chief Executive Officer and the Chief Financial Officer presented quarterly results to the representatives of investors four times during 2018 (21/22 February 2018: Release of fourth quarter 2017 results; 8/9 May 2018: Release of first quarter 2018 results; 7/8 August 2018: Release of first half 2018 results; 7/8 November 2018: Release of third quarter 2018 results).

On 10 April 2018 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 2017, and decided on the use of the profit after tax earned in 2017.

In 2017 we participated at several investor conferences and roadshows around the world, the most significant were:

- 20 March 2018: PKO CEE Capital Markets Conference – London
- 21 March 2018: Citi European & Emerging Markets Telecoms Conference – London
- 3 April 2018: Concorde investor Meetup – Budapest
- 9-10 October 2018: Erste Group CEE investor conference – Stegersbach
- 12-13 November 2018: European roadshow organized by Raiffeisen – Frankfurt, Tallin, Stockholm
- 3-4 December 2018: US roadshow organized by Citi – New York, Boston

Magyar Telekom's top management and staff from the Investor Relations department spend 10-15 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 100-150 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 'Investor Relations' 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.

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. ISS-oekom responsible investment assessment agency published in April 2018 named Magyar Telekom as the ICT demonstrating the best sustainability performance in its sector. We also remained a member of the FTSE4Good Index in 2018, where the related assessment put the company among the top 10% of the sector. At the same time, we received an AA rating from MSCI ESG Research on their scale ranging from CCC to AAA. 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 CO₂ emissions to the key investors.



FTSE4Good

Corporate
Responsibility

Prime

rated by

oekom research

REGULATION AUTHORITY

In case of industry-specific draft strategies and draft legislations circulated by the lawmaker for public discussion Magyar Telekom harmonizes with authorities mainly by invitation.

Magyar Telekom regularly contributes to 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 and professional opinion on the legislative process. HÉT is the dedicated consultation

partner of the telecommunication industry in respect of the Digital Welfare Program (DJP) – the former Digital National Development Program (DNFP) – launched as a result of the InternetKon national consultation that determined the future of the domestic internet market. 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.

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 2018 Magyar Telekom supported the 33-year old Telekom Vivicitá city run as a naming sponsor. The event was simultaneously held in Budapest, Győr, Miskolc, Szeged and Pécs. More than 30,000 people from 84 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. 1,100 employees – together with their families – took part in the biggest sport event of springtime, with a total of 1,200 race numbers for the city and supported the Autistic Art Foundation. Depending on the distance completed the participants were awarded with hello holnap! points and could collect one extra point only for cheering.

At the end of 2018, employees started to relocate to the new HQ building at Könyves Kálmán körút, so the "It is good to give! Cookie Campaign" organized jointly by Magyar Telekom, T-Systems and the Sustainability Media Club on December 3 was already held at the new location. At 9 locations across the country, close to HUF 1.2 million was collected, which the company donated in 2018 again to our strategic partner, Autistic Art Foundation, and through them, to the cause of helping young people living with autism. Besides the employees, Telekom also involved its customers in the effort to raise donations. Through the #mindenkibelead ("everyone chips in") social campaign running through January 3, and by

using the electronic holidays' greetings postcard service (telekom.hu/karacsony), anyone could donate an additional HUF 200. As a result of the initiative, HUF 7.2 million was collected to support Autistic Art – Mosoly Otthon Foundation.



Volunteer work is an organic part of Magyar Telekom's corporate culture. Our Sustainability Strategy sets the objective of putting in 50 000 volunteer work hours by 2020. In 2018, more than 1000 colleagues put in a total of 11 988 hours, thus generating value for the society in an amount equivalent to HUF 42 million. Digital education is one of the main areas of our volunteer efforts, which interns are also invited to take part in from 2018.

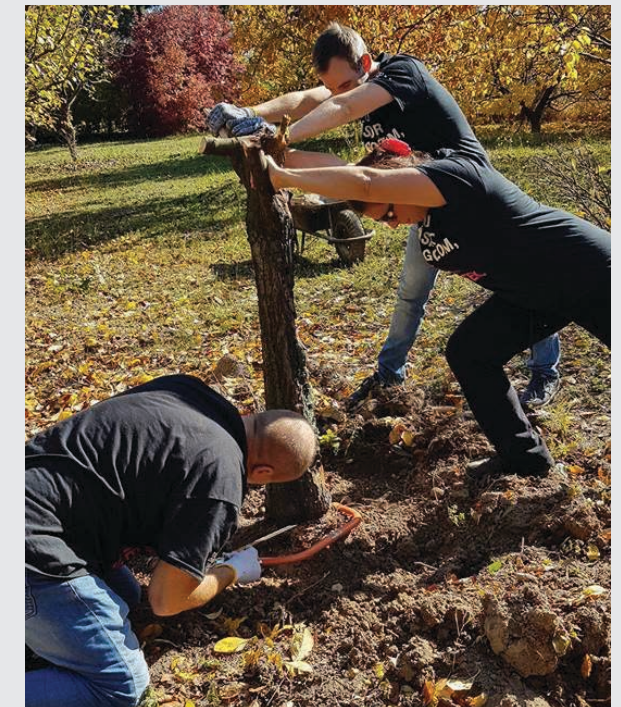
LOCAL COMMUNITIES

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, Telekom Veszprém, the Hungarian Swimming Association, the FTC and the Hungarian Paralympic Committee.

Magyar Telekom and the Contemporary Architecture Center (KEK) continued operation and maintenance of the community gardens. The gardening works continued in the Csárdás Garden and Kerthatár Community Garden. The two gardens offer an opportunity for urban gardening for more than 150 families in the city.

In the framework of Telekom Volunteer Day 2018, traditional forms of volunteer work were performed at 25 locations nationwide. In the Budapest region, Telekom's volunteers worked on the gardens of Heim Pál Pediatric Hospital and Tűzoltó Street Pediatric Hospital, among others. The Normafa and Széchenyi Hegy stations of the Hungarian State Railway Children's Railway, as well as 18 kennels of Ebremény Association's Strázsa Dog Shelter were also cleaned up and renewed in their appearance. Efforts to push back invasive species of plants that spread to the detriment of native ones took place at several nature reserves simultaneously, and

volunteers also visited three boarding homes supported by Autistic Art Foundation (Kozármisleny, Szakáld, Miskolc) to help out in maintenance of the homes.



NON-PROFIT ORGANIZATIONS

Everyone had the opportunity to exchange ideas and experience with NGOs at the annual Sustainability Roundtable discussions, in Budapest. In 2018 the panel discussion was organized for the 19th time.

The Sustainability Day of Magyar Telekom has been organized for eleventh time on the last Saturday of September. In 2018 there were 6,000 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.

By 2018, the number of NGOs Telekom customers could support through the "hello holnap!" application had raised to eleven. In one year, users donated a total of HUF 3.5 million to the Foundation for Afrika, ArtMan Association, Autistic Art Foundation, Etyek Animal Shelter, Responsible Gastro Hero, HuMuSz Alliance, Hungarian Food Bank Association, Hungarian National Society of Conservationists, Patrónus House, SUHANJ! Foundation and Transparency International Hungary.

Magyar Telekom launched its Civil Tariff Package service for NGOs in March, 2004 with beneficial rates and service package. In 2018 the Company invited applications on one occasion and provided discount schemes to 31 organizations in an overall value of nearly 4 million HUF.



MEDIA

Magyar Telekom and Sustainability Media Club held an award ceremony in 2018, too, to recognize positive examples of sustainability initiatives, stories on solutions to social problems or changing public mindset, as well as content demonstrating the positive societal effects of digitalization and communication. In 2018 30 applications were submitted

to Magyar Telekom's Sustainability Media Award. Projects could be nominated in three categories: „TV/radio/video content”, „written content (print, online)” and „blog, vlog”. The projects were required to address environmental, social or economic phenomenon. The awards were distributed among the winners on the ninth Sustainability Day.

SUPPLIERS

Magyar Telekom has invited his suppliers to fill out the Eco-Vadis assessment, which evaluates companies in terms of their economic, environmental, social and responsible procurement operations. As a result 6 suppliers have received direct and 11 suppliers indirect evaluation of social, environmental, economic and sustainable procurement aspects in 2018. Magyar Telekom Sustainability web audit is a series of questions on environmental, social and business ethics topics. 22 companies participated directly in the survey in 2018. Respondents were informed about their results, where they have received topic specified feedback on their performance.

The best rated suppliers in 2017 were awarded at the 18th Sustainability Roundtable Discussion event on June 18,

2018. At the event, the „Magyar Telekom's TOP3 sustainable supplier 2017” title was given to: Cisco International Limited, Huawei Technologies Hungary Kft. and Capgemini Magyarország Kft.

Deutsche Telekom provides significant support for the sustainable improvement of supplier relations through sectorial initiatives such as JAC – Joint Audit Cooperation. As part of the system, in 2018 a total of 12 indirect Magyar Telekom suppliers were audited.

FUTURE GENERATIONS

In 2018, we continued our “Become an...” digital educational and IT vocational program. In course of the year, we reached out to 5358 students countrywide with our 161 “Become an IT expert!” training sessions held by Telekom volunteers. In the first half of the year, we invited highschool students and their teachers to compete in our “Be a Creative Mind!” contest.

The Telekom Electronic Beats program series rocked on in 2018, too. In addition to the independently organized events, Telekom Electronic Beats also took part in organizing Creative Camp 15, where participants were invited to learn more about how to compose music on hardware and software. The Telekom Electronic Beats Festival, held on September 13, included a contemporary music lineup, lifestyle market, movies and other activities.

Music and festivals are among the main targets of Magyar Telekom's sponsoring efforts. The company has been supporting the VOLT, 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 nearly 850 000 young adults in 2018: 152 000 persons partied at the VOLT, 125 000 at EFOTT and 565 000 at the Sziget Festival.

In addition to supporting the festivals, in 2018, Telekom worked on further improving the concert experience. In the framework of the cooperation with Budapest Park, 15 concerts were held where participants could try a VR solution, putting them on stage, among the performers, making them part of the main stage experience.

SUSTAINABILITY DAY

The **Sustainability Day** (FN11) was organized on the eleventh occasion on September 30th. The conference with the slogan “ELEVEN” (LIVELINESS in Hungarian) was organized in the Aquarium club and more than 6000 visitors were interested in. This time, it was András S. Takács (On The Spot) who helped the audience get into an ELEVEN (“lively”) mood by his inspirational speech.



Experts on the environmental panel addressed issues concerning biodiversity, urban flora and fauna and “lively” environment protection and renewing energy sources. Afterwards, members of the social panel explored the “lively” society of the present and the future along generations, cultural diversity and cultural intelligence. Experts on the economic panel discussed micro and macro economy, trends, outlook, the operation of start-ups, as well as digital agriculture with the purpose of identifying what makes an economy “lively”. Panel +1 was organized around the theme of the individual in 2018, too, seeking, this time, an answer to the underlying question of what makes the individual “lively” in his or her everyday life, be the person in question a woman or a man, young or old, with or without handicap, or even a star athlete.

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, introduced digital solutions, but there were a lot of children's program for the little ones.

Our Sustainability Day is an opportunity every year for Magyar Telekom to recognize the best. In addition to the Sustainability Press Awards founded jointly with Sustainability Media Club, we also recognized the winners of the „What makes you tick?”

creative contest, which forms a part of the FN11 event. The jury handed out 3 prizes in the different categories of film, music/slam and creative projects, and visitors of FN11 voted for the winner of the audience award.



Within the frame of the Sustainability Press Award the applications were submitted in three categories. The winner “TV/radio/video content” category was a journalist from 24.hu, Dávid Czvíck (Inforádió) with his “Okosvilág” (‘Smartworld’). In the “press (online/print)” category the members of the jury, delegated by Telekom and the Sustainability Media Club, gave the first prize to Bea Belicza (24.hu) for the “Vaksága adott életcél az Angliában tanuló magyar fiúnak” (‘Hungarian student studying in England builds his life's purpose on being blind’) article. In the “blog, vlog” category the first prize was given to Réka Nagy (Ökoanyu blog) for her article: “Szemétből termel energiát a zseniális magyar találmány” (‘Ingenious Hungarian invention turns waste into energy’).

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 NEO Hungarian Helper Dog Public Benefit Association, Meixner School and Eco-generation of the Future Foundation.

The all-day event was closed by a huge party to the music of Anna and the Barbies band.



THE HELLO HOLNAP! APPLICATION

In 2018 Magyar Telekom concluded donation contracts with eleventh nonprofit organizations within the framework of the **hello holnap! application** keretein belül. The **Foundation for Africa, ArtMan Association, Autistic Art Foundation, Society for animals of Etyek, Heroes of Responsible Dining, Humusz Association, Hungarian Food Bank Association, Hungarian Nature Conservation Association, SUHANJ! Foundation, Patrónus Ház and Transparency International Hungary** could collect donation until 31th December, 2018.

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 nearly 9,000 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 2018 – with implemented and running programs in 4 categories:

- sustainable innovation category,
- diversity category,
- climate protection category,
- sustainability awareness category

The award ceremony was held on June 14, 2018 at the 19th Sustainability Roundtable discussion. The roundtable discussion and the DELFIN Award ceremony was organized in the Telekom HQ.

The professional jury of the event rewarded exemplary sustainability solutions and performance among the competing companies.

Winners of the DELFIN Award in 2018:

- In “Climate protection” category:
 - Budapest Airport Zrt.
- In “Sustainable awareness” kategóriában:
 - Jövő Öko-Nemzedéke Alapítvány
 - Kezes-lábas játszóház

The application materials can be found on [this](#) website (only HU).



1.

CLIMATE AND ENVIRONMENTAL PROTECTION

1.1 Emissions and energy efficiency	15
1.2 Environmental impacts	18
1.3 Waste	18



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

In 2018 we were the first and only company in Hungary, whose long-term emission reduction targets have been approved by the Science Based Target initiative (SBTi):

- reduce absolute scope 1 and 2 GHG emissions 30% by 2030 from a 2015 base year.
- reduce absolute Scope 3 GHG emissions 30% by 2030 from a 2017 base-year.

WE'VE HAD OUR SCIENCE-BASED TARGET APPROVED



2018 marked the fourth year in which Magyar Telekom Group set the objective of carbon-neutral operation – and reached it. Our electricity consumption was covered by renewable energy and we offset 30,000 CER units. We set a new goal, to make all our Magenta 1 customers carbon neutral in 2018, including the whole network and the customer premises equipment.

Strategic Goals

Magyar Telekom's sustainability strategy for the period 2016-2020 points to the focus of climate protection and the reduction of CO₂-emissions. Our highlighted environmental and operational ecoefficiency goals are:

- Reducing our CO₂ emissions
- Reduce energy consumption, increase energy efficiency, using green energy
- Increase the energy efficiency of our buildings
- Decrease fuel consumption of our vehicle fleet promote travel replacement solutions and dematerialization solutions
- Introduction of sustainable and climate friendly products and services
- Measure the climate footprint of our customers and suppliers

In 2018 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 2018 too. We have reached our goal by using 100% renewable energy for our electricity consumption and we offset the rest of our emissions, by purchasing and retiring CER (Certified Emission Reduction) units. The reduction came from a Chinese project (Dongliuxi Erji hydropower plant), equal with the offset of 30,000 tons of CO₂. In 2018 Magyar Telekom Plc. has purchased 198 GWh of renewable energy that is covering 100% of the total amount of electricity used by the Company.



	KPI BY 2020
CO₂ emission	<100 000 tCO₂
fixed network	min -44% based on 2008
mobile network	max +35% based on 2008
data center	max +3% based on 2008
buildings	min -16% based on 2008
Energy efficiency	100 Gbit/kWh
Fleet	
fuel consumption	min -34% based on 2008
average CO ₂ emission	<100 gCO ₂ /km
share of hybrid and electric cars	min 30%
CPE's emission	general decrease
Waste reduction	min -10% based on 2015
Paper usage in the shops	min -90% based on 2015

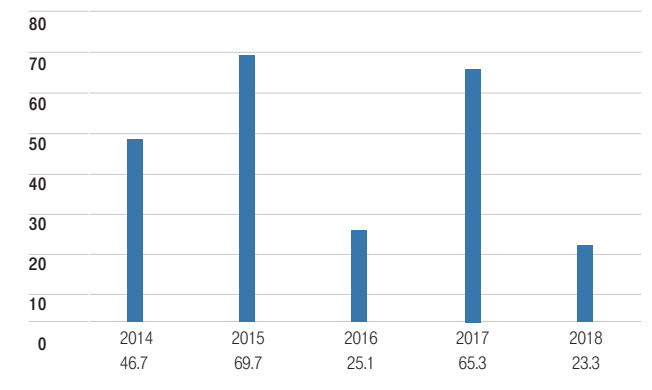
Risks and opportunities

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 2018 we have identified 228 ✓ climate related cases (storm damage).

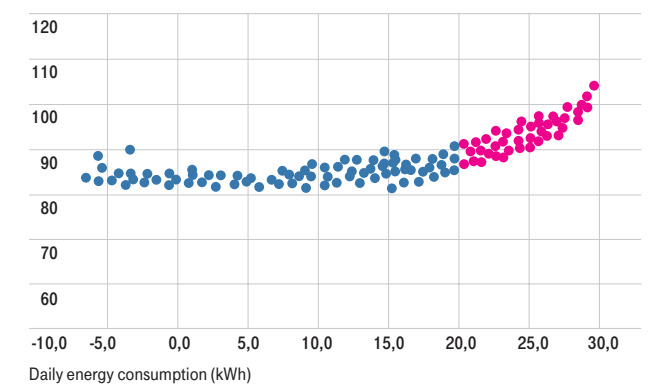
In 2018 during the heatwave we allowed our colleagues to work remotely in order to reduce the energy consumption of our offices, and we increased the core temperature of our data centres and base stations.

We observed that the energy consumption of our base station starts to increase when the temperature is above 20 C°, therefore there is an expected possibility that our climate change and heath wave-related expenses could rise with tens of millions of HUF in the future.

STORM DAMAGE (HUF M) MAGYAR TELEKOM PLC. ✓



BASE STATION POWER CONSUMPTION DEPENDING ON TEMPERATURE LEVELS



In 2018, based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure) initiative, we identified additional risks and opportunities in our operations.

In setting our emission reduction targets, we have considered the current Paris Climate Agreement and EU standards, as well as the IPCC's 1.5 C ° goals, but we assume that regulators will set more strength emission reduction targets in the future, which may involve financial risks. On the other hand, thanks to our forward-looking climate strategy, we have an advantage over our competitors, along with rigorous regulations.

One of the pillars of our carbon-neutral operation is that we use 100% renewable energy in Hungarian subsidiaries and the uncertainty of future prices poses a risk to this pillar. The more companies switch to green energy, the more the price may rise, which may mean tens of millions of HUF additional expenses for Magyar Telekom. In addition, long-term renewable usage can continue to be a business advantage as there is an increase in customer demand for sustainable products and services powered by green energy. Our surveys have shown that a large proportion of our customers are willing to pay 5-10% more for more sustainable products, so if we power our entire portfolio with renewable energy, we could potentially increase our revenue.

Climate change is a relevant threat to our operations as well as to our supply chain. We can mitigate this risk by evaluating and

educating our suppliers. We have a common interest in building a resilient supply chain network. **For more information, see our Suppliers chapter.**

The company pays increased attention on installing energy efficient equipment in our networks and securing that all of our products and services 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 **2.2 ICT for Sustainability**.

We moved to our new Headquarters

At the end of 2018 we moved to our new headquarters, where we tried to implement as many eco-friendly solutions as possible. We have already taken environmental aspects into account when designing, and we consider the effects of the 100-year flood events too. The building has innovative building control that significantly reduces its energy consumption. In addition, the operation of the building is supported by an application tailored to our employees. There are green walls within particular interior spaces and a green roof covers a part of the building-top, which is irrigated with rainwater. We use the waste heat of the server rooms and handle the waste types separated.



1.1 EMISSIONS AND ENERGY EFFICIENCY

To present the quantitative greenhouse gas emissions of Magyar Telekom Group's activities, in accordance with the global warming potential (GWP), we use a CO₂e (carbon dioxide equivalent) as an indicator. (We do not measure greenhouse gases separately and we do not have biogenic CO₂-emissions.)

The details of Magyar Telekom Group's CO₂-emissions are given in the following table. The CO₂-conversion factors were determined by the GHG Protocol, the recommendation of 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 without carbon offset.

1.1.1 SCOPE 1 EMISSIONS

Our Scope 1 emissions - including our natural gas and oil use - slightly increased due to the colder winter temperature.

AGGREGATED CO₂ IMPACT MAGYAR TELEKOM (T CO₂) REAL AND ADJUSTED BY GREEN ENERGY AND CARBON OFFSET EMISSIONS ✓

CO ₂ EMISSIONS [t CO ₂]					
	2014	2015	2016	2017	2018
Natural gas	9 824	8 910	8 266	8 252	8 656
Oil	2 004	1 629	1 206	319	384
Fuel (total)	14 949	14 954	13 982	12 974	12 744
Fuel (diesel oil)	8 317	8 364	8 109	7 248	7 316
Fuel (gasoline)	6 631	6 590	5 873	5 726	5 428
Electricity (adjusted with green energy)	75 139	23 673	16 580	10 590	5 996
Electricity	86 655	87 010	84 725	72 911	72 974
Green energy	-11 516	-63 337	-68 145	-62 321	-66 978
District heating	1 863	1 918	1 793	1 791	1 778
CO ₂ emission of total energy consumption	115 294	114 421	109 972	96 246	96 536
CO ₂ emission of total energy consumption (adjusted with green energy)	103 778	51 084	41 827	33 926	29 558
Carbon offset	-17 135	-52 189	-50 000	-43 971	-30 000
Cumulated CO ₂ emission	87 749	0	0	0	0

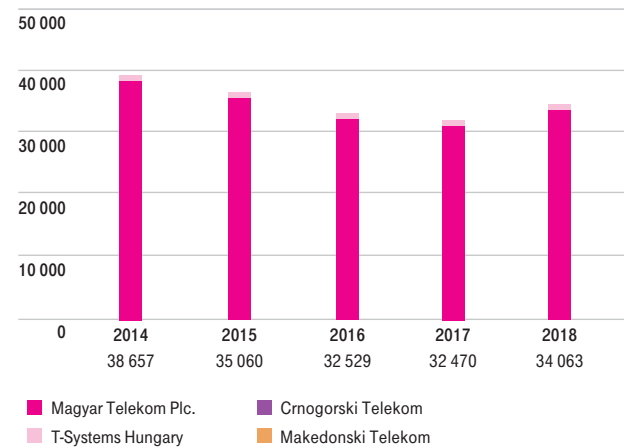
MAGYAR TELEKOM GROUP'S SCOPE 1 EMISSIONS ✓

SCOPE1 EMISSIONS [t CO ₂]					
	2014	2015	2016	2017	2018
by source					
Natural gas	9 824	8 910	8 266	8 252	8 656
Oil	2 004	1 629	1 206	319	384
Fuel (total)	14 949	14 954	13 982	12 974	12 744
by member companies					
Magyar Telekom Plc.	19 923	19 086	17 889	17 349	17 466
T-Systems Hungary	2 904	2 993	2 825	2 991	3 056
Crnogorski Telekom	1 074	1 120	997	0	0
Makedonski Telekom	2 875	2 293	1 744	1 205	1 261
Cumulated Scope1 emission	26 777	25 493	23 454	21 545	21 783

Gas consumption

The Group's natural gas consumption increased by 5%, it was almost the same as the last year, as we moved to our new head-quarters in the end of 2018, and there was a parallel operation between the old and the new sites for, a period of time.

GAS CONSUMPTION (MWH) MAGYAR TELEKOM GROUP ✓



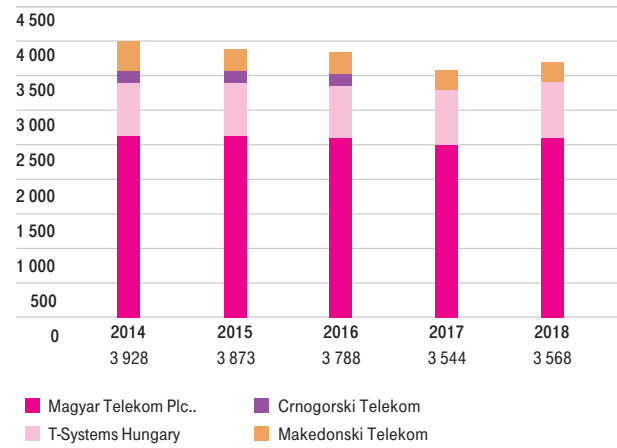
Fleet management, fuel consumption

The number of vehicles in the fleet on a Group level slightly increased, while the types of usage and distribution of fuel has not changed. The number of hybrid cars increased significantly, their share in the benefit cars is 20%,

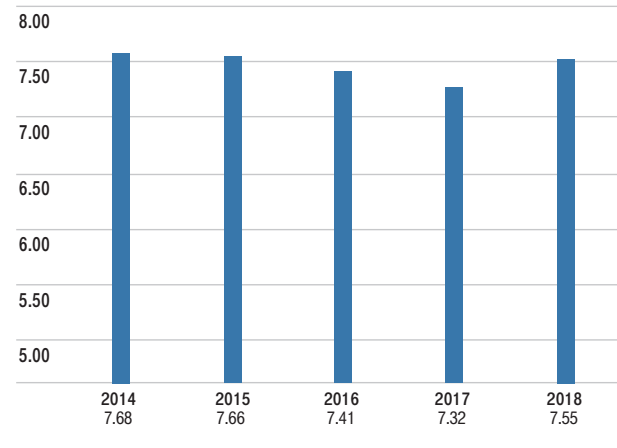
The fuel consumption (-2% ✓) and the mileage (-5% ✓) has decreased, the average fuel consumption of vehicles (3% ✓) has increased at group level as compared to the previous year.

The electric cars' consumption increased from 5.36 MWh to 17.86 MWh ✓ (Personal use is more significant due to the lack of refill-station capacity of the national network.)

TOTAL NUMBER OF VEHICLES MAGYAR TELEKOM GROUP ✓



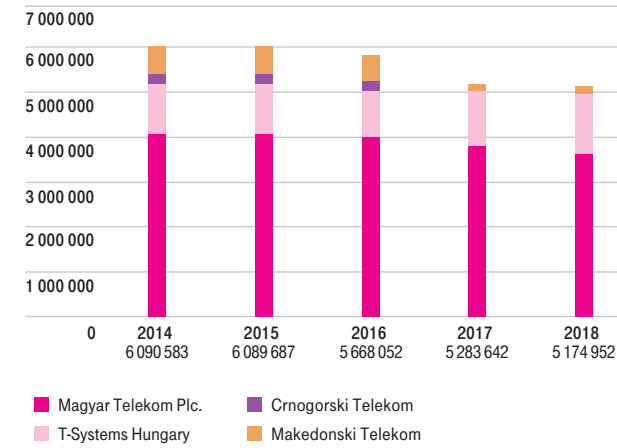
AVERAGE FUEL CONSUMPTION, (L/100KM) MAGYAR TELEKOM GROUP ✓



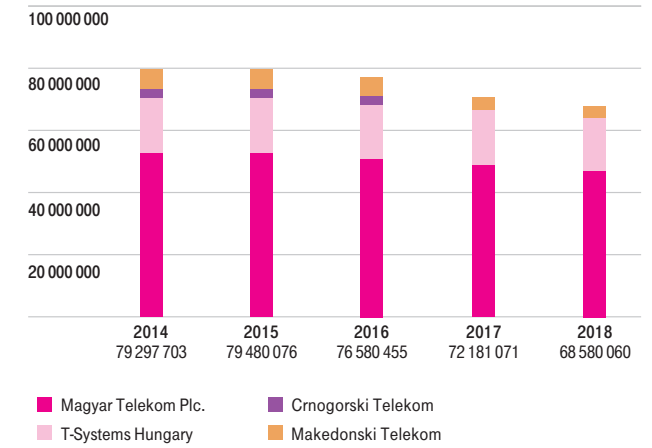
NUMBER OF VEHICLES BY FUEL AND USAGE TYPE AT MAGYAR TELEKOM GROUP ✓

	2014	2015	2016	2017	2018
Number of vehicles	3928	3873	3788	3544	3568
By fuel type					
Diesel	2261	2244	2181	2005	2027
Gasoline	1572	1541	1490	1371	1336
Hybrid	92	82	112	163	200
Electric	3	3	5	5	5
By usage					
Benefit cars	1428	1423	1359	1399	1450
Service cars	2500	2450	2429	2145	2118

FUEL CONSUMPTION (LITRE) MAGYAR TELEKOM GROUP ✓



MILEAGE OF VEHICLES (KM) MAGYAR TELEKOM GROUP ✓



1.1.2 SCOPE 2 EMISSIONS

Our Scope 2 emissions have decreased significantly. According to GHG Protocol, CO₂ emissions from renewable energy were calculated as 0 tonnes of CO₂.

The surplus of the renewables certificates (GoO – Guarantee of Origin) purchased of Magyar Telekom were accounted for Makedonski Telekom's emissions.

Electricity consumption

Magyar Telekom Group in 2018 Magyar Telekom Group continued with its efforts to energy-efficient operations, the electricity consumption increased by only 0.09% ✓. We continue to improve our energy efficiency in accordance with our Sustainability Strategy, and in compliance with the ISO 50001 standard.

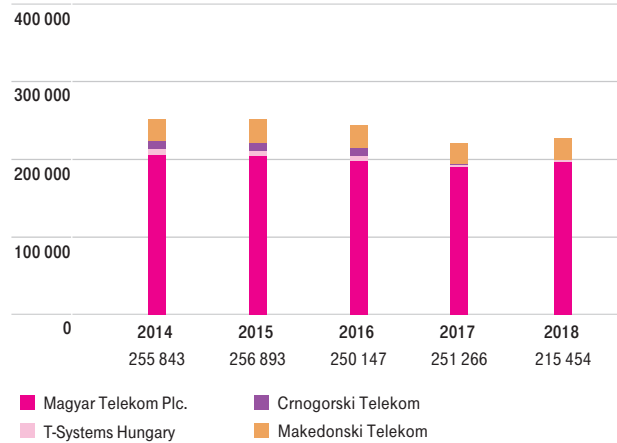
The projects that could yield major savings (PSTN-replacement, data center ventilation, printer consolidation) had been completed by Magyar Telekom, in place of which several minor changes and maintenance projects ensured that energy consumption did not significantly increase. The EMS (Energy management system), thus we could measure the consumption of the most energy-efficient sites and we could correct the energy consumption immediately in case of over-consumption.

MAGYAR TELEKOM GROUP'S SCOPE 2 EMISSIONS ✓

SCOPE 2 EMISSIONS [t CO₂]

	2014	2015	2016	2017	2018
by source					
Electricity (adjusted with green energy)	75 139	23 673	16 580	10 590	5 996
District heating	1 863	1 918	1 793	1 791	1 778
by member companies					
Magyar Telekom Plc.	61 701	7 886	1 534	1 556	1 493
T-Systems Hungary	1 233	1 276	35	28	145
Crnogorski Telekom	5 559	5 081	5 756	0	0
Makedonski Telekom	8 509	13 348	11 048	10 797	6 136
Cumulated Scope 2 emission	77 002	25 591	18 373	12 381	7 774

ELECTRICITY CONSUMPTION (MWH) MAGYAR TELEKOM GROUP* ✓



* Purchased electricity, the own energy production is not included.

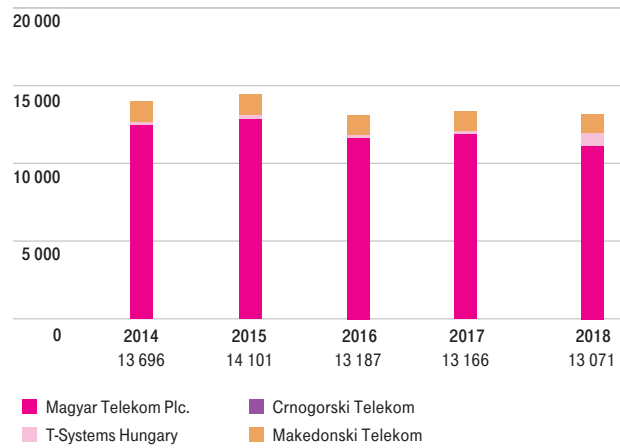
Community Solar Project for employees

In 2017, as the first in Hungary, Magyar Telekom introduced its Community Solar Project, in which 113 Magyar Telekom employees could rent a solar panel from the company for one year. The solar panels are installed on our Kékvirág Street educational building and the generated energy is being used locally. The system provides quarter of the energy consumption of the building. The employee solar panel project was also announced in 2018, all solar cells were sold out in about 18 hours record time. The solar system produced 33.5 MWh of clean energy in 2018. Current production can be followed [here](#).

District heating

There is a minimal downward trend in district heating at Group level. While Makedonski Telekom's energy consumption has declined, T-Systems's district heating has increased due to a new rented property.

DISTRICT HEATING CONSUMPTION (MWH) MAGYAR TELEKOM GROUP ✓



1.1.3 SCOPE 3 EMISSIONS

Our Scope 3 emissions were more precisely measured by our commitment to Science Based Target initiative (SBTi). When we determined our emissions, we considered our own operating numbers, indicators of GHG Protocol and our suppliers' CDP disclosures.

MAGYAR TELEKOM PLC'S SCOPE 3 EMISSION

CATEGORY [t CO₂]

	2017	2017	2018	2018
1. Purchased goods and services	16 733	9.9%	16 920	12.9%
2. Capital goods	12 311	7.3%	14 929	11.4%
3. Fuel- and energy-related activities	4 132	2.4%	1 327	1.0%
4. Upstream transportation & distribution	10 909	6.4%	12 338	9.4%
5. Waste generated in operations	1 857	1.1%	1 987	1.5%
6. Business travel	688	0.4%	410	0.3%
7. Employee commuting	47 308	28.0%	2 893	2.2%
8. Upstream leased assets			Not relevant, excluded	
9. Downstream transport	380	0.2%	637	0.5%
10. Processing of sold products			Not relevant, excluded	
11. Use of sold products	12 905	7.6%	14 596	11.1%
12. End-of-life treatment of sold products	2 417	1.4%	2 734	2.1%
13. Downstream leased assets	59 594	35.2%	62 153	47.5%
14. Franchises			Not relevant, excluded	
15. Investments			Not relevant, excluded	
SUM	169 233	100%	130 923	100%

Equipment in customers' premises

Our customers generate significant energy consumption by operating our CPEs, but that consumption is essential for using our services. Since 2016 we have conducted a precise calculation on the number and performance of CPEs (set-top-boxes, modems, terminals). Taking the number of subscriptions in 2018 into account, the energy consumption of our CPE's was 183.5 GWh ✓, which is equivalent to 62,153 tons of CO₂ ✓ emission. The average CPE's energy consumption dropped by 3% from 2017.

Business travel

Share of business travels were the following: 91% by plane, 8% by car, 1% by rail or other means of transportation. The emission of business travels (180 g CO₂/km as an average of air travel, and 142.4 g CO₂/km as an average car travel) in 2018 was 735 tons of CO₂.

Teleworking

Magyar Telekom has been supporting telework for many years as it is beneficial for the employer and the employees alike. In 2017 we started 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 commuting a daily average of 30 kilometres. In 2018 there were 143 396 telework days registered, saving 5 million kms of travel and 25 years of travel time. 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**.

Bicycle courier service

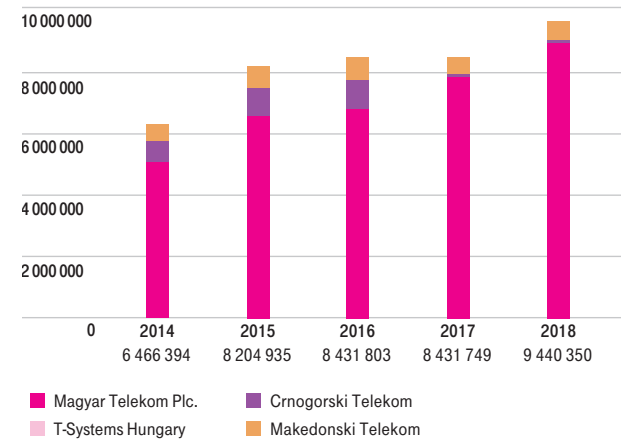
Since 2012 Magyar Telekom has been sending some of its consignments using bicycle courier service. In 2018 we used bike carriers 238 times and saved 1372 km of car travel. When moving to the new headquarters, the need to use bike couriers was kept to a minimum.

Electronic contract and billing

In the last couple of 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 number 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 able to reduce the number of printed pages by 63%.

Thanks to the campaign Magyar Telekom achieved outstanding growth (12%), electronic invoicing constitutes more than 22.3% of all residential billings.

ELECTRONIC BILLS (PCS) MAGYAR TELEKOM GROUP ✓

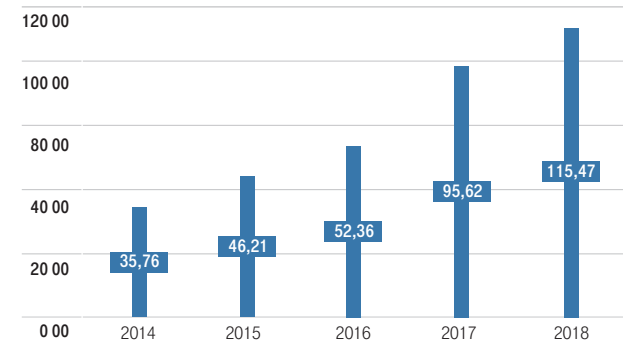


1.1.4 ENERGY EFFICIENCY

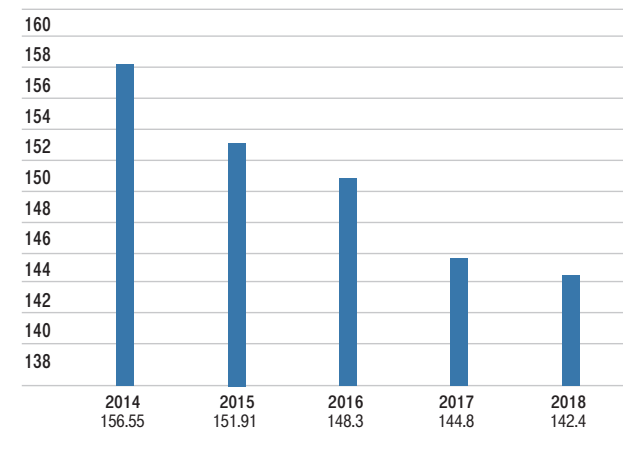
In order to measure our energy efficiency, in our Sustainability Strategy we use a Gbit/kWh indicator. Our goal is to reach the 100 GBit/kWh, in 2018 it was 115.47 GBit/kWh ✓.

We apply three kinds of energy intensity indicators in order to show the changes in three factors: 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 CO₂-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, in 2018 we achieved all of these.

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



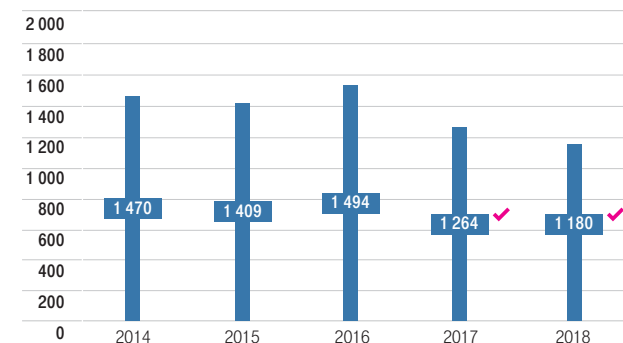
THE AVERAGE CO₂ EMISSIONS OF THE FLEET (G CO₂/KM) MAGYAR TELEKOM PLC. ✓



Average carbon dioxide emissions from vehicles have further decreased to 142.4 g CO₂/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 1180 GJ/HUF M. ✓

REVENUE RELATED ENERGY CONSUMPTION GJ/HUF M MAGYAR TELEKOM GROUP



1.2 ENVIRONMENTAL IMPACTS

Magyar Telekom Plc.'s developments are generally not obliged to prepare impact assessment studies (EIA). In 2018 there was no investment that concerned protected areas and/or Natura 2000 areas. Along our operations no damage occurred 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 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 necessary proportion of land use, 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.

Solar powered telephone booths

There are already 18 telephone booths with solar system installed all over the country. At locations where the copper network ceases, public terminals need to be operated by GSM terminals, their power supply is provided by the solar panels. Due to the construction of the optical network, nearly 50 systems will have to be installed in 2019.



There is no significant change in the composition of the mobile network. There were 7849 base stations on Group level, the number of towers shared with other operators was 1733.

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 cooperation in 2018.

Noise and vibration protection, electromagnetic fields (EMF)

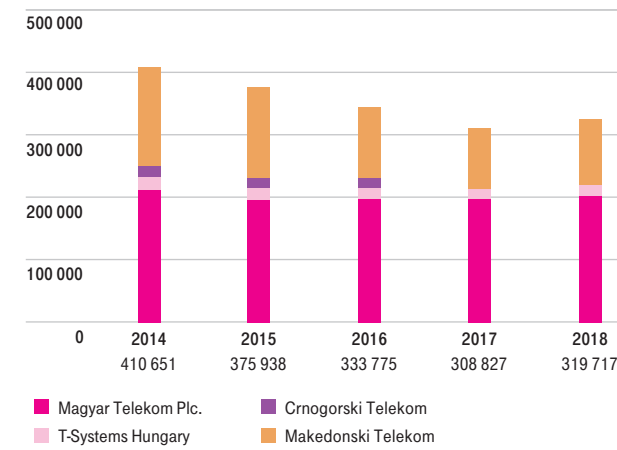
In Magyar Telekom Group sites, we must pay increased attention to the following potential noise sources: outdoor air-conditioning equipment and emergency diesel generators. Last year, Magyar Telekom received 3 noise-related complaints from residents. In

2 cases noise reduction decrees are in progress, and the circumstances are being clarified in 1 case. As to EMF issues, we carried out measurements in 15 cases, 6 of which prompted by complaints by residents, 6 upon the requests of lessors, and 3 mandated by the relevant authorities.

Water consumption

The water consumption at Magyar Telekom Group is exclusively for social purposes. Group-level water consumption slightly increased by 3.5%.

WATER CONSUMPTION (M³) MAGYAR TELEKOM GROUP ✓



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 2.2 **ICT for sustainability**.

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 27%.

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 2018. 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 Liability Non-Profit Corporation fulfils its obligation above the law enforced level.

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. The amount of devices taken back was 452 kg in 2018.

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 reparability features are available in all of our stores. All of our procured network equipment should meet our high energy efficiency standards.

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: NO_x: 224 kg, SO_x: 0 kg).

Magyar Telekom takes all necessary measures to treat the risk from operation of the fluorine greenhouse gas containing equipment. Based on the inspections carried out in accordance with the regulations there was no leakage in 2018. There are only 881 equipment with R22 gas, they represent less than 5% of the operating conditioners. The dismantling is in progress. In 2018, 254 units were replaced, nearly the 30% of all controlled substances containing equipment.

1.3 WASTE

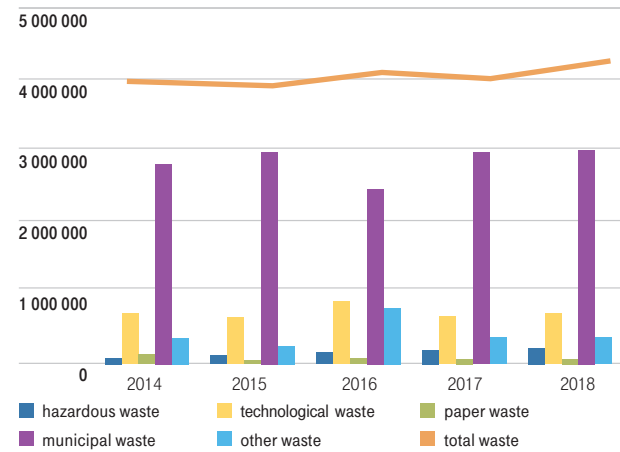
The quantity and quality of waste generated greatly depends on the current telecommunication projects and developments: on Group level in 2018, compared to 2017, the total amount of waste increased by 7%. Due to the finished projects the Group level recycling rate has decreased to 19%.

Within Magyar Telekom Group the largest proportion of generated waste (close to 67% ✓) – is still the residual waste. Second by volume is technical waste 14% ✓; hazardous waste is 9% ✓; the proportion of paper waste is 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 transferring 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 the management of cables.

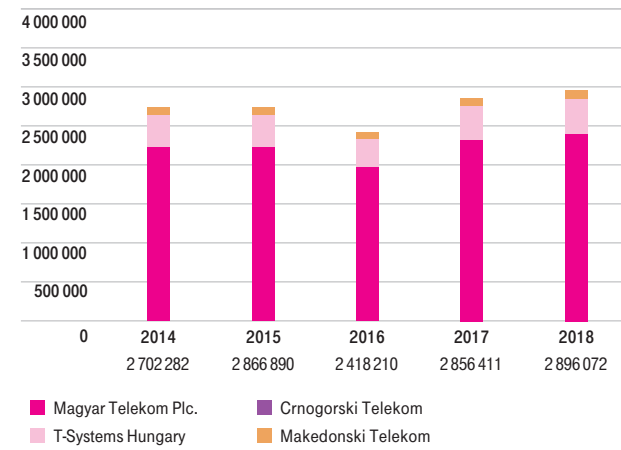
WASTE BY TYPE (KG) MAGYAR TELEKOM GROUP



QUANTITY OF WASTE BY TYPE AND RECYCLING RATE AT MAGYAR TELEKOM GROUP, 2014-2018

	2014	2015	2016	2017	2018
Hazardous waste [kg]	104 058	119 556	219 469	241 162	385 088
Recycled hazardous waste [kg]	56 303	85 194	164 327	232 430	366 461
Technological waste [kg]	628 656	549 757	803 249	526 739	590 947
Recycled technological waste [kg]	399 285	335 142	778 975	173 793	189 453
Paper waste [kg]	134 828	79 337	97 046	90 690	126 712
Recycled paper waste [kg]	125 248	78 637	96 346	90 690	126 712
Municipal waste [kg]	2 702 282	2 866 890	2 418 210	2 856 411	2 896 072
Recycled municipal waste [kg]	1 140	0	13 317	12 045	1 543
Other waste [kg]	356 145	249 877	636 220	307 574	299 176
Recycled other waste [kg]	28 394	29 334	77 103	0	151 374
Total waste [kg]	3 925 969	3 865 417	4 174 194	4 022 576	4 297 995
Recycled waste total [kg]	610 370	528 307	1 130 068	508 958	835 543
Recycling rate (%)	16%	14%	27%	13%	19%

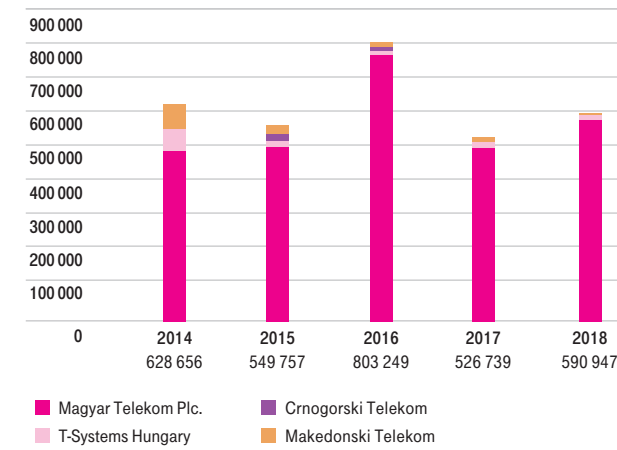
RESIDUAL WASTE (KG) MAGYAR TELEKOM GROUP



Technical waste

The amount of technical waste at group level increased by 12% due to a large-scale battery exchange project in our data centres. The recycling rate of technical waste has increased by 9%.

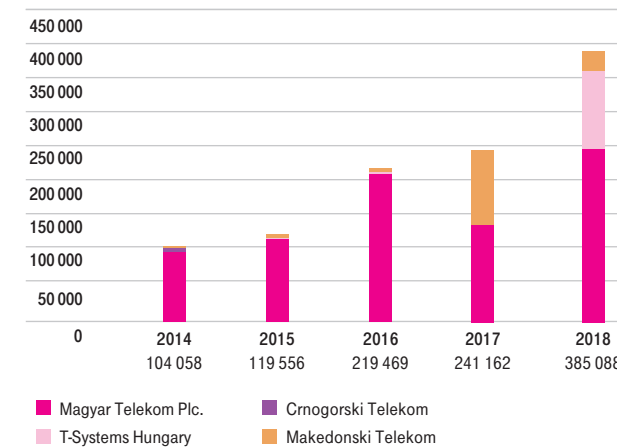
TECHNOLOGICAL WASTE (KG) MAGYAR TELEKOM GROUP



Hazardous waste

The amount of hazardous waste increased by 60% at Group level, due to network upgrade and maintenance (e.g. batteries, replacement of network elements). The amount of recycled hazardous waste increased by 58%.

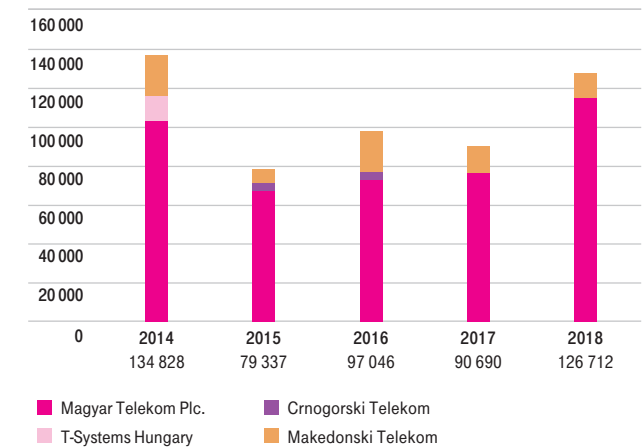
HAZARDOUS WASTE (KG) MAGYAR TELEKOM GROUP



Paper waste

The quantity of paper waste increased at Group level by 40%, due we used a significant amount of paper when moving into the new headquarters. 100% of the waste paper is recycled.

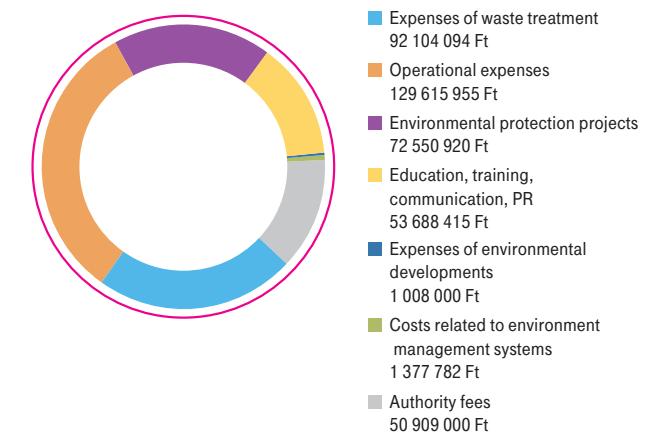
PAPER WASTE (KG) MAGYAR TELEKOM GROUP



At Magyar Telekom Plc. the recycling rate is nearly 19%. 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.

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.

ENVIRONMENTAL PROTECTION COSTS IN 2018 (HUF) MAGYAR TELEKOM GROUP





2.

RESPONSIBLE SERVICE

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9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



10 REDUCED
INEQUALITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



2.1 CLOSING THE DIGITAL DIVIDE

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.

DIGITAL WELFARE PROGRAM

The positive impact of infocommunication on economic growth, employment growth, quality of life, growth of business efficiency and equal opportunities is now indisputable. That is why it is of utmost importance for all to access the opportunities and benefits of the digital world. Within the framework of the Digital Welfare Program of Hungary in 2017, Magyar Telekom has launched its fixed and mobile Digital Welfare Program package providing quality internet service for users on a budget.

Where the fixed internet network is not yet available, the SZIP Mobile internet tariff package can be ordered for the addresses defined in the SuperFast Internet Program (SZIP).

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 [this website](#) (HU only).

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.



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 Kistélepüléseken) 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.

For videos, pictures and further information about the Digital Bridge program visit [this website](#) or the program's [Facebook page](#).

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 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 they are also present on [Telekom's Facebook page](#).

Let's become!

We have designed the Let's Become! vocational program 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. Since its start in 2016 we reached approx. 28 000 students with the Program, for the detailed results and our plans for the future, please visit chapter **6.1. Social investments** of this report.



Teachtoday

We launched the **Teachtoday site** Hungarian version at the end of 2017. Teachtoday is an initiative for the promotion of safe and competent media use from Deutsche Telekom.

Hello Biznisz

The **Hello Biznisz** program was launched to guide SOHO/SMBs in the maze of management, workforce management, marketing, sales or finance. We help our SOHO/SMB partners to answer their questions with practical know-hows and information, both in written and video forms too.

2.2 ICT FOR SUSTAINABILITY

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

In line with this objective, 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 the sustainability assessment of our handset portfolio was also made part of the regulations so that this information is accessible to our customers.

Our revenue from sustainable products and services witnesses stable annual increase. By 2018, revenue from these products has reached a 35.6% ratio.

List of the most important products and service groups with a sustainability impact in 2018:

- 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.

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 (fair prices, regional responsibility).
- Environmental pillar: assessment of the contribution of the product/service to the preservation of resources, reduction of the environmental footprint and climate protection (environmentally compatible products and proceedings).

Innovative sustainable products and services at Makedonski Telekom

Makedonski Telekom is one of the most prominent telco & ICT providers and system integrators in Macedonia, paying special attention on creating innovative products and services, while emphasizing the importance of sustainability and reliable technology.

Led by the superb technical infrastructure and market knowledge, the company tends to become partners, and not just vendors to its customers. Using the advantages of the infrastructure, Makedonski Telekom offers governments, businesses and individuals limitless possibilities to improve their effectiveness optimize operations and decrease costs, thus guarding the environment and contributing towards the local economy growth.

In spite of the strong technical expertise, the main objective of the company is not only implementing technology, but rather helping the businesses achieve digital transformation while operating in a more efficient and sustainable manner. ICT products and services do not just tend to provide sustainability and continuity for the businesses but are also focused on environmental protection.

In the past couple of years, Makedonski Telekom has been working successfully in the smart city segment, with the mission to implement new and innovative technologies that can help cities become smarter and more sustainable. The pilot smart city sustainable ICT solutions range from smart parking, smart waste, smart benches, up to smart lights and electric vehicle chargers.

Makedonski Telekom is extremely proud that, together with its partner, the company managed to win its first project for implementation of cloud GIS solution for municipal infrastructure, providing municipalities and public utility companies with contemporary integrated spatial infrastructure management, and therefore providing citizens, institutions and companies an insight of relevant data regarding water supply, sewerage, gas pipeline, heating, public lighting, waste collection, greenery, parking lots, traffic, urban equipment, telecommunications.

2.3 INNOVATION FOR SUSTAINABILITY

Research and Development

Tender Project

In 2018, within the scope of tender obligations, the research and development activities of Magyar Telekom were comprised of maintaining the R&D tender project funded and awarded by the National Research, Development, and Innovation Fund.

Own Risk based Research and Development

During 2018, in addition to the tender obligation, we have continued the development of several project related products and services that were based on the R&D activities of previous years.

In addition to the above, in 2018 we have continued our common R&D projects with the Hungarian Academy of Sciences in the fields Big Data. We have investigated the opportunities of modelling and forecasting mobility trends in city regions using mobile data.

R&D cooperation

In addition to innovative domestic SMEs, the research and development tasks are performed by the internal researchers as well as the product and services development staff of Magyar Telekom. In addition, the Company leverages the synergistic effect of an internal and external knowledge base and strives for partnership with well-known innovation centers and institutes of higher education too. Our main partners are renowned Hungarian universities and research institutes, such as the Budapest University of Technology and Economics, the Eötvös Loránd University, the Budapest Corvinus University, the Óbuda University, and the Hungarian Academy of Sciences.

Within the framework of cooperation launched in 2016, we have continued our work with the Technische Universität Berlin, the Department of Data Science and Data Technology operating at the Faculty of Informatics at the Eötvös Loránd University, the research and development department of Magyar Telekom and Deutsche Telekom, and the Telekom Innovation Laboratories (T-Labs) in Berlin.

As the partner of EIT Digital, Magyar Telekom promotes and supports even closer cooperation between higher education institutions and their industrial partners. Within this framework, the Budapest University of Technology and Economics and the Eötvös Loránd University provides professional support to students within the EIT Digital post gradual training system.

In addition to the above, Magyar Telekom also believes it important to support R&D type knowledge transfer projects. As a result, it has been an active participant of the EIT ICT Labs knowledge transfer program as a professional cooperating partner since 2012 and cooperates several international R&D tender initiatives.

In-house incubation program – Mission Telekom

In 2017 we launched the Mission T incubator program with the objective to find, support and realize talented Magyar Telekom and T-Systems employees' innovative project ideas that support Telekom group's strategic goals. The best applications, selected by the professional jury, will be implemented with the active participation of the inventors and the support of professional/technical mentors within the frame of an exciting expedition! The program is open to all employees of the group who have an innovative idea and would like to take part in the adventure either as an individual or as a member of a team.

The first round of the program was launched in March, 2017. Almost 150 applications were submitted by more than 100 colleagues. The second part of Mission T was launched in April 2018. More than 100 ideas were submitted by 80 colleagues.



Innovation projects

Agroninja

The innovative digital cattle weighting solution includes the Agroninja beefie hardware - which is a laser rangefinder - and the Beefie app available for Android smartphones. By this solution the cattle weighting can be done easily and stress-free for both the animals and workers. Weighting is stressful for the cattles and can lead to 1-2% weight loss which could have an economic impact too. Agroninja Beefie solution reduces time, workforce and administrative tasks, thereby reduces production costs. During the pilot project the solution is tested by Hungarian farmers in rotation for 2-3 months and aims to validate the economic utilities of the product.

Cow mow

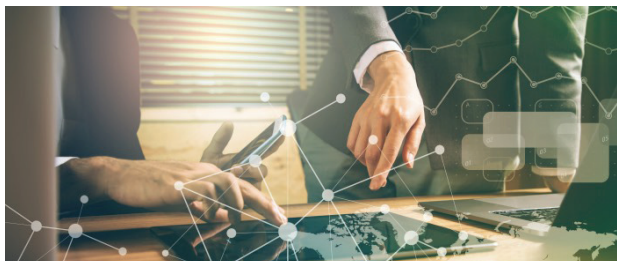
Moonsyst's solution is a rumen Ph and temperature monitoring system, which was validated by the University of Veterinary Medicine Budapest. The bolus measures the Ph and temperature of the rumen, in the next phases the bolus will also be equipped with girosensor to monitor the activity of the cattle stock. The data is sent every 10 minutes to the central unit which transfers it to a cloud platform, where raw data is converted into automatic alerts, it also shows the necessary information to the users. Once the values reach a critical level, the farmer is alerted via a push message and gives him/her the ability to adjust the adequate treatment.

The solution helps farmers to realize higher yields and better performance while it reduces veterinary and forage costs, also helps to provide better health conditions and improved welfare for the cattle stock. Besides the technological test of the product the pilot also aims to validate the economic utilities and benefits brought by the solution.

T-Systems NBloT Partnerprogram

In 2018 Magyar Telekom Group was the first one in Hungary who provided the NBloT network to its partners. The narrow band IoT is a technology developed for the internet of things and is designed to fulfill the IoT requirements of the industrial, residential and public sector. The benefits of the technology can be utilized in many sectors such as in waste management, utility services, logistics and in tracking household appliances as well. Besides the above mentioned, other sectors can be also able to benefit from the narrow band network, therefore our current and future partners are essential to provide quality IoT solutions.

The NBloT partner programme aims to support the cooperation within the community of developers by offering unique proposals, a community surface, also professional meetings, events and workshops. By the community building programme the participants can access the dynamically developing online market, also enables them to provide a better service for their customers and by the cooperation they can also expand their field of activity.



Cloud Chatbot

The Cloud Chatbot helps for companies with a great many and returning customer base to book and manage appointments. The chatbot is suitable for companies which offers broadly standardizable services. Different services can be specified by each provider, but the length of each service has to be defined in advance, so the chatbot can automatically schedule the appointments into the calendar.

Digital transformation at Makedonski Telekom

Makedonski Telekom is the pioneer of the digital transformation in Macedonia, a process which brings novelties in the lives of the citizens, ensures higher efficiency and productivity of the companies, improves the economy and the environment we live in.

Being aware of the benefits and challenges brought by the digitalization, and in order to keep the status of leader in creating new electronic services and solutions for the customers, in March 2018, we have organized Digital Talents event in the premises of three large faculties in Skopje: Faculty of Electrical Engineering and IT (FEIT), Faculty of Computer Technology and Engineering (FCSE) and the Faculty of Economics. The idea of such event was to choose students prepared to be part of the digital transformation of Makedonski Telekom, who shall

develop their professional skills and jointly offer solutions for facilitating and improving the digital life of all around us.

Hence, we have brought young people, by including the students from FEIT, FCSE and the Faculty of Economics to our team, with fresh ideas for new and innovative solutions and services, in order to meet the increased needs and requirements of our customers, by improving the customer experience which we continuously strive to achieve.

In April, just one month after organizing the Digital Talents event, we have already opened the digital talent incubator, consisting of team of chosen students working on the development of digital transformation applications. Apart from Telekom process digitalization, the team works on other innovative applications as well, whose final purpose is digitalization of the society.

The applications developed by the students should primarily contribute to the simplification of the work processes in Telekom; however, as the time goes by, we expect not just to keep pace with the new technological trends, but also to create products and services for the customers by meeting their increased needs and habits, thus improving the customer experience that we continuously strive to achieve.

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** supports 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.

Teachtoday - Telekom for the conscious use of the internet

As a responsible large enterprise it is among our tasks to help and promote the safe use of the internet. We use our best efforts to ensure that all age groups leverage the opportunities offered by the digital world in a smart and conscious way and we also work on the elimination of the digital divide between certain areas of Hungary. In November, 2017, similarly to other members of the company group, Magyar Telekom also joined Deutsche Telekom's "Teachtoday" initiative to disseminate online education content with the objective to reach a broad audience.

On the **Teachtoday website** the relevant content is linked to everyday situations explaining how younger generations use internet while taking into account potential differences in needs and living conditions. The platform offers practical tips and solutions to parents and children alike on topics like data protection, big data, social networks, use of mobile phones or popular applications. The topics are colorfully varied and the website offers case studies, interviews, tips, infographics, magazines and games, too. The site even offers media competence tests for two different age groups.

For parents

Sometimes it is hard for parents to understand the online world of children. On the Teachtoday platform parents may find useful information on the advantages and disadvantages of applications, for example they may learn why young people love Musical.ly so much, or how intriguing it is to learn effortlessly while playing a game on a digital device. The website offers tips for meaningful conversations with children on data security or cyberbullying. It gives advice and support if we do not know at what age should we give mobile phones to our children and with the help of a draft mobile usage agreement it helps to encourage children to observe certain basic rules. A dedicated subsite is about the issue of responsibility, where we can get an objective perspective on topics like personal data privacy, harassment, hate speech, net manners or online identities.

For teachers

Teachtoday helps the work of teachers with ready-made modules that can be immediately incorporated into the digital curriculum as well as best practices and examples. For example, teachers can set up a Media Adventure Park together with the students or may acquire new skills and knowledge with the use of the Be a meteorologist! project.

For children

While browsing the Teachtoday website children may playfully acquire the skill of conscious use of devices. They may read about useful applications in the App Tips or may find ideas on how to make great videos. The site helps them navigate a world lead by opinion leaders, differentiate news from disinformation, and stresses the importance of formulating your own opinion.

In the context of changing consumer habits, it invites its young readers to go on a digital shopping round, revealing for them the opportunities and traps inherent in online purchases.

Smart watch for kids

Many people are reluctant to buy smart phones for their kids of 6-12 years old, as they might not be able to take care of the device, and parents cannot properly monitor what their children do online. At the same time, a sense of safety is an important aspect, when we do give a smart phone to our kids, often too soon. It was based on that need that we made **MyKi Gyerek smart watch** available from December 1, 2018.



2.5 DATA PROTECTION

Among the 2018 sustainability objectives, Magyar Telekom pays special attention to the protection of personal data, with special respect to the General Data Protection Regulation (GDPR) that became applicable as of May 25, 2018. Magyar Telekom ensures the highest standard of data-security and technical and organizational measures regarding personal data management/processing.

In the course of its operation and prior to developing new products and during provision of services, Magyar Telekom considers the protection of its customers', employees' and business partners' personal data as top priority. Magyar Telekom processes personal data in accordance with the General Data Protection Regulation and the applicable legislation, taking also into account the guidelines of the European Data Protection Board and the National Authority for Data Protection and Freedom of Information. The general data protection regulation (GDPR) became directly applicable in the Member States of the EU from May 25, 2018. Magyar Telekom has paid particular attention to prepare itself for the application of the general data protection regulation. 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 data processors, Magyar Telekom requests from its contractors and subcontractors in the data processing agreement to process personal data according to the highest standard of data security and technical and organizational measures.

Magyar Telekom provides information to its customers via multiple channels on the processing of their personal data. Magyar Telekom also grants the right of access and other types of data subjects' rights regulated by the GDPR to its customers. We treat our customers' personal data related complaints and inquiries as matters of key importance and provide factual responses within the relevant deadline.

For further information, please visit [this](#) website.



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 all suppliers must get familiar with and maintain compliance 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.

Supplier's references, financial stance, quality assurance and sustainability capabilities of the are being audited in a pre-qualification system, available at the Procurement, Logistic and Infrastructure Services Directorate website. A sustainability-focused vendor questionnaire and its evaluation are also integral parts of the corporate vendor prequalification system. The findings contribute to the identification of potential sustainability risks and points of improvement for better sustainability management 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 from qualified suppliers. After filling out the questionnaire, we inform registered suppliers about their results in the vendor grading system. In 2018 88%✓ of the procurement value originated from prequalified external suppliers, through 918✓ partners.

One of the main pillars of the 2016-2020 sustainability strategy is to channel our commitment to sustainability to suppliers involved in our everyday business. This is only possible through setting new and ambitious goals and by following the best practices involving all relevant stakeholders. This is the primary reason why we have developed the Magyar Telekom Sustainability web audit, a questionnaire 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 within industry weighing of the supplier. 22 companies participated directly in this survey in 2018, which translates to 26.42%✓ of the purchase value (this value was 10.86% in 2015, 3.83% in 2016 and 21.07% in 2017). Respondents were informed about their results, and they also received topic-specific feedback on their performance. Upon request we have also provided further information via email or phone to partners who requested it. There was no incident risk or non-compliance identified in 2018. Throughout its operations Magyar Telekom is keen on maintaining sustainability along its operations in a transparent way and encourages its partners to take their share in sustainable development. Therefore we highly appreciate all partnerships along which we can gain a better understanding of our partners' sustainability related strategies and operations.

The **Suppliers Code of Conduct** includes the following principles:

- Code of Conduct
- Code of Human Rights and Social Principles
- Diversity Policy
- Magyar Telekom Group's Environmental Policy
- Financial Code of Ethics
- Corporate Governance Declaration
- Magyar Telekom Group's Quality Policy

The top rated suppliers of 2017 were awarded on 14 June 2018 at the 19th Sustainability Roundtable Discussion. At the event, the „Magyar Telekom's TOP3 sustainable supplier 2017” title was given to: Cisco International Limited that pays special attention to select its suppliers on the basis of sustainability considerations; Huawei Technologies Hungary Kft. that deeply integrated sustainability aspects into its corporate governance; and Capgemini Magyarország Kft. that operates in an exemplary manner in terms of business ethics and anti-corruption.

For the purpose of the sustainability evaluation of our active suppliers we use the internationally recognized and operated EcoVadis system, also used by Deutsche Telekom. We have invited strategically important and high-risk suppliers to disclose their operational practices based on the detailed EcoVadis criteria. As a result 6 suppliers have received direct and 11 suppliers indirect evaluation of social, environmental, economic and sustainable procurement aspects in 2018. These suppliers accounted for 45.06%✓ of the overall procurement value, which value was 37.42% in 2015, 33.23% in 2016 and 40.59% in 2017. The validity of the EcoVadis ratings is two years, thus the results of 2017 and 2018 are taken into consideration.

An e-learning course is available for all Magyar Telekom employees about sustainable supply chain processes and in 2018 we have informed our colleagues about these topics through several channels. The e-learning material is available on the intranet and contains all processes, their detailed description and the list of contacts of topic owners.

The objective of our 2016-2020 sustainability strategy is to ensure that the sustainability commitment of Magyar Telekom becomes part of the suppliers business and that the supplier's CO₂ should be reduced.

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 incident assessment when it comes to environmentally hazardous working conditions, human rights issues 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 client organization involved in the incident, as well as 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 severity of the case, the supplier's reaction and provides guidance on potential remedies. Such process was not launched in 2018 because the analyses have not revealed any negative environmental, working condition, human rights or social non-compliance. Therefore, no sanctions were imposed and no contracts have been terminated on this regard in 2018.



Along the sustainability process, our procurement and compliance organization has an ongoing monitoring process responsible for identification of legal or economic non-compliance cases. There were no such cases identified in 2018.

Deutsche Telekom provides significant support for the sustainable improvement of supplier relations through sectorial initiatives such as JAC – Joint Audit Cooperation. As a result audits are being conducted worldwide for the selected suppliers. The integrated audit criteria assure compliance with the basic social and environmental benchmarks when it comes to shared suppliers of different subsidiaries. Proving the compliance with the common group standards, in 2018 a total of 12 indirect Magyar Telekom suppliers were involved in Deutsche Telekom

audits which is accounted for 40.14% ✓ of the overall procurement value; this value was 18.32% in 2015, 15.05% 2016 and 36.91% in 2017. Depending on the results of the audits, corrective action plans are given to the poorly performing suppliers, followed by a re-audit if necessary.

In 2018, Deutsche Telekom transferred its existing Supplier Development Program (SDP) as an industrial approach under the umbrella of the ICT industry initiative Global-e Sustainability Initiative (GeSI). In the second half of the year, Deutsche Telekom launched the new GeSI SDP as a pilot project with four suppliers. From 2019, further ICT companies, their suppliers and subcontractors will join the program.

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

		EVOVADIS	MTWEBAUDIT	AUDIT	PRE-QUALIFICATION	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	-	✓	-	-	-	-
	Reduction of production-related environmental risks	✓	✓	✓	✓	✓	✓
	Energy Consumption and GHGs	✓	✓	✓	✓	✓	✓
Environment	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	✓	-	✓	-	-	-

		EVOVADIS	MTWEBAUDIT	AUDIT	PRE-QUALIFICATION	SUPPLIER SCORE CARD	GESI
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	✓	✓	✓	-	-	-



4.

CUSTOMER RELATIONS

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4.1 CUSTOMER SATISFACTION

Magyar Telekom performs complex customer satisfaction surveys on a quarterly basis among residential customers with the internationally used T*RIM customer satisfaction research method. With the help of T*RIM, the company can continuously monitor the expectations of subscribers as well as the level of satisfaction with its services.

These surveys produce a composite index reflecting customer satisfaction for all Magyar Telekom customers and for individual customer groups which helps tracing and easily interpreting the changes over time. Detailed analysis of service elements enables detecting current perception of factors impacting customer satisfaction, identifying the fields where Magyar Telekom delivers outstanding performance according to customer feedback, and the fields where actions are necessary for quality improvement in comparison to earlier performance or results from other competitors.

In 2017, the methodology of the T*RIM customer satisfaction survey was changed. Adjusting to the changed market conditions, the level of satisfaction with mobile and fixed line telecommunication service providers is no longer measured separately, instead, it is performed within the framework of an integrated measurement. The survey is conducted in the form of telephone interviews, encompassing samples of justified size, composition and weights. The content of the topics has not changed substantially, however, the change of methodology required to start a new timeline in 2017.

T*RIM - Residential customers

The satisfaction level of Magyar Telekom's unique proposition both including fixed and mobile services, the Magenta 1 package, reaches the top 10% satisfaction level among European telecommunication indices. Mobile subscribers are slightly more satisfied than fixed line customers whose feedback, however, show improvements compared to last year.

Throughout the year, balanced responses were received from our customers. One of the principal strengths of Magyar Telekom is the renewing choices of fixed services, new tariffs and range of equipments, handsets. There is a steady growth in satisfaction concerning stability and speed of mobile internet connection. This year, Magyar Telekom has improved its results in the efficiency of ordering processes, and also the service ordering and modification processes proved to be more seamless than before. Last but not least, it is also the technical problem solving that has shown promising results.

Flip, the second brand of Magyar Telekom offering a service package including three fixed line elements (telephone, Inter-

net and television), was first included in the survey in 2018. The subscribers have voted Flip as the very best telecommunication services provider in Hungary with a substantial lead.

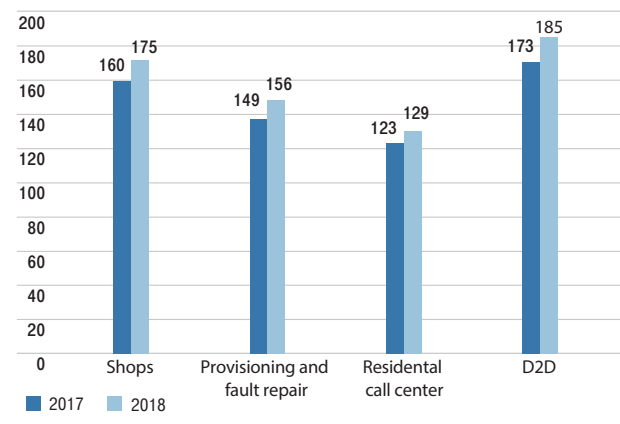
NG ICCA

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 the customer service and self-service of Magyar Telekom.

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

Overall satisfaction is measured in a scale from -200 to +200. The results of the TOP channels involved in the research:

OVERALL SATISFACTION INDICATOR IN 2017 AND 2018, BROKEN DOWN TO CHANNELS



The overall customer satisfaction and the free text responses are continuously analyzed in their context thereby give a much more detailed picture about the customers feedbacks of Magyar Telekom.

We place special emphasis on handling negative customer feedbacks (otherwise with low numerosity) and strive to find solutions to them in a short time.

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

T*RIM – Small- and medium-sized enterprises

In January 2018, T-Systems Hungary has taken over the handling of small- and mid-sized business (SMB) customer base of Magyar Telekom. T*RIM has remained the measurement tool for customer satisfaction and loyalty, that is to be carried out twice a year. Due to the 2017 change in methodology, conclusions from survey findings can only be made from this date similar to residential market.

As it was highlighted in the residential survey, the level of satisfaction of mobile customers is higher than that of the fixed line subscribers in case of SMEs, as well. In 2018, Magyar Telekom subscribers managed by T-Systems have reached a higher satisfaction level in terms of mobile network coverage and mobile internet connection speed. Taking competitive results into consideration, our fixed line customers articulate more how they appreciate the extras that T-Systems provide for loyal subscribers and we also measured higher satisfaction with new fixed offers, tariffs and equipment.

Strategic satisfaction research

Within the frame of the annual satisfaction research we inquire IT and telco decision-makers of our customers about their satisfaction with T-Systems' services and customer service.

Within the research we perform personal deep interviews and questionnaire based survey as well. In 2018, the sample targeted by the survey was extended to include the SMB segment in line with T-Systems's new segmentation structure. The questionnaire-based survey is conducted on a random sample of the entire customer base where we contact 746 companies. The deep interviews are taken in the top 50 segment of the large enterprise category. The questionnaires and deep interviews are performed anonymously, but the respondents also have the opportunity to identify themselves with their names during the interview.

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.

The certain vertical sales and other service areas in T-Systems work on build up action plans based on the strategic satisfaction research results. The result and realization of action plans was summarized in case of every vertical sales and other service areas at the end of the year.

Based on the so far results of the T-Systems satisfaction survey we can state that the overall performance of the company is reliably high and balanced.

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.

The survey is performed with the involvement of a partner (Magyar Telekom Group's Strategic Directorate) at the end of each quarter whereby we contact approximately 200 contact persons by telephone; then based on the answers we prepare an evaluation report at the end of the quarter. Upon closing the fourth quarter's survey we prepare an annual contact person satisfaction report which is presented to the professional areas of the company.

In 2018 both channels performed at an outstanding level and had a specifically positive impact on T-Systems' perception. Both the administrative processes and the professionalism, competence of the staff as well as the treatment of customers achieved a superior rating. Customers find that the vast majority of administrative processes are easy to follow and are successful. The duration of administrative processes is compliant with the SLAs undertaken by T-Systems as well as the expectations of customers.

Enterprise customer support unit

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. In order to ensure the independency of the survey the measurement was performed by T-Systems' market research partner. The partner performs 350-400 interviews per month and provides feedback to T-Systems measured in a scale from -200 to +200.

ICCA TARGET VALUE IN 2018:	ICCA RESULTS IN 2018
CC: 115	CC: 139,7
Dedicated: 160	Dedicated: 166,1
Field-visit staff: 180	Field-visit staff: 184,2
Aggregated result: 144,7 points	

Measurement of customer satisfaction with the management of fault reports

The emails sent my 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.

4.2 CUSTOMER FEEDBACK MANAGEMENT

The customer's voice and indication in any case it is important for us to maintain the high quality of our services according to customers' expectations. The feedbacks of Magyar Telekom are continually help us creating our services and processes and finding ways of improving.

At complaint handling we focus on our customers' satisfaction and ensuring enhanced customer experience which. 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 2018 compared to the previous year the number of complaints decreased by 27% ✓

It is our prime objective to provide customized 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.

4.3 INVOLVEMENT OF OUR CUSTOMERS

hello holnap! mobile application

The application went online on Sustainability Day in 2014 and by the end of 2018 it was downloaded more than 19,000 times. In various software stores the hello holnap! application is rated very positively.

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

The fourth period of the hello holnap! application was closed in 2018. Users collected thousands of points and donated HUF 3.5 million to the beneficiaries.



Carbon neutrality

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 gradually decreased its energy consumption and increased its energy efficiency.

ELFOGYOTT A NETED?

VÁLASZD A ZÖLD 1GB-OT ÉS NETEZZ ZÖLDEN A KLÍMAVÁLTOZÁS ELLEN!



In 2018, Magyar Telekom Group completed its fourth consecutive carbon-neutral year. On top of reducing its own carbon footprint to zero, the company successfully engaged its customers in its climate protection efforts, too.

In the first round, it were the residential and the business Magenta 1 services that went carbon-neutral on the customers' side, too, as the company neutralized the emission of the devices installed at the premises of the more than 150 000 customers concerned.

By launching its first service running 100% on energy from renewable sources, under the name of ExtraNet Green 1 GB, the company enables more customers to take action for climate protection.

Earth Hour

Earth Hour, the largest voluntary initiative to fight climate change joined communities around the globe on March 24, 2018, from 08.30 pm to 09.30 pm. In a record-breaking 178 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. Across Hungary all of the Telekom shops took part in the effort which were open in time of the event. We switched off the lights and projected Earth Hour material on displays in the company's shops during the day.



Telekom Vivicitá

In 2018 the Telekom Vivicitá city run was organized for the 33rd time in Budapest – while this year four other cities, Győr, Miskolc, Pécs and Szeged, also joined the initiative. There were almost 30,000 runners at the two-day event in Budapest.

Telekom organizes a charity run and donation collection benefiting those living with autism, also at 2018 Vivicitá running race. On Saturday, April 14 - the first day of the two day long competition - a running team participated at the 2.4 kms Minicitta race, with members including professional athletes like attackers Tóth Renátó and Kovács Viktor, representing the FTC ice

hockey team, goal keeper Pleszkán József, player of the FTC U10 ice hockey team, 49 times national team football player Lisztes Krisztián, the professional coordinator and director of succession of FTC, Theo Schneider, as well as boxers Bedák Pál and Kótai Mihály and para-athlete ski runner Lőrincz Krisztina. The team is also joined by Gogetinho - Novák Dániel, e-athlete of FTC FIFA18. Members of the Sustainability Media Club also attended the charity run.

Not only team members collected kilometers, but simultaneously Telekom also donated HUF 1,000 to the Autistic Art Foundation after each kilometer done by members of the charity team, and all runners participating at this race.

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

At last year's Vivicitá, in the spirit of sustainability, the athletes could not only support the Autistic Art Foundation but could also collect points through the hello holnap! mobile telephone application by way of reading QR codes available at the run and on racing bibs. The runners could collect 5 hello holnap! points and the cheering spectators could collect 1 hello holnap! point at the event, while participants of the special Suhaj! run could collect extra points if they supported the runners of the NGOs.

By reading one QR code 5 points could be collected that was converted into 500 HUF by Telekom. This amount could be donated by the user to any of the eleven NGOs listed in the application. Several organizations listed by the hello holnap! app attended the Run for the City! event in Budapest, where they conducted interactive programs.



Telekom Community Gardens

Magyar Telekom and the Contemporary Architecture Center (KEK) continued operation and maintenance of the community gardens. The gardening works continued in the Csárdás Garden and Kerthatár Community Garden. The two gardens offer an opportunity for urban gardening for more than 150 families in the city.

Sustainability panel discussion and DELFIN Award

The DELFIN Award ceremony took place in June, as part of the 19th Sustainability Roundtable Discussion Day. The professional jury awarded best practices and leading examples in sustainability solutions and sustainable performance of competing companies.

In 2018 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.

In the Climate Protection category, the jury awarded the prize to Budapest Airport Ltd. Co.'s "greenairport" project, while in the Sustainable Education category, two prizes were handed out. One prize was awarded to "Kezes-lábas" Playhouse, where kids and their parents are educated to keep their everyday lives environment-friendly and energy-efficient with the use of creative games developed uniquely for the purpose, and a DELFIN Award was granted to the Waste Hunter program of JÖN Foundation ("eco generation of the future"), which helps eliminate illegal waste deposit sites across the country by means of a dedicated website and an app.



As part of the roundtable discussions the participants could get to know our sustainability strategy, goals and results, and in the second part of the event, our guests – Dr. Juhos Andrea (Managing Partner Lee Hecht Harrison Hungary), Friedl Zsuzsanna (CHRO Magyar Telekom Plc.), Mautner Zsófia (gastro blogger, Chili és Vanília blog), Sterczér Hilda (mountain climber, wall climbing trainer) and Szentesi Éva (writer, anti-cancer activist, Senior Fellow WMN.hu) – discussed careers and lives of several women very much relevant in the context of diversity.



Magyar Telekom also rewarded the TOP3 Sustainable supplier. The „Magyar Telekom TOP3 Sustainable Supplier – 2017” award went to Cisco International Limited, Huawei Technologies Hungary LLC. and Capgemini Hungary LLC.

We sustained the Earth once more!

Visitors of Budapest Park got a taste of our Sustainability Day experience, as they were invited to party with us and the Anna and the Barbies band on August 03, 2018. During the concert, we threw our Earth Ball into the audience, members of which were very happy to "sustain the Earth" for the duration of a whole song. Visitors of the FN11 event could meet Anna's band again at the afterparty, as we concluded the Sustainability Day 2018 event by another spectacular Anna and the Barbies concert.



photo by Novák Eszter

4.4 INFORMING OUR CUSTOMERS

Magyar Telekom won Develor Consulting Ltd. Co.'s „Best Customer Experience Project Award". It was the company's new virtual assistant in call centers, introduced in the spring of 2018 under the name of VANDA that was found to be the most innovative customer experience boosting service. Magyar Telekom's project represented a technical development of globally outstanding significance, putting the company at a prominent place even among the quite strong contestants. Thanks to the new virtual assistant, customers can take care of their business with the company more quickly and efficiently, and the operators can spend the time thus saved on providing personalized consultancy.

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 on telekom.hu, and information about the services of our most important member companies on T-Systems, Makedonski Telekom 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/szolgalatasok/mobil>.

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 carefully contemplated and responsible decisions.

Accessible customer service – Telekom stores

We maintain physical accessibility in all of our stores where that is architecturally possible and we have a permit for accessible building development. In order to make our customer service accessible to our clients living with visual or hearing impairment, we had all of our stores equipped with induction loops and signature frames. As for our visually impaired clients we also offer an 8 day cancellation option, during which period they can go through our contract details with a visual aid.



5.

EMPLOYEES

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5.1 HUMAN RIGHTS AND EQUAL OPPORTUNITIES

Policies and agreements

Code of Conduct

The **Code of Conduct** that has been renewed at the beginning of 2018 provides the framework of orientation for all employees of Deutsche Telekom Group and Magyar Telekom Group. Additionally, it applies to people to who are viewed as equivalent to employees in functional terms, e. g. to temporary agency employees. It combines the joint requirement of compliance with legal obligations and acting with integrity and thus secures that Deutsche Telekom Group and Magyar Telekom Group remain transparent and traceable enterprises for everybody. Deutsche Telekom and Magyar Telekom expect their suppliers and consultants to comply with the rules of behavior manifested in this Code of Conduct and to endeavor them to ensure that they are also obliged to abide to its regulation by contract.

Code of Human Rights and Social Principles

The **Code of Human Rights and Social Principles** and the Equal Opportunities Plan of Magyar Telekom set the general human rights principles of the group and guidance to their group-wide implementation. Magyar Telekom Group recognizes and respects the fact that the cultural, social and legal diversity of its employees provide the foundations of operations based on equal opportunities. It is also a competitive advantage that leads to business success. The Code of Human Rights & Social Principles has replaced the former Social Charter in November, 2017 and it now serves as the framework of the protection of human rights, diversity and inclusive corporate culture.

The Code of Human Rights and Social Principles has been developed in accordance with internationally recognized norms, directives and standards, in particular those of the

- International Bill of Human Rights,
- the ILO Core Conventions,
- the OECD Guidelines,
- the Global Compact,
- the Tripartite Declaration of Principles concerning Multinational Enterprises
- and Social Policy (MNE Declaration),
- and Guiding Principles on Business and Human Rights.

Diversity Policy

The **Diversity Policy** of Magyar Telekom Group underscores our commitment to consistently identify and utilize potential for improvement. We embrace, respect and acknowledge the diversity of our employees, the markets we serve, the suppliers we work with, our shareholders and the entire society we live in. We consider diversity to be our strength and this is the quality we strive to encourage in our approach to business as well.

Suppliers' Compliance

Magyar Telekom Group is committed to respect and protect human rights and it expects its suppliers to comply with these rules of behavior. Prior to becoming authorized suppliers of Magyar Telekom Group our suppliers must register their enterprises at our vendors' **registration site**.

As an obligatory part of the registration process vendors are obliged to understand and accept our Suppliers Code of Conduct that among other policies, entails our Code of Conduct, Code of Human Rights and Social Principles and Diversity Policy. Our suppliers must understand and accept these policies and obligatory frameworks for their behaviors as well.

Employee Relations Policy of Magyar Telekom Group and Deutsche Telekom Group

The **policy**, valid since 2011 as an internal regulation and available as a public policy since 2018 defines and regulates the framework of relationships between employees and the company throughout the entire employee lifecycle contributing to a corporate environment in which employees are empowered to contribute individually to business performance and increase shareholder value.

Equal Opportunities Plan

Anti-discrimination and the safeguarding of equal opportunities is a key priority to Magyar Telekom Group. According to the act CXXV of 2003 on Equal Treatment and Promotion of Equal Opportunities, and the corporate protocol in place since 2010 Magyar Telekom Group has accepted its 4th **Equal Opportunities Plan** in order to secure the practices of equal treatment, the advancement of equal opportunities and the monitoring an improvement of the labor positions of particular disadvantaged employee groups. The Equal Opportunities plan currently in force is valid between 2016 and 2020 and has been developed in close cooperation with the employee representative bodies.

The Diversity Charter of the European Union

Hungary has joined the Diversity Charter of the European Union in 2016 and, among 50 signatory companies Magyar Telekom has also declared its dedication to safeguard diversity as a fundamental value. Magyar Telekom has been among the signatory companies in 2018 too.

Monitoring and auditing practices

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. The Compliance Program involves the Group Compliance Manager and compliance representatives of particular functional areas of operation, who are working together as members of the Group Compliance Committee. 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 regulations. External audits or inspections could be initiated towards any employer in Hungary by the Hungarian Labor Inspectorate due to public interest complaints, inquiries or reports of concern. The institution supports employer-compliance with the relevant laws and regulations with counseling and supervision. The Equal Treatment Authority is the relevant authority responsible for issues concerning equal opportunities. The authority accepts direct appeals from employees. There were no equal opportunity proceedings initiated on account of Magyar Telekom in 2018.

As Deutsche Telekom Group's subsidiary Magyar Telekom Group takes part in the annual internal survey, to ensure the compliance of the subsidiaries of the Deutsche Telekom Group with the social principles of DT. As of November 2017, the basic principles of Deutsche Telekom Group are no longer included in the Social Charter, but in the Code of Human Rights & Social Principles. The Social Charter has thus been replaced by the Code of Human Rights & Social Principles. The senior executive responsible for the confirmation of the observance of these principles is Magyar Telekom's Chief Human Resources Officer, by way of providing the annual Human Rights and Social Performance Report.

As a tribute to the 70th anniversary of the Universal Declaration of Human Rights and in compliance with the Code of Human Rights and Social Principles renewed in 2017, all employees of Magyar Telekom Plc. and T-Systems together with their external workforce involved in brand representation participated in a compulsory human rights e-Learning training in 2018. The enrollment of the employees was conducted in four steps, in which the management of the company group took the training first. 85.3% of all people enrolled and 90% of the entire employee group have finished the course by September 18. The online training points to relevant human rights issues, regulations, complaint handling and whistleblowing options that might come up within the employment, sourcing, operational and distributional processes of the company group. The e-Learning material has become part of the compulsory employee e-Learning course portfolio of the company as of 2018.

Deutsche Telekom Group introduced a regular monitoring process in which specific parameters of compliance with the Group Employee Relations Policy are being periodically evaluated in all Group Units. The monitored key elements are being evaluated with the local companies, followed by a dedicated on-site review. Magyar Telekom hosted this on-site review in June, 2018.

New employees of Magyar Telekom Group as part of their orientation process in their first two months receive compulsory education about the company principles, guidelines and practices concerning social issues, labor standards and human rights. All employees must understand and accept these guidelines as the fundamentals of their own professional behavior and operations. Nevertheless, the company is aware of the fact that there could be situations in which it is harder to tell appropriate from inappropriate. In order to assist employees in making the right choices in these situations, the company offers secure internal whistleblower channels, operated by the Corporate Compliance Department. "Kérdezz!" ("Ask me!") advice portal has been set up to help resolve uncertainties as far as compliance-relevant behavior is concerned. Serious misconduct must be announced for prevention purposes and for appropriate sanctions. For this reason the "Tell me!" whistleblower portal has been established. Questions about equal opportunity are to be addressed to the company's Equal Opportunity Specialist. The main principles and the detailed description of the internal inspection process is detailed in employee directives available on all employees on the shared intranet platform. Throughout the inspection process the whistleblowers' anonymity, personal and data privacy are guaranteed and handled with utmost discretion.

Diversity and Equal Opportunities

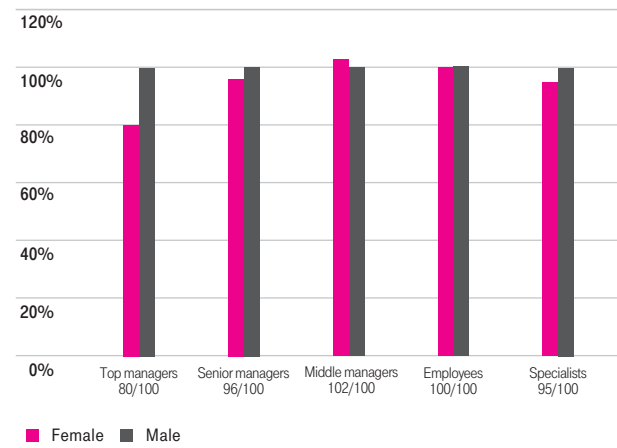
One of the targets of our 2016-2020 Sustainability strategy was to measure and improve the diversity culture of Magyar Telekom. The results of the anonymous employee survey on corporate diversity culture that was conducted in January 2018, with almost 1300 participants served as a basis for the development of the Diversity & Inclusion Concept.

Next to the maintenance of relevant corporate governance routines and policies the task include emphasis on culture development and the implementation of gender equality and equity-based processes in the structure of corporate operations. In relation to the employee lifecycle the following processes are being adjusted to these values: recruitment, maternity leave and return, development of work-life balance solutions sensitive to the specific needs of employees coming from vulnerable social backgrounds, increase the number of women in leadership through the improvement of talent management and succession planning processes.

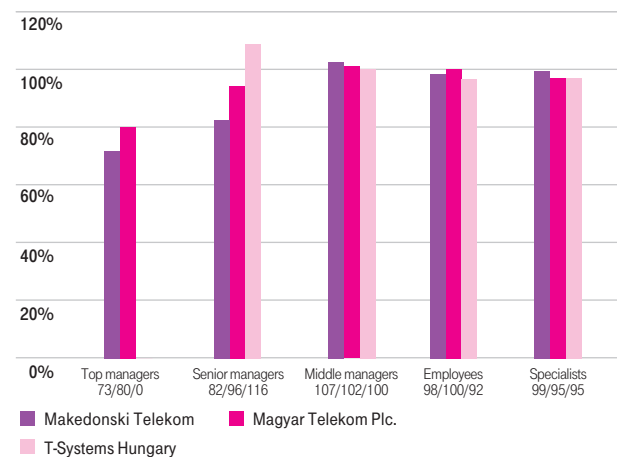
Employee expectations and equal opportunities

The pillars of our People Strategy are based on the development of an adaptive structure and culture, the efficient support of the transforming workforce and the development of a diverse and attractive workforce. Our employees require security, stability, opportunities for advancement and competitive compensations. 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. We pay special attention to avoid gender pay gap and any unjust discrepancies between the wages of colleagues doing similar jobs. We and that potential differences should solely be based on their performance and achievements.

BASE WAGE COMPARISON BY JOB GRADES AND GENDER, MAGYAR TELEKOM PLC., 2018 ✓

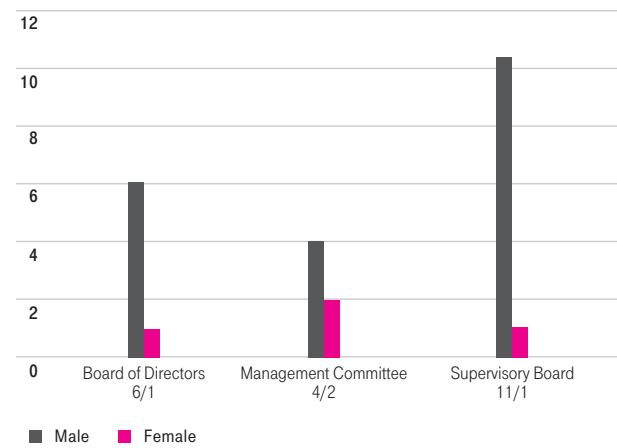


PROPORTION OF BASE WAGES OF FEMALE EMPLOYEES COMPARED TO THE BASE WAGES OF MALE EMPLOYEES (100%) BROKEN DOWN TO JOB CATEGORIES, MAGYAR TELEKOM GROUP, 2018 ✓

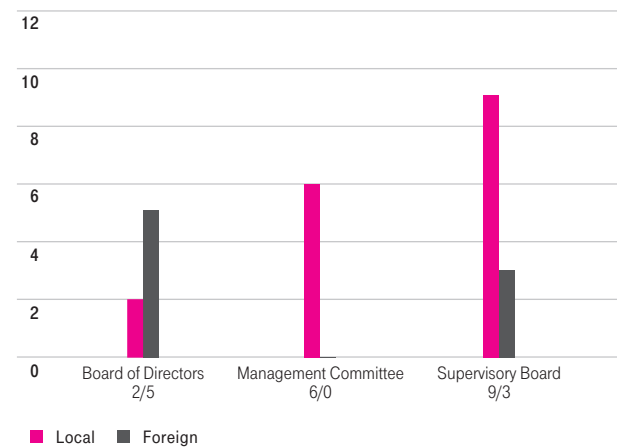


Raise in the amount of women in leadership positions

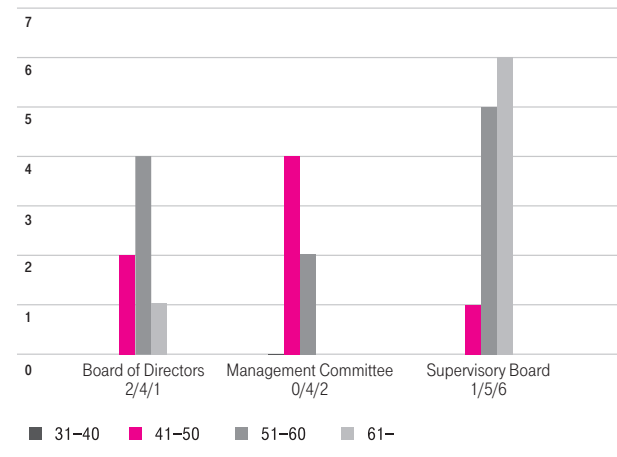
GENDER MIX OF MAGYAR TELEKOM PLC. MANAGEMENT BODIES IN 2018 ✓



BREAKDOWN OF THE MEMBERS OF MAGYAR TELEKOM PLC. MANAGEMENT BODIES IN 2018 ✓



AGE BREAKDOWN OF MAGYAR TELEKOM PLC. MANAGEMENT BODIES IN 2018 ✓



As an employer dedicated to maintain diversity as a core value, Magyar Telekom finds it important to raise the amount of women in leadership positions. As a member of **Deutsche Telekom Group** the objective in 2010 was to increase the proportion of female managers to 30% by 2020. Along the aim to contribute to reaching the defined target, the company strives to utilize the actual business benefits inherent to the advancement of corporate diversity culture.

2018 witnessed an increase in the number of women in leadership resulting in a 33.33% ratio in the executive board. There was also an increase in the proportion of female senior management of Magyar Telekom Plc. to 27.50%. By the end of 2018 the female ratio of overall management workforce was 21.94%. Our aim is to bridge the divide between different leadership levels and contribute to the promotion of more talented female leaders in the company. A way to achieve this is to further improve the gender equity basis of our succession planning processes. In executive succession planning we work on finding suitable highly qualified female candidates to all positions possible. There are

some areas of company operations affected by prevalent social stereotypes in which this is not possible at the moment but we aim to minimize the number of these areas by further stretching the scopes of our succession management practices and by contributing to the de-gendered opening of all relevant fields.

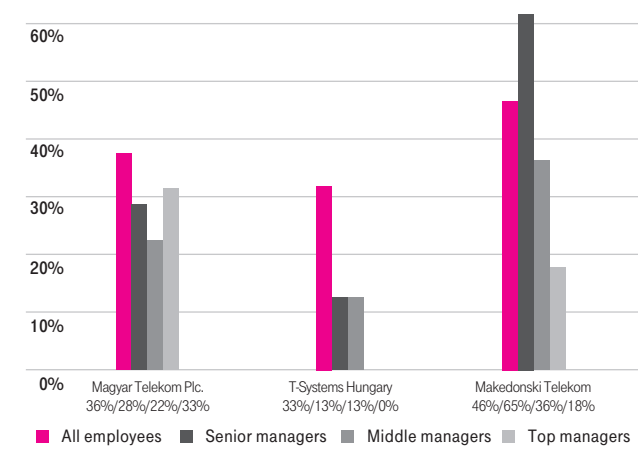
Our policies, charters and initiatives do not only aim to ensure equal opportunities for employees but also to strengthen our engagement in this field, in line with our corporate sustainability strategy. The Equal Opportunities Principles (2016–2020) of Magyar Telekom Plc. and T-Systems Hungary Plc. are:

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

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 families 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 5
- g. Female employees in leadership positions

RATIO OF WOMEN IN MEMBER COMPANIES IN 2018 ✓



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. Our measures to maintain gender equity among 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
- (3) Ensure that no one is exploited
- (4) The elimination of all forms of forced and compulsory labour
- (5) The elimination of all forms of discrimination in employment
- (6) The elimination of discrimination in respect of employment and occupation

Magyar Telekom joined the “Girls’ Day” international initiative several times. Within the frame of the initiative various introduction programs were offered for secondary school-girls at the Magyar Telekom and T-Systems Magyarország headquarters as well as at Kitchen Budapest. We aim to provide attractive introductions to the IT related professions, provide insights on how to manage a digital project, what is it like to be part of a working team as a female IT expert and we are also here to provide practice driven guidance to choosing the right career path within the IT universe.

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.

Labor force inclusion of underprivileged groups

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 2018 to improve the situation of the employee groups.

As a mentor company we continue to support roma workforce integration programs Integrom and HRom to contribute to the equal labor market opportunities of our fellow citizens from the Roma community. We support the program participants with job application counselling, job interview-practices, CV writing and editing skill practices.

To advance the workforce integration of employees from vulnerable social groups the recruiter team of Magyar Telekom Plc. has received a professional training in 2018 and our recruitment practices were revisited to be in line with our equity principles. Accordingly, to further support the young Roma applicants applying to Magyar Telekom from any of these programs we have introduced the following protocol: applicants from these programs may decide to state the name of the integration program they have participated in in their CV-s. They are also provided with the opportunity to contact the corporate D&I officer through the dedicated program coordinator, asking

for additional support of their application. In these cases, their application process is closely supported by the recruitment team. In case of not getting hired they receive a detailed written feedback and suggestions for improvement. If hired and upon request, we also provide internal mentors for the entrants.

As member company of the Hungarian Employers Forum on Equal Opportunities we have contributed our experiences and best practices to the paper edited by Autonomia Foundation (HU-only) **'Diverse and inclusive workplaces for roma and others'.**

Disability-friendly Workplace



The 2017 Disability-Friendly Workplace Recognition awards were distributed at "The World is Better with Us" Gala the Gala Event organized on the International Day of Persons with Disabilities. There are already 50 Hungarian that have been found eligible to receive the award, and Magyar Telekom is proud to be one of them, being entitled to use the logo in 2018 as well.

The award was being given by Salva Vita Foundation, the advocating organization aiming to bring disability-friendly employers and job seeking people with disabilities together. Employers may apply to this title by expressing their commitment to the conscious improvement of their inclusive recruitment, employment and staff retention practices concerning people with disabilities.

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** are invited to state if they have any special request based on their needs or circumstances in order to secure full accessibility of our career selection process.

In order to contribute to our aim in building an accessible and safe workplace for all we drew conclusions from the accessibility-related answers of our corporate Diversity Culture Survey from January 2018. There were also specific questions directed towards our employees living and working with disabilities that served as valuable feedback evaluating our work towards this goal.

The Budapest based offices of Magyar Telekom group have moved in together in our new HQ building in the fall of 2018. The building is thoroughly wheelchair-accessible and the rest of the accessible infrastructure development is being carried out in compliance with the BREEAM Standard. In November, after moving in the new building we have conducted an internal accessibility audit with the help of our visually impaired and disabled employees to define the most important points for improvement.

Sensitization and promotion of involvement is an important part of the company culture. The annual 'Have you ever tried?...' sensitization program organized with the help of NGOs and associations was available at the Lets Move It! Telekom family and sports day where our colleagues could gain personal experiences about the everyday challenges of people living with disabilities in an able-bodied environment.

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.

Workforce Reduction and Redeployment

Magyar Telekom – in order to ensure the resources related to the Company's strategic objectives - has reached an agreement with the trade unions in 2018 on headcount reduction and wage increase measures for 2019.

According to the terms of the agreement, the Company plans to make ca. 400 parent company employees redundant. The majority of the employees to be made redundant are expected to have left the Company by the end of 2018 or by March 1st, 2019. The company shall provide active job search, labor market training and one-on-one counselling to the colleagues laid off, in the framework of Program Chance, which has proven its success in the past years, and trusts that the above support these highly-trained employees of up-to-date professional expertise in finding employment elsewhere as soon as possible.

It is planned to reinvest a significant proportion of the expected employee cost savings in resources related to the Company's strategic objectives.

As from April 1st, 2019, employee salaries at the Company will rise by an average of 5%.

Work-life balance

Magyar Telekom considers stress, overload and burnout related risk-reduction as its priority duty in relation to its employees. In order to take charge of these risks by securing an empowering environment to develop and maintain a healthy lifestyle, employees are also provided with coaching and training opportunities that help in the advancement of their task-management skills.

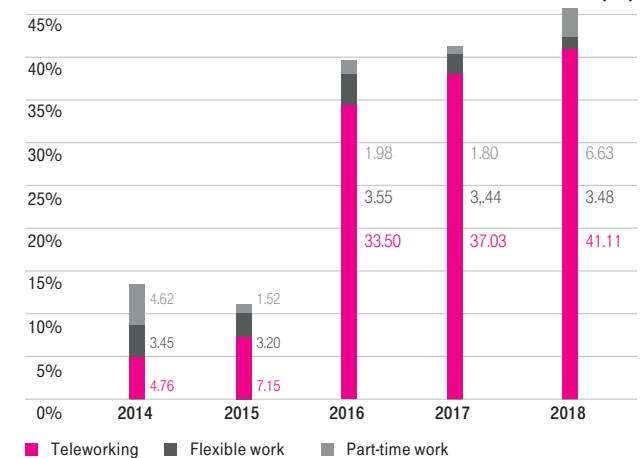
Through the implementation of particular forms of non-regular employment the company aims to provide support to maintain a healthy work-life balance and is also dedicated to reduce the possibilities of working overtime. While offering flexible working hours through part-time, flexible-time and unrestrained employment it is strategically important for the company to build teleworking into the company's culture.

The workspace design of the new HQ building of Magyar Telekom is based on shared-desk principle, its social and creative lounge spaces and well equipped digital conference rooms also support the highest level of telepresence flexibility. Teleworking is also supported by the continuous maintenance and development of a solid digital office network access. Employees receive mandatory courses to manage potential accessibility and/or data privacy risks related to teleworking.

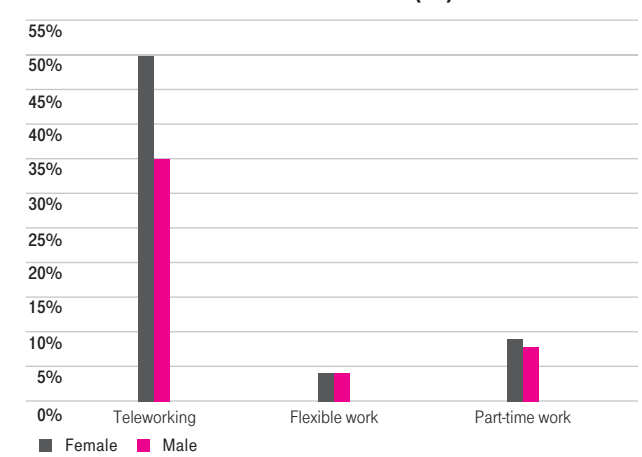
In 2018 our employees have worked a total of 143 396 days remotely, saving nearly 5 million kilometers or 25 years of travel.

With regards on our employees' private and family circumstances (e.g. necessity of homecare of a permanently ill or elderly close relative) our colleagues may go on a permanent leave without pay. In accordance with Hungarian labor legislations we provide our employees with extra days off after their children, and after blood donation. In cases of more than 40% health damage employees have the right for additional annual 5 days off for rehabilitation. Additionally, we credit the voluntary social contribution of our employees by providing days off, the proportion of which is being precisely regulated in internal corporate directives.

NON-TYPICAL FORMS OF EMPLOYMENT AT MAGYAR TELEKOM PLC. IN PERCENTAGE OF THE TOTAL HEADCOUNT (%) ✓

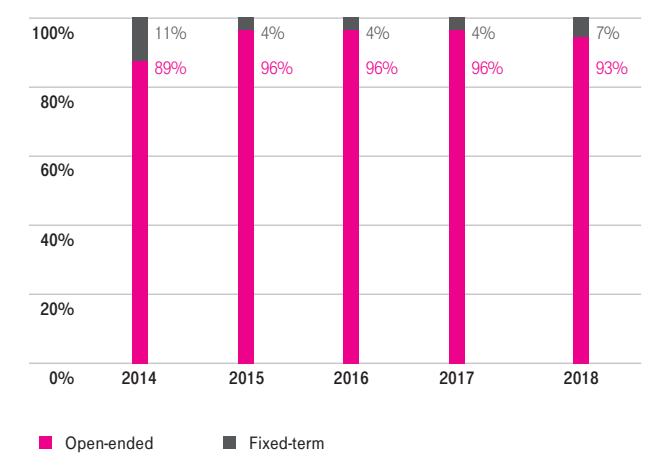


GENDER MIX OF NON-TYPICAL FORMS OF EMPLOYMENT AT MAGYAR TELEKOM PLC. IN 2018 (%) ✓

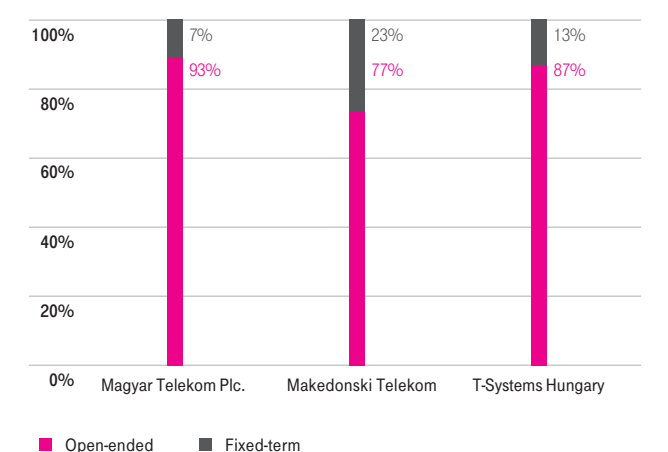


In order to prevent cases of burnout and support the restoration of work-life balance, the company offers the partly financed opportunity of a "sabbatical" leave for a period of 1-6 months, since 2016.

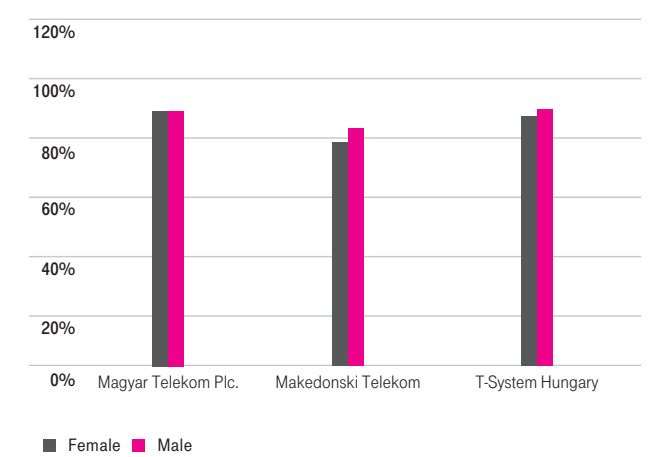
RATIO OF FIXED-TERM TO OPEN-ENDED EMPLOYMENT AT MAGYAR TELEKOM PLC. ✓



RATIO OF OPEN-ENDED EMPLOYMENT CONTRACTS BY GENDER AT MAGYAR TELEKOM GROUP ✓



RATIO OF OPEN-ENDED EMPLOYMENT CONTRACTS BY GENDER AT MAGYAR TELEKOM GROUP ✓



From 2018, we employ our trainees in the status of employees, while in 2017 and in the previous period they were employed as lessees, through student cooperatives. Internship contracts are either part-time or fixed-term ones, so this change is reflected in charts showing atypical forms of employment and contract types.

Family friendly Telekom and T-Systems Hungary

In 2017, 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 regularly updated Young Mother information intranet-page, dedicated e-mail accessibility and a closed Telekom private social media group “Families at Telekom”. Colleagues with children can take part in numerous company events together with their families. We have used the opportunity of meeting our colleagues with young families in the Move It! Telekom Family Day to ask their opinions about the possible ways of the improvement of our stay-in-contact system for employees on leave. Their answers served as a baseline for our improvement processes.

In order to support a healthy 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 an 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 Magyarország 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 have shared our best practices on the Family Friendly Workplace Gala and Award Ceremony in November 2018.

In 2018 Dimenzió Mutual Insurance and Self-help Association's Family Support initiative provided assistance to the families in the Telekom community by offering discounted summer camp opportunities for their children during the long summer holiday season.

In order to support the needs of employees who need to manage childcare situations during their office related duties Magyar Telekom provided 1 family friendly office space in Debrecen and 3 offices on its Budapest sites. The later 3 have been closed down due to moving together from all Budapest office sites to one shared HQ building in the fall of 2018, but the Debrecen-office is still available. In order to support the smooth re-organisation of family related duties and obligations we have provided a thorough list of available nurseries, kindergartens and schools in the neighborhood of the HQ building and we have started to develop the most convenient office-related childcare support system that meets the needs of the employees working in the HQ.

Efficient work-life balance of employees with families is further supported by tax-free nursery and/or kindergarten financial support that could be selected from our cafeteria benefit scheme, thus contributing to the reduction of expenses.

A considerable proportion of employees in the company group take advantage of telework thus actively working parents and still actively working grandparents can successfully harmonize their family life and professional duties.

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.

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

	MALE	FEMALE	TOTAL
Employees on long-term leave	1	205	206
Employees returning after long-term leave	4	118	122
Employees returning from long-term leave, after having been employed at least for 12 months upon joining the company	4	110	114
Employees returning from long-term leave with continued employment	100%	93%	93%

Generations at Magyar Telekom

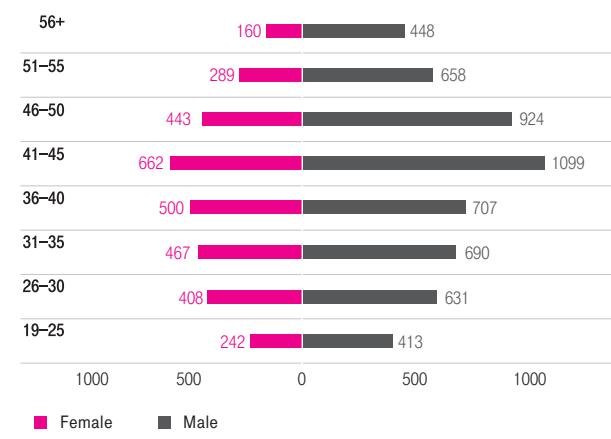
As a part of the well-designed internship program, the Group offers jobs to many young people starting their career.

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.

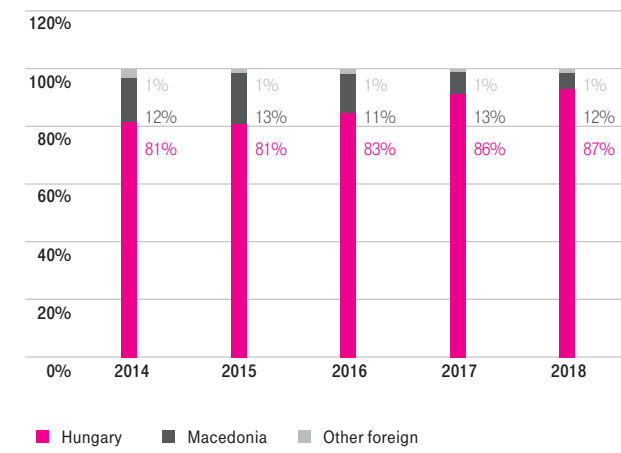
The majority of our employees fall into the mid-aged category of experienced professionals. They experience a slightly narrowing career path, while also having opportunity to obtain marketable experience along various horizontal career tracks. This is supported by the company's significant resources 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 (50+) 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.

**AGE TREE OF MAGYAR TELEKOM GROUP,
DECEMBER 31, 2018** ✓



DISTRIBUTION OF EMPLOYEES BY REGION ✓



5.2 INVOLVEMENT OF EMPLOYEES

Telekom Volunteer Day

Magyar Telekom and its affiliate, T-Systems Hungary organized a Volunteer Day on October 13, 2018. More than 900 employees of the Group participated in the nationwide action, in the frame of which we provided digital and traditional support at 38 locations.

In its Sustainability Strategy 2016-2020, the Group's objective is to further increase the contribution to the society: the Group plans to contribute about 50 thousand dedicated volunteer hours by the end of 2020.

In the framework of Telekom Volunteer Day 2018, traditional forms of volunteer work were performed at 25 locations nationwide. In the Budapest region, Telekom's volunteers worked on the gardens of Heim Pál Pediatric Hospital and Tűzoltó Street Pediatric Hospital, among others. The Normafa and Széchenyi Hegy stations of the Hungarian State Railway Children's Railway, as well as 18 kennels of Ebremény Association's Strázsza Dog Shelter were also cleaned up and renewed in their appear



ance. Efforts to push back invasive species of plants that spread to the detriment of native ones took place at several nature reserves simultaneously, and volunteers also visited three boarding homes supported by Autistic Art Foundation (Kozármisleny, Szakáld, Miskolc) to help out in maintenance of the homes.

2018 was the first year when digital classes were held at primary schools as part of Telekom Volunteer Day. We provided digital training to approximately 2000 pupils aged 10-14 in 13 schools across the country.



It is good to give! charity cookie market

As part of the World Volunteer Day initiative, on 5 December 2018, several Magyar Telekom office buildings have welcomed our “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. A total of HUF 1.2 million was raised in 9 venues for the fund.



Volunteer Program in December

Between 5 and 21 December, 2018, 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. 76 Telekom volunteers contributed their workforce in 608 hours and had thus the chance to engage in customer related services that is at the core of our company activity.

In 2018 two registered charitable team buildings were organized and 356 colleagues donated blood at least once during 29 organized blood donation events in Budapest and in the countryside. The record number of donors that showed up at T-Systems Hungary's workplace blood donation event put the Company at a very prestigious place on the ranking of the Hungarian National Blood Transfusion Service. In 2018 1059 Magyar Telekom volunteers contributed their workforce in 11,988 hours. With these programs we provided HUF 42 million worth of theoretical contribution to society.

Sustainability survey among employees

In 2018 our employees were surveyed for the eighth time on sustainability issues. The survey is performed in November each year and this year 95% of the respondents answered that Telekom is a leading company in the field of sustainability. The awareness on sustainability is currently at 80% within the company.

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 2018 the bikes were used on 2147 occasions between Telekom office buildings traveling a distance of 3220 kilometers thereby preventing the emission of 0.6 ton of CO₂.



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

Each year, employees can attend sustainability-themed events, and collect “hello holnap!” points in return. Since the program's start, close to 11 000 former and existing colleagues collected a total of 29 351 “hello holnap!” points. In the period between April 01, 2017 and March 31, 2018, a total of 10 486 points were credited to employees. The Management Committee congratulated and handed out the Feldobox gift cards to the award winners in person on April 24. As part of the same event, in addition to the winners of the 2017/2018 period, a colleague was also recognized who had collected the most points in the past 5 years.



Move Telekom! Sports and Family Day

Following previous years' tradition in 2018, we organized a corporate family and sports day event under the name of “Move it, Telekom! Day”. The event was aimed at exercise and fun for



employees and their family members. Move it, Telekom! Day 2018 took place on June 19 and was attended by 2200 colleagues and their family members, as part of which colleagues could compete in sports, try special sports and new types of exercise, as well as have their health condition checked.

Earth Hour

Magyar Telekom has been actively participating in the WWF initiative since 2008. On March 24, 2018 between 8:30 PM and 9:30 PM the employees turned off the lights in Telekom shops and properties.

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 2018, employees could buy fresh farm-food in two company facilities and T-Systems's headquarter building, as well as at Magyar Telekom Könyves Kálmán krt. headquarters building from November on.



6.

SOCIAL ENGAGEMENT

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Support strategy

Magyar Telekom manages the selection and implementation of its social engagement activities at a strategic level. These activities are performed in line with centrally regulated and audited processes in consideration of the latest social, environmental and economic developments.

The focus of the bi-decennial sponsoring efforts of the company have been shifted into an integrated scheme that focuses on the support of projects that are closely aligned with the company's profile as well as the leveraging of synergies and targeted sponsoring activities.

The Company sponsors various areas, among others professional and amateur sports, music – especially pop music festivals – professional events and social efforts.

Magyar Telekom is convinced that its long-term success depends on the company's engagement in social matters, its openness to social needs and problems as well as the quality of its sensitivity to these topics. Besides, Magyar Telekom strives to make its social engagement and support activities an awareness-raising oriented activity, so from the very start it pays distinguished attention to the communication of its support program and the involvement and activation of its customers and employees.

It is important for Magyar Telekom to harmonize its sponsoring and donation activity with other elements of its sustainability activity. This also means that we do not only provide financial support but other types of assistance, too, and seek to aid the realization of the projects with our core activity info-communication solutions and support socially important matters with our own initiatives.

Since 2013, in line with the senior management's decision and the corporate strategy, Magyar Telekom connects its sponsoring and donation efforts to its core activity, i.e. emphasizes programs that improve digital competences thereby creating a firm basis for the society to leverage the opportunities offered by the latest technologies. The Become an IT expert! program, established in 2016, is the company's IT career orientation program for young students while joining Deutsche Telekom, the parent company's Teachtoday initiative, Magyar Telekom conveys useful knowledge to children, their parents and teachers on the conscious use of media.

Parallel to this the Company gives high priority to supporting social issues in areas where the company has an impact and where solutions can be approached from a new angle with the use of technology. An example for this is the company's strategic partnership with the Autistic Art Foundation whereby Magyar Telekom supports homes for autistic people with digital devices and helps organizing their development workshops, helping to elaborate methodologies and promoting the widespread use of electronic devices.

6.1 COMMUNITY INVESTMENTS

Development of communities, consciousness forming

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, because we firmly believe that digital solutions can bring us closer to achieving our goals.

Since November, 2017, the Deutsche Telekom's **Teachtoday** initiative is available with the objective to foster the safe and conscious use of the internet and to disseminate online education content to a broad audience. Teachtoday was established in 2008 upon the European Union's initiative, under the patronage of Viviane Reding, then member of the European Commission, within the frame of the European Schoolnet (EUN) program and was implemented by numerous leading European internet-, mobile telephone and telecommunication operators. In the spring of 2014 the Teachtoday initiative was taken over by Deutsche Telekom AG and since then the program has been maintained by the company. The content on the Teachtoday website is aligned to situations that we experience in our everyday lives; explaining how young generations use the internet, while taking into account potential differences in various needs and living conditions. The online interface offers practical tips and solutions to parents and children alike on topics like data protection, big data, social networks, use of mobile phones or popular applications. Teachtoday helps the work of teachers with ready-made modules that can be immediately incorporated into the digital curriculum as well as best practices and examples.

Interns' involvement – 1 hour of charitable educational work every half year

Members of Generation NOW are aware of the multiple possibilities offered by digitization. They are resourceful, ready to adapt, they are ready to take action and lead the change. They are unstoppable, because they firmly believe in technology.

Magyar Telekom Group's Sustainability Strategy and Brand Purpose both set the educational goal that we access 1 million people and increase awareness by means of digital and/or responsibility messages by the end of 2020. The effort encompasses the development of digital competences, industrial succession pool programs, as well as edutainment/inspiration. The latter means of idea-transmission unleashes the potentials of digitization through inspirational story telling.

By engaging its interns, Magyar Telekom further increased the number of people directly reached by and channeled into the educational initiatives in 2018. The purpose of the "Charitable Educational Activity" program is that with the help of our interns, we enable an even greater number of people to realize their potentials and opportunities in the context of NOW. The range of potential educational activities includes monothematic classroom lessons in primary and high-schools, digital education

workshops for groups of pensioners, volunteer work at the Sustainability Day festival conference, Mobile Professor work at Telekom shops and the compilation of educational articles, content and presentations. In 2018, 87 interns took part in the program, reaching 1044 people with their educational work.



Become an IT expert! – career orientation program

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 rely on the collective knowledge accumulated in the company and our volunteer spirit, and show children who soon need to choose a career what opportunities are offered by the IT profession. An inherent part of the Become an IT expert! program is the **website** developed for this purpose, where visitors can get useful tips relevant to the profession, IT competitions and internship positions, as well as the Become an IT expert! Facebook page, where we provide continuously updated information on technological novelties impacting our digital future.

Since the launch of the Become an IT expert! program, our volunteers have accessed more than 28 000 kids. Here are some figures describing the program's achievements:

- 28 304 students accessed
- 673 presentations at schools
- 58 settlements across the country
- 382 participating schools

The Become an IT expert! program won a Silver EFFIE in 2018 in the "Long-term Efficiency" category (min. 3 years outstanding performance relevant to one specific product/service).

In 2018 the Become an IT expert! program went a step further when Telekom - T-Systems announced a competition for high school students under the name of Become a Creative Mind! game, which aims to promote not only IT, but the wider range of educational opportunities inherent in digital devices.



In the race, teams of high-school students and mentor teachers competed against each other testing their knowledge and creativity. The most important goal of the project was to demonstrate how digital solutions can make it exciting, engaging and entertaining to transfer knowledge in specific subject matters.

The teams had to solve problems in four subjects, Instatöri, Prismarajz, Slowmókémia and Excelfoci, using digital devices and applications available to them. The history problem (Instatöri) aimed to extend their knowledge about their locality and they were asked to use Instagram. The drawing exercise (Prismarajz) was aimed at providing them more extensive knowledge on the history of arts. The chemistry task (Slowmókémia) was to shoot slow motion footage of an experiment, and the IT subject (Excelfoci) was designed to give them deeper insight into the use of Excel, as applied to organizing a soccer championship. Those competing for the audience award had to compile a video about their own schools.

Perhaps the most important lesson learned by the game was that it is worth taking a different approach to school subjects: 80% of the teachers who had accompanied the students as mentors, and responded to questionnaires about their experience said that the students had been a lot more motivated throughout the game than usually about traditional exercises. Several teachers underlined that the exercises encouraged the students to engage in teamwork, and that the students often spent their free time on implementing their ideas.

A total of 183 schools had signed up for the competition, and in the end, 86 teams, the same number of mentor teachers and 344 students from 70 towns took part. The chemistry exercise mobilized 100 students, who shot slow motion footage of an experiment. A total of 30 teams completed the audience award task, and close to 9000 people cast their votes on their favorite videos. Seventy-five percent of the teachers responding to the

questionnaire found it possible to incorporate the tasks into their practical teaching process, and eight out of ten would be happy to make their classes more exciting by using digital means.

Our worlds are different. But we still understand each other

The strategic partnership cooperation between Magyar Telekom and the Autistic Art Foundation, established in 2016, continued in 2018 as the jointly realized programs helped to involve a broader audience on behalf of both partners and to launch initiatives that have tangible social impact.

Within the frame of the cooperation with the Autistic Art Foundation Telekom uses its best efforts and applies digital means call public attention to autism, as a social problem, and exerts efforts to help people living with autism to communicate with others as much as possible thereby reducing the distance between autists and other people.

Participants of the 33rd Telekom Vivicitá city run could join the charity run initiative, organized by Telekom and the Sustainability Media Club, whereby they could support Magyar Telekom's non-profit strategic partner, the Autistic Art Foundation, by completing the 2,4 km distance run. Members of the charity run team included among others, professional athletes like Renátó Tóth and Viktor Kovács forwards and József Pleszkán goalie from FTC's ice hockey team, players of FTC U10 ice hockey team, Krisztián Lisztes, who has played 49 times on the national soccer team, FTC's Youth Team Coordinator, Theo Schneider, FTC's Youth Team Director, Pál Bedák and Mihály Kótai boxers and Krisztina Lőrincz, para cross-country skier. The team was also joined by Dániel Gogetinho-Novák, FTC's FIFA18 e-sportsman. The charity run was attended by members of the Sustainability media Club, too.

Members of the team not only collected kilometers, but Telekom donated HUF 1000 to Autistic Art Foundation for every kilometer covered by the charity team members and all runners. The objective of the team is to call public attention to autism which has an impact on an increasing number of persons.

It is good to give! cookie campaign

In December 2018, Magyar Telekom, T-Systems and members of Sustainability Media Club organized a cookie fair under the name of "It is good to give! Cookie Campaign" as part of the International Volunteer Day events. In the framework of the event, hundreds of volunteer colleagues and members of the Media Club offered for sale their cookies at 9 locations at Telekom sites across the country. The amount collected, HUF 1.2 million was donated to the Autistic Art Foundation. "We launched the It is good to give! Cookie Campaign" upon the initiative of the employees eight years ago. The beneficiaries of the campaign are always organizations addressing societal problems, the support of which is deemed important by both Sustainability Media Club and the company. The donations collected in course of the event are used in the framework of our strategic partnership to finance the boarding homes supported by the Autistic Art Foundation and the programs conducted in them. "In course of our several years of cooperation, we have always striven to increase awareness about autism in the public through the channels available to us, so we were happy to see that many people took part in our Christmas charitable initiative this year, too, thus contributing to the cause of making the lives of the people living in the boarding homes better," said Magyar Telekom's CHRO, Zsuzsanna Friedl, underlying the objective of the initiative.

Anyone could chip in during the whole month to increase the amount to be donated on top of the donations collected during the cookie campaign, as the company committed to donate additional amounts proportionately to some digital activities. All one had to do was to upload a Christmas photo to an Instagram profile using the #mindenkibelead ("everyone chips in") hashtag, or to send holidays' greetings postcards from the karacsony.telekom.hu site. During the period of close to one month, a lot of #mindenkibelead hashtags appeared on Instagram, and thousands of postcards were sent, so at the end of the charitable campaign, Autistic Art Foundation received HUF 7.2 million in donations. "Autistic Art Foundation supports ten boarding homes maintained by NGOs, where young adults affected by autism live who are not able to live independently, without help. The amount donated will be used to make their lives better," said Autistic Art Foundation Managing Director, Viktória Bella. The Foundation will use the amount to finance the running costs of the boarding homes, buy equipment and develop digital solutions.



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 2018 we provided discount priced fixed line telephone and internet services to 31 organizations for 12 months in the value of HUF 4 million.

Corporate Volunteering Activities and Social Initiatives at Makedonski Telekom

For the past two years, Makedonski Telekom has been committed to the #TelekomGoesGreen initiative that has thus far covered many actions and projects, such as: creating pollution sensors, purchasing electric vehicles, using electric bicycles, etc. In the course of 2018, as part of #Telekom Goes Green, two eco-actions have been organized involving the company employees and CleanAppMK waste location application has been developed.

The first action was the Eco-Action for Cleaner Vodno on June 5, World Environment Day. On this occasion, more than two hundred employees and their families joined forces to clean the mountain paths of Vodno forest park.

The second action, the hallmark of 2018, the Eco-Action for a Cleaner City Park was held on September 8 and it was attended by around 150 Telekom employees.

With the desire to give a positive example and call for responsible behavior towards the environment, the employees in Makedonski Telekom selected part of the collected waste and handed it over for recycling.

The two actions were accompanied by the practical promotion, of the CleanAppMK application for locating waste, which is a conceptual solution by Makedonski Telekom, created in the Digital Talents Hub. The application is currently monitoring certain locations, but over time, the goal is to become a digital tool that will help to ensure a cleaner environment through citizen engagement. With it, the citizens will be able to report waste by entering a photograph and marking the position where the waste is located. This is how Makedonski Telekom cares and participates in preserving the environment.

Autistic boy's dream comes true

Levente Tóth is an 8.5-year-old boy who lives with autism. On November 16, 2018 he was invited to Magyar Telekom Group's headquarters to receive a gift, which is a FUTÁR passenger information system customized to his specific needs by experts of T-Systems and the Budapest Public Transportation Center, who put 20 hours into its development.

The mother of the boy had asked for help on Facebook, explaining that his son really loved the FUTÁR system, and had actually learned to ride public transportation without anxiety by using the system. T-Systems heard the mother's request. The gift is made up of two separate parts: one is a screen that shows what passengers see, the other is the touchscreen device drivers use.

Levi can use his personal PIN code to access any bus or tram lines in Budapest, open and close the doors at the touch of a button, speed up or slow down his imaginary vehicle, and keep track of how he is doing compared to the official timetable. He can also play the prerecorded passenger info messages through the PA system but may also opt to speak to his passengers in his capacity as driver through his microphone. The screen meant for the passengers, of course, always shows the "real" info Levi sets himself. Thanks to this generous gift, Levi can feel like a real bus driver, and develop his skills at the same time.



6.2 OUR EMPLOYEES AND SOCIAL ENGAGEMENT

What volunteering means to us?

Being a digital company, we consider it one of our primary goals to spread digital optimism, and to ensure that anybody is being able to seize the unlimited range of opportunities offered by the digital world, apply the knowledge one can build upon it and enjoy the community experience inherent in it.

At the same time, we know that many need support and guidance in that. Our goal is to make sure that they get that help from Telekom colleagues who navigate this field in full competence, and are happy to volunteer to share their experience with those who wish to learn.

“It was a great experience to work with the kids, and to test my abilities in a new, challenging task and role!”

“I had had my reservations about digital education before, I just wanted to give it a try, and find it very useful, so I went for it. It turned out to be a very positive surprise. The kids were so cool, and they were really interested in the subject. And we could also properly solve the problem at hand.”

“We also learned and received a lot from them, not only gave to them. It was a great feeling to be the Telekom-person who helps others. We were very much needed there.”

These and similar feedback from our colleagues justify that our common work for others has a very strong community building effect, it helps to break away from the everyday routine and unleashes positive energy that can be used both at work and outside the company.

“Being a responsible large enterprise employing thousands of people, Magyar Telekom Group encourages its employees to assume active roles in society by organizing countrywide corporate volunteer day events each year. I am especially happy that in addition to engaging in other, traditional ways off volunteer work, many colleagues opted for digital education,” said Magyar Telekom CHRO, Zsuzsanna Friedl about the Volunteer Day 2018 event, which is the largest volunteer event of the year.



Close to 1000 employees of the Group attended the countrywide volunteer event organized by Magyar Telekom and T-Systems Hungary. They put in more than 5000 hours at 25 locations, renewing public grounds and facilities, as well as conducting digital education. Relying upon the collective knowledge that exists within the company and the employees' experience, the volunteers held interactive presentations to more than 2000 pupils aged 10-14 of 13 schools in four topics: social media and personal brand, internet security, vocational orientation aimed at IT jobs and professions of the future.

As part of the traditional types of volunteer efforts organized in Budapest and its vicinity, colleagues cleaned up the yards of the Heim Pál Pediatric Hospital and the Tűzoltó Street Pediatric Hospital, among others, as well as painted the walls of the gym located in the latter. The Normafa and Széchenyi Hegy stations of the Hungarian State Railway Children's Railway, as well as 18 kennels of Ebremény Association's Strázsza Dog Shelter were also cleaned up and renewed in their appearance. Efforts to push back invasive species of plants that spread to the detriment of native ones and to restore the original environment took place at several nature reserves simultaneously. In the countryside regions, volunteers built walks, painted benches and cleaned up gardens in three boarding homes, located at Kozármisleny, Szakáld and Miskolc, supported by the company's strategic partner, Autistic Art Foundation, among other efforts. And at Szeged, they held artisan workshops for the handicapped students of Gemma Social Services Center and Development School.



As a responsible large enterprise, employing several thousands of employees, Magyar Telekom encourages its workforce to step up their social responsibility efforts by way of offering and supporting 12 different types of volunteer programs. We find it important that our colleagues may choose from various volunteer activities that best fit their preferences.

As a leading ICT company we take part in the digital development of Hungary and the promotion of digital literacy and the use of ICT devices. Last year our colleagues delivered presentations to 5,350 students in 23 localities on the benefits of the IT profession as well as the responsible use of the internet.

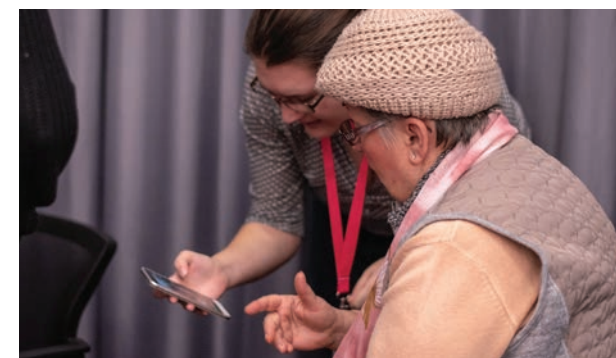
Magyar Telekom has been a key supporter of the "Vivicitta" city run since its beginning. In 2018 as many as 1,100 colleagues worked, helped and completed the run to make the event as popular and successful as in previous years. Besides offering the entry-fee to charities our company's volunteers helped to organize the event, too. Our charity runner team undertook to raise awareness for people living with autism. The company collected donations for people living with autism at Vivicitta race, in 2018 too. Out of the donations collected among the colleagues, committed by them at the time of their entry into the race, more than HUF 900 000 went to the maintenance budget of the boarding homes maintained by Autistic Art Foundation.

The volunteers were not only active in the international event but also supported the company's internal events, like the "Move Telekom" sport day and helped to make it an entertaining and relaxing event.

The traditional "It is good to give!" cookie campaign was organized in December at 9 sites of the company. Our volunteers offered homemade cookies, organization work, donations and raised HUF 1.2 million donation that was offered to improve the living conditions of people living with autism.

There are other popular forms of volunteer activities that help the customer service staff, the shops' staff and our customers' convenience at the busiest peak times. In 2018 there were two occasions where colleagues working in various departments helped Telekom experts in the technical connection of customers to our network, fault clearance activities, to respond to call center calls and to help the staff's work in crowded shops.

In addition to the traditional activities, the Digital Education for Pensioners Program was launched as a new bottom-up initiative, in the framework of which, our enthusiastic colleagues provide personal support regarding internet security, smart phone and internet use to members of the elder generation, who can ask their questions and get immediate answers and solutions from the volunteers.



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, 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.

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.

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

- 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.

Magyar Telekom takes note of and appreciates voluntary work, helping its employees' to carry out their good intentions and encourages them to do so with the collection of hello holnap! points. The company's management is committed to support voluntary work and its active personal participation motivates employees to join these programs.

As part of our above volunteer efforts of 2018, all together more than 1,059 Magyar Telekom volunteers contributed their workforce in 11,988 hours. With these programs we provided HUF 42 million worth of voluntary contribution to society.

6.3 SPONSORSHIP

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

As one of the major sponsors in the country, the group has spent significant amounts in the past decades to support Hungarian sport and culture.

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 successes of several domestic sport branches and athletes outstanding 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, London and Rio, too.

As a key sponsor of the paralympic movement, Telekom considers important providing equal chances to everyone, including the handicapped. As the main sponsor of the Hungarian Paralympic Team, Telekom will support the preparations in the next paralympic cycle.

As a further important element of its sports sponsorship strategy, in 2018 Telekom signed a renewed four-year agreement with the Ferencvárosi Torna Club, in the scope of which not only male but already the female football teams as well as men's gymnastics, water polo, ice hockey and gymnastics sections are also prominently supported.

Since 2014, Telekom has been supporting the football succession training program of the Ferencvárosi Torna Club, in 2015, as the FTC's prominent sponsor and under the new agreement, the FTC's main sponsor of the adult male football team. The company also contributes to the club's success as brandname sponsor of the sections FTC-Telekom Waterpolo, FTC-Telekom Ice Hockey, FTC-Telekom Women's Football and FTC-Telekom Men's Gymnastics. The agreement announced in 2018 fits into Telekom's overall sponsorship strategy, and to the parent company's international support system: as the country's leading telecom provider, the company is helping the work of the most popular and successful players in domestic sports life. As part of its sponsorship, it prominently supports the FTC-Telekom Active Fans lifestyle change program, as well as a number of digital solutions such as 360-degree sports ground tracks, AR and VR activities or the E-fan program to make fans' cheering experience even more exciting.



Telekom Veszprém handball team has been supported by our company for more than 20 years. Boosting our co-operation to a new level, since 2016 we are present as brandname sponsor of the team, contributing to the domestic and international success of this world elite club such as winning the SEHA League or the serial participation at Champions League Final Four. Magyar Telekom believes that such world-class performances and achievements make a significant contribution to attracting more young people to active sporting and promote healthy lifestyles. Our digital solutions, such as Telekom Speed Radar to display the fastest hits; our Digital Tattoos, AR and VR activities –help completing the cheering experience for the Most Generation.

Telekom also finds it important to support mass sports and has been promoting the Telekom Vivicittá city run as brandname sponsor for more than 20 years, where - besides professional sportsmen - a lot of amateurs and families take part to popularize the importance of sporting and leading an active life style. In 2018, on top of the running race in Budapest, the city-runs were organized in 4 other cities (Győr, Miskolc, Pécs, Szeged).



In addition to Telekom Electronic Beats' impressive domestic media portfolio, in 2018 we also put much more emphasis on the representation of the local electronic music scene in the program. In 2018, its prominent domestic partner was Žagar, founded by Balázs Zságer, who is the forerunner of the Hungarian electronic music. We shared special contents through our online channels. (website, facebook, instagram, youtube channel, stream). Between September 13-15 the fresh-air house and techno fan club gathered at the Telekom Electronic Beats Festival in the Castle Bazaar, where there was a night-time party with not only strong names from abroad, but there were also additional programs: at the beginning a special Pop-Up Hotel party at the top of the Rum Hotel, and then lifestyle market and boat party during the day added colour to the three days Festival.

Magyar Telekom is present as sponsor at the biggest Hungarian festivals; in 2018 we were present at the Telekom VOLT at Sopron and at the Sziget Festival in magenta colors. At the Efort Festival we provided WIFI, which was sponsored by T-Systems in 2018. Last year, at Telekom VOLT Festival and Sziget Festival, we encouraged visitors to leave their comfort zone! For to get acquainted and to party for concerts of bands that they may not have heard before. After connecting to their Spotify account at the site komfortzonankivul.hu, we have created them personalized music playlists for the music of the ensembles performing at the festivals.



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 the transport of brand devices to and between festival venues 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) were released in a digital form.



7.

CORPORATE GOVERNANCE

7.1 Sustainability coordination.....44

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.

7.1 SUSTAINABILITY COORDINATION

The group-level governance of corporate sustainability operations is shown on the diagram below. The Group-level coordination is being maintained by 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.

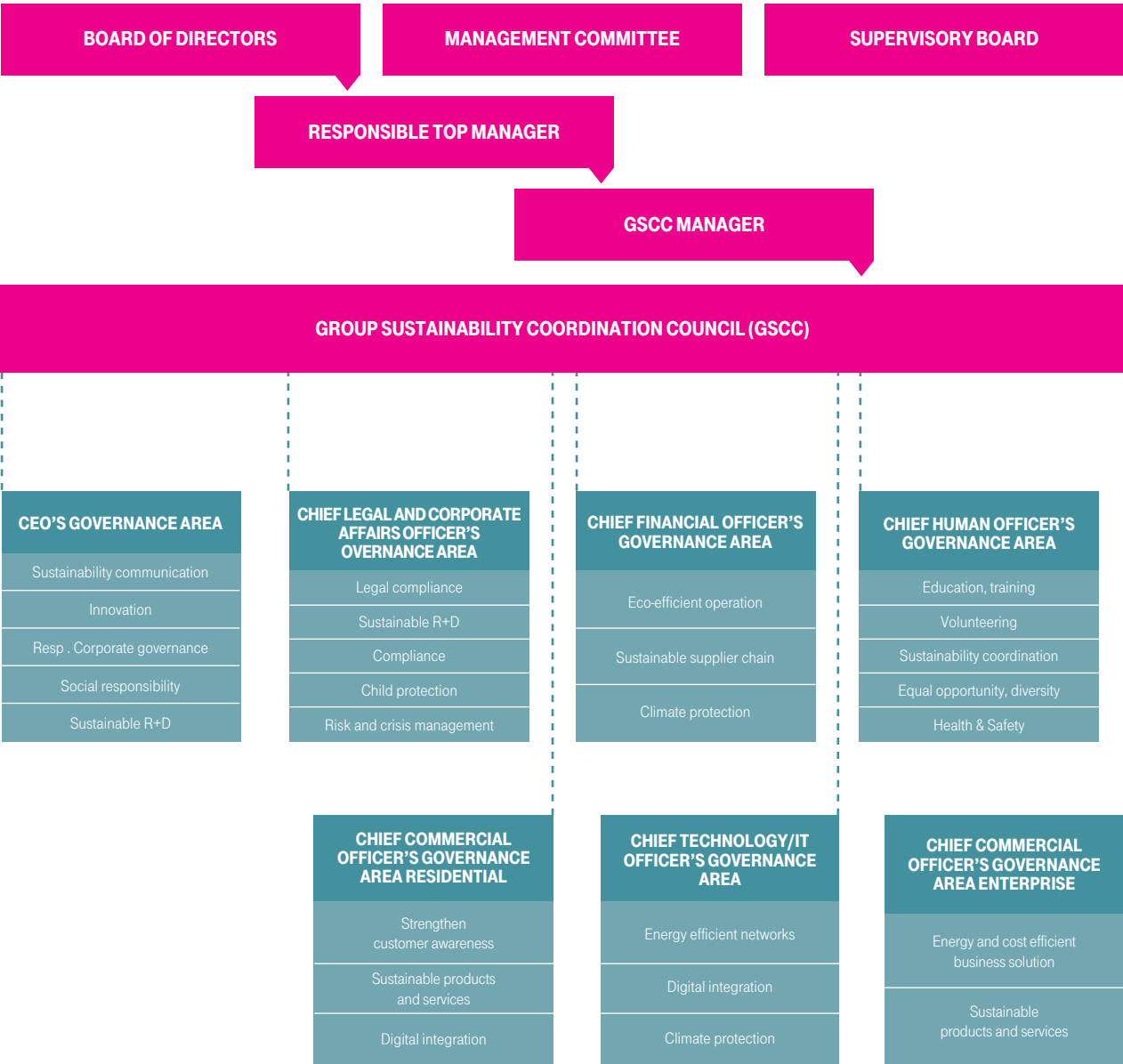
As the operative leadership of Magyar Telekom Group, the Management Committee (MC) receives annual track-report on the Group Sustainability Strategy tasks and related significant sustainability activities, results, potential exposures and opportunities.

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 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. The professional management of the data collection and editing process of the report is being carried out by the Corporate Sustainability Center under the supervision of the Chief Human Resources Officer.

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 IN 2018:



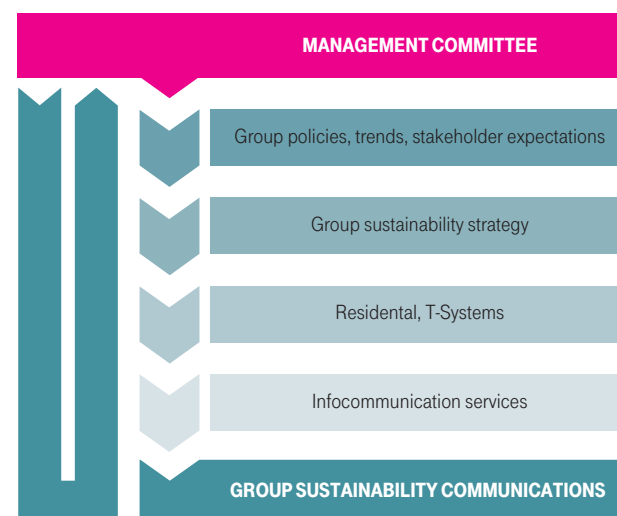
Hierarchy of the sustainability activities

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, stakeholder-feedback correspondence, survey results, etc.). The updated strategy serves as a basis for our tasks and objectives.

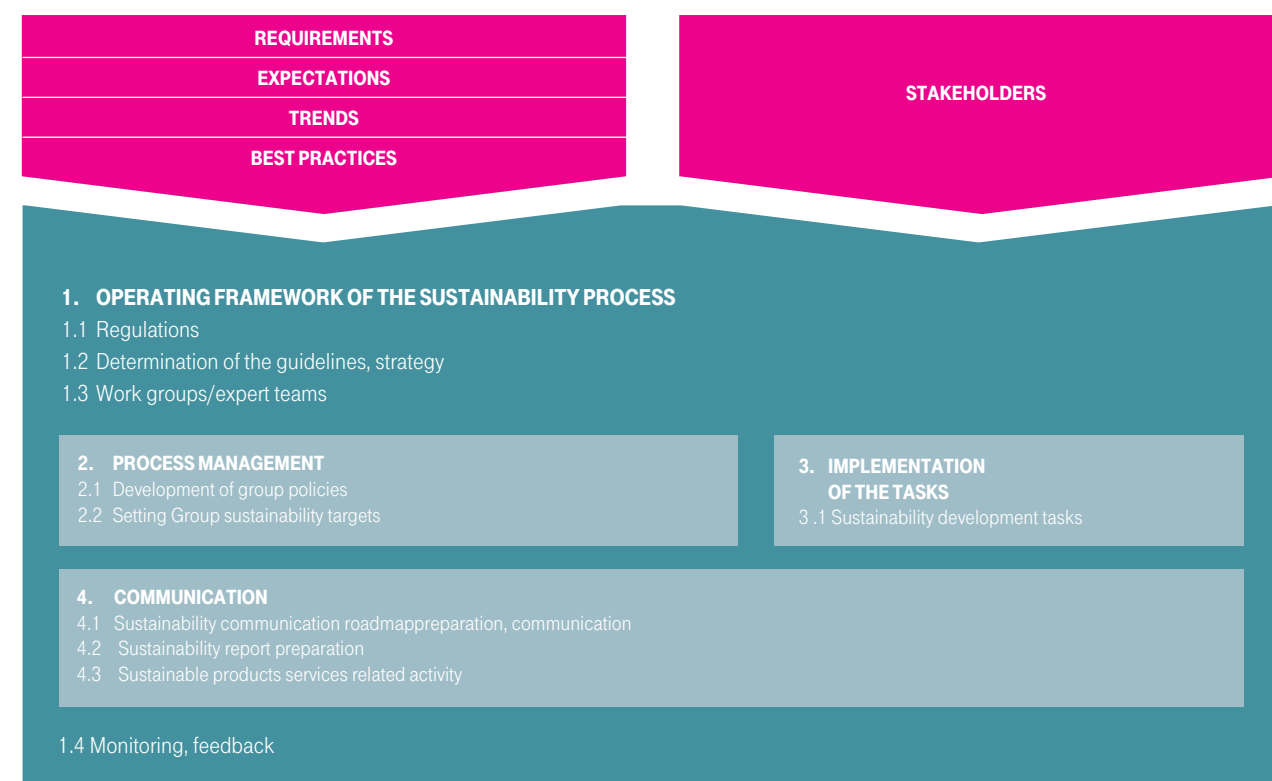
All our activities are supervised by the Management Committee, based on our regular reports. In order to manage risks that may have an impact on the business we established the sustainable supplier chain management process. Incidents are managed by a work group established by the GSCC and based on them we elaborate measures to mitigate potential future exposures.

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:



KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP 2018

KPI INFORMATION ON MOBILE SERVICES IN HUNGARY AND MACEDONIA ✓

	2017 31 December	2018 31 December	2018/2017 (% change)
HUNGARY			
Number of customers (RPC)	5 293 328	5 329 996	0,7
Number of mobile broadband subscriptions	2 845 079	3 011 938	5,9
Population-based outdoor 3G coverage (%)	86,2	96,5	12,0
Population-based outdoor 4G/LTE coverage (%)	99,0	99,2	0,2
MACEDONIA			
Mobile penetration (%) ⁽¹⁾	106,1	105,2	(0,9)
Number of customers (RPC)	1 203 228	1 205 728	0,2
Market share of T-Mobile Macedonia (%) ⁽¹⁾⁽²⁾	48,6	49,6	2,1

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT ✓

	2017 31 December	2018 31 December	2018/2017 (% change)
MOBILE SERVICES			
Number of customers (RPC)	5 293 328	5 329 996	0,7
Postpaid share in the RPC base (%)	64,5	67,2	4,2
MOU	199	212	6,7
ARPU (HUF)	3 392	3 624	6,8
Postpaid ARPU	4 833	4 950	2,4
Prepaid ARPU	1 073	1 078	0,4
Overall churn rate (%)	17,8	15,5	(12,9)
Postpaid churn (%)	8,0	8,2	2,5
Prepaid churn (%)	33,5	29,5	(11,9)

(1) Data published by Macedonian Agency for Electronic Communications (AEC)

(2) Based on active RPC

(3) Data is based on NMIAH reports

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT ✓

	2017 31 December	2018 31 December	2018/2017 (% change)
Ratio of non-voice revenues in ARPU (%)	39,3	43,6	10,9
Average acquisition cost (SAC) per gross add (HUF)	4 092	4 754	16,2
Number of mobile broadband subscriptions	2 845 079	3 011 938	5,9
FIXED-LINE SERVICES			
VOICE SERVICES			
Total voice customers	1 411 972	1 383 293	(2,0)
Total outgoing traffic (thousand minutes)	2 745 232	2 427 220	(11,6)
Blended MOU (outgoing)	161	145	(9,9)
Blended ARPU (HUF)	2 395	2 267	(5,3)
DATA PRODUCTS			
Blended retail broadband market share (%) ⁽³⁾	37,6	38,3	1,9
Number of retail DSL customers	549 694	542 072	(1,4)
Number of cable broadband customers	370 061	396 091	7,0
Number of fiber optic connections	153 828	209 565	36,2
Total retail broadband customers	1 073 583	1 147 728	6,9
Blended broadband ARPU (HUF)	3 497	3 537	1,1
Number of wholesale DSL access	33 200	28 927	(12,9)
TV SERVICES			
Blended TV market share (%) ⁽³⁾	28,9	30,6	5,9
Number of IPTV customers	628 797	714 980	13,7
Number of satellite TV customers	275 886	263 770	(4,4)
Number of cable TV customers	121 849	108 974	(10,6)
Total TV customers	1 026 532	1 087 724	6,0
Blended TV ARPU (HUF)	3 480	3 479	(0,0)
ENERGY SERVICES			
Electricity points of delivery	0	0	0
Gas points of delivery	0	0	0

KEY OPERATING STATISTICAL FIGURES OF MACEDONIA SEGMENT ✓

	2017 31 December	2018 31 December	2018/2017 (% change)
MOBILE OPERATIONS			
Number of customers (RPC)	1 203 228	1 205 728	0,2
Postpaid share in the RPC base (%)	47,2	50,3	6,6
MOU	219	227	3,6
ARPU (HUF)	1 692	1 837	8,5
FIXED-LINE OPERATIONS			
VOICE SERVICES			
Fixed line penetration (%)	10,5	10,6	1,0
Total voice customers	210 889	212 345	0,7
Total outgoing traffic (thousand minutes)	151 862	135 771	(10,6)
DATA AND TV SERVICES			
Number of retail broadband customers	168 552	178 760	6,1
Number of wholesale broadband access	20 965	17 503	(16,5)
Number of total broadband access	189 517	196 263	3,6
Number of IPTV customers	117 481	128 406	9,3



INDEPENDENT ASSURANCE REPORT

To the Management of Magyar Telekom Nyrt.

This report is produced in accordance with the terms of our Contract dated 1 March 2019 for the purpose of reporting to Magyar Telekom Nyrt. (the "Company") in connection with the 2018 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 2018 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 2018 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 2018 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 behavior.

PricewaterhouseCoopers Könyvvizsgáló Kft., 1055 Budapest, Bajcsy-Zsilinszky út 78.
T: +36 1 461 9100, F: +36 1 461 9115, www.pwc.com/hu



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 has been 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 2018 Sustainability Report) has not been prepared, in all material respects, in accordance with the GRI criteria.

Budapest, 23 May 2019

Árpád Balázs
Partner, registered auditor
Licence number: 006931
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Registration number: 001464

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 303: WATER AND EFFLUENTS 2018;
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																								
GRI 102: GENERAL DISLOSURES 2016																															
1. ORGANIZATIONAL PROFILE																															
102-1	Name of the organization				The registered company name of Magyar Telekom is Magyar Telekom Telecommunications Public Limited Company, and its abbreviated name is Magyar Telekom Plc.		✔																								
102-2	Activities, brands, products, and services			http://www.telekom.hu/lakossagi/english/plans http://www.telekom.hu/about_us/about_magyar_telekom http://www.telekom.hu/uzleti/main http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group Magyar	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 T-Systems 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 Magyar Telekom Group's member companies operating in Hungary are managing content, media and other, non-access services provided under various brands. The Group's international member companies are operating in the markets of the South-East European region as integrated and alternative telecommunications service providers. Magyar Telekom does not sell debated or prohibited products.		✔																								
102-3	Location of headquarters				The headquarters of the Group are located in Budapest (IX., Könyves Kálmán krt. 36.).		✔																								
102-4	Location of operations				The Group's area of operation: Hungary, Macedonia, Bulgaria and Romania.		✔																								
102-5	Ownership and legal form			http://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/ownership_structure	<table><tr><th>Shareholders</th><th>Ownership %</th><th>✔</th></tr><tr><td>Deutsche Telekom Europe B.V.</td><td>59,21%</td><td></td></tr><tr><td>Other foreign institutions</td><td>20,05%</td><td></td></tr><tr><td>Domestic individuals</td><td>9,45%</td><td></td></tr><tr><td>Domestic institutions</td><td>4,08%</td><td></td></tr><tr><td>Employee Share Ownership Program</td><td>0,84%</td><td></td></tr><tr><td>Other</td><td>6,37%</td><td></td></tr><tr><td>Total</td><td>100,00%</td><td></td></tr></table> <p>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 Exchange in 1997. Magyar Telekom delisted in 2010 and deregistered in 2012 from 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.</p>	Shareholders	Ownership %	✔	Deutsche Telekom Europe B.V.	59,21%		Other foreign institutions	20,05%		Domestic individuals	9,45%		Domestic institutions	4,08%		Employee Share Ownership Program	0,84%		Other	6,37%		Total	100,00%			✔
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102-6	Markets served			http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group http://www.telekom.hu/lakossagi/english/plans http://www.telekom.hu/lakossagi/english http://www.telekom.hu/uzleti/main	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 T-Systems 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 Magyar Telekom Group's member companies operating in Hungary are managing content, media and other, non-access services provided under various brands. The Group's international member companies are operating in the markets of the South-East European region as integrated and alternative telecommunications service providers.		✔																								
102-7	Scale of the organization			https://www.telekom.hu/static-tr/sw/file/IFRS_Group_2017_1.0_final_alairt_nyilatkozattal.pdf	Number of employees of Magyar Telekom Group: 8,980 persons (as of December 31, 2018)		✔																								

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																																																																											
102-8	Information on employees and other workers	5. Employees		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. Generally 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 2018 Magyar Telekom had 343 interns, and T-Systems had 166 interns. Throughout our internship program these 509 interns were provided with opportunities to gain real workforce experience in various areas of our operations. The diverse team of our Y2018 interns included students from the fields of IT, business, economy, architecture, horticultural sciences and many other areas. Admission to the internship program of the company is not limited to any scholarly areas, we are eager to find out more about 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.		✔																																																																											
102-9	Supply chain	3. Suppliers		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 2018 was 1323. The GRI 102-10 table lists the types of suppliers 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 enegged in our corporate procurement processes. 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. 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 tool (OneSource), orders are also placed/confirmed through an electronic commerce solution (CPEx) or e-mail, 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 2018 reached 92.35% of all items ordered (in 2015: 69%, in 2016: 89.9% and in 2017: 91.3%). The aim of DT Group One.ERP system was to make the orders running electronically smoothly. In PSL system (related on the network-based real estate assets and the tool area of the technology area) the proportion of electronically ordered requests was 95.66% in 2018 (2017: 95.4%). While in 2016 the total number of orders sent electronically without intervention in the procurement area was 83.89%, this proportion rose to 96.35% by 2018. In 2017, in order to improve our procurement business processes, we examined the areas, where robotization could be used. As a result, we started the robotization in due diligence of suppliers in 2018. In the office stationary catalogue the supplier already marks "green" products, and we encourage our colleagues to order such items. 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 and minimize transportation time, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimum inventory. 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.		✔																																																																											
102-10	Significant changes to the organization and its supply chain	3. Suppliers			<table><tr><th colspan="5">CHANGE IN THE COMPOSITION OF MAGYAR TELEKOM GROUP OVER THE PAST YEARS ✔</th></tr><tr><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr><tr><td>Magyar Telekom Plc.</td><td>Magyar Telekom Plc.</td><td>Magyar Telekom Plc.</td><td>Magyar Telekom Plc.</td><td>Magyar Telekom Plc.</td></tr><tr><td>T-Systems Hungary¹</td><td>T-Systems Hungary</td><td>T-Systems Hungary</td><td>T-Systems Hungary</td><td>T-Systems Hungary</td></tr><tr><td>Origo</td><td>Origo</td><td>Origo²</td><td>-</td><td>-</td></tr><tr><td>Kalásznét³</td><td>Kalásznét</td><td>Kalásznét</td><td>Kalásznét</td><td>Kalásznét</td></tr><tr><td>TCG⁴</td><td>TCG</td><td>TCG</td><td>TCG5</td><td>-</td></tr><tr><td>MakTel⁶</td><td>MakTel</td><td>MakTel</td><td>MakTel⁷</td><td>MakTel</td></tr><tr><td></td><td>GTS⁸</td><td>GTS</td><td>GTS⁹</td><td>-</td></tr></table> <table><tr><th colspan="5">NUMBER OF SUPPLIERS AT DIFFERENT PROCUREMENT AREAS</th></tr><tr><th>Procurement area</th><th>Description</th><th>Number of suppliers in 2016</th><th>Number of suppliers in 2017</th><th>Number of suppliers in 2018</th></tr><tr><td>Network</td><td>wire and wireless network, transmission technology, backbone network</td><td>347</td><td>333</td><td>342</td></tr><tr><td>IT</td><td>hardware, softver procurement, IT Consulting & Contracting, IT-operations and desktop-services, OSS, BSS</td><td>347</td><td>346</td><td>331</td></tr><tr><td>CPE & Noncore</td><td>special projects and terminals, functional area</td><td>80</td><td>79</td><td>86</td></tr><tr><td>Indirect</td><td>marketing, low cost suppliers, fleet management, real estate manage-ment, related services, consultancy, labor force and HR services</td><td>1035</td><td>878</td><td>783</td></tr></table>	CHANGE IN THE COMPOSITION OF MAGYAR TELEKOM GROUP OVER THE PAST YEARS ✔					2014	2015	2016	2017	2018	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	T-Systems Hungary ¹	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	Origo	Origo	Origo ²	-	-	Kalásznét ³	Kalásznét	Kalásznét	Kalásznét	Kalásznét	TCG ⁴	TCG	TCG	TCG5	-	MakTel ⁶	MakTel	MakTel	MakTel ⁷	MakTel		GTS ⁸	GTS	GTS ⁹	-	NUMBER OF SUPPLIERS AT DIFFERENT PROCUREMENT AREAS					Procurement area	Description	Number of suppliers in 2016	Number of suppliers in 2017	Number of suppliers in 2018	Network	wire and wireless network, transmission technology, backbone network	347	333	342	IT	hardware, softver procurement, IT Consulting & Contracting, IT-operations and desktop-services, OSS, BSS	347	346	331	CPE & Noncore	special projects and terminals, functional area	80	79	86	Indirect	marketing, low cost suppliers, fleet management, real estate manage-ment, related services, consultancy, labor force and HR services	1035	878	783		✔
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(1) Before 01.04.2012 under the name of KFKI Zrt.
(2) In 2016 100% of Origo shares sold to the New Wave Media Hirdetésszervező és Reklámértékesítő Szolgáltató Korlátolt Felelősségű Társaság.
(3) Before 27.03.2013 under the name of Budakalász Kábel TV.
(4) The data of Crnogorski Telekom is quoted under the name of TCG.
(5) In 2017 the 76.53% shareholding in Crnogorski Telekom AD Podgorica has been transferred to Hrvatski Telekom d.d.
(6) The data of Makedonski Telekom AD and T-Mobile Macedonia AD are quoted under the name of MakTel.
(7) 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.
(8) In 2015 GTS Hungary appeared as new data provider.
(9) GTS merges into T-Systems Magyarország Zrt. (with effect 30.09.2017).

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																																													
102-11	Precautionary Principle or approach	Our Approach (Sustainability strategy) 1. Climate- and environmental protection 3. Suppliers		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 https://www.telekom.com/resource/blob/525950/75e73159e55aec7fd50199ffb9878ad7/dl-180528-umweltschutz-en-data.pdf	It is Magyar Telekom's policy that all disclosures made by the company to our security holders 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 our 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. From risk management to efficiency, Telekom must ensure that the business decisions of the managementare being taken 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	External initiatives	Our Approach 3. Suppliers 5. Employees		http://hblf.hu/ http://hblf.hu/content/_common/attachments/file1.pdf https://etno.eu/ https://www.telekom.hu/rolunk/fenntarthatosag/hello-holnap/diicsomagok http://www.oecd.org/investment/mne/38111194.pdf https://sokszinusegikarta.hu/fooldal/eu-platform/ https://www.unglobalcompact.org/ https://sustainabledevelopment.un.org/?menu=1300 https://www.cdp.net/en https://sciencebasedtargets.org/	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. Hungarian Business Leaders Forum (HBLF) – In November, 2007, in the frame of the cooperation, the company signed the „Code of Organisational Diversity and Acceptance" principles, issued by HBLF and ILO (International Labour Office). Besides, our company actively participates in the activities of the HBFL workgroup. We are participating in the Budapest Airport's Green Airport initiatives. 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. We reconsider the hello holnap! fee package with the involved organizations (SINOSZ, MVGYOSZ, MEOSZ, ÉFOÉSZ, AOSZ), how can we expand the fee package discount to our other fixed line services. In the current fee package each member entitled to use three 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 with our scientific knowledge and many presentation. 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 (SDG) – 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. In 2018 we committed to Science Based Target initiative and set up a longterm emission reduction goals.		✔																																													
102-13	Membership of associations				<table><tr><th colspan="3">A LIST OF THE MAIN MEMBERSHIPS OF MAGYAR TELEKOM GROUP OF INDUSTRIAL AND OTHER ASSOCIATIONS, NATIONAL OR INTERNATIONAL ADVOCACY ORGANIZATIONS</th></tr><tr><th>Name of Association</th><th>Strategic membership</th><th>Holding position in the governance body</th></tr><tr><td>Magyar Telekom Plc.</td><td></td><td></td></tr><tr><td>European Telecommunications Network Operators Associations (ETNO)</td><td>x</td><td></td></tr><tr><td>GSMA Association</td><td>x</td><td></td></tr><tr><td>Joint Venture Association (JVSZ)</td><td>x</td><td>Curatorium membership</td></tr><tr><td>German-Hungarian Chamber of Industry and Commerce</td><td>x</td><td>Curatorial membership</td></tr><tr><td>Telecommunications Advocacy Council</td><td>x</td><td>Chairmanship</td></tr><tr><td>ICT Association of Hungary</td><td>x</td><td>Chairman of multinational department</td></tr><tr><td>Hungarian Association of International Companies</td><td></td><td></td></tr><tr><td>Hungarian Business Leaders Forum (HBLF)</td><td>x</td><td></td></tr><tr><td>Employers' Equal Opportunities Forum</td><td>x</td><td></td></tr><tr><td>Hungarian Chamber of Engineers</td><td></td><td></td></tr><tr><td>Hungarian Logistics, Procurement and Inventory Management Association</td><td></td><td></td></tr><tr><td>Large Enterprise Logistics Managers Club</td><td></td><td></td></tr></table>	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 Plc.			European Telecommunications Network Operators Associations (ETNO)	x		GSMA Association	x		Joint Venture Association (JVSZ)	x	Curatorium membership	German-Hungarian Chamber of Industry and Commerce	x	Curatorial membership	Telecommunications Advocacy Council	x	Chairmanship	ICT Association of Hungary	x	Chairman of multinational department	Hungarian Association of International Companies			Hungarian Business Leaders Forum (HBLF)	x		Employers' Equal Opportunities Forum	x		Hungarian Chamber of Engineers			Hungarian Logistics, Procurement and Inventory Management Association			Large Enterprise Logistics Managers Club				✔
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2. STRATEGY																																																																																																	
102-14	Statement from senior decision-maker	Letter from the CEO					✓																																																																																										
102-15	Key impacts, risks, and opportunities	Our Approach (Sustainability strategy)		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			✓																																																																																										
3. ETHICS AND INTEGRITY																																																																																																	
102-16	Values, principles, standards, and norms of behavior	Our Approach 3. Suppliers 5.1 Human rights, equal opportunities		https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.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.		✓																																																																																										
102-17	Mechanisms for advice and concerns about ethics			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	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
4. GOVERNANCE							
102-18	Governance structure	7. Corporate governance		http://www.telekom.hu/about_us/investor_relations/corporate_governance	<p>Magyar Telekom's Board of Directors as the management body of the Company represents the Company with regard to third parties, in court and before other authorities. The Board of Directors exercise their rights and perform their obligations as independent body. The Board of Directors are responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting or to other corporate bodies by the Articles of Association of the Company or by the law.</p> <p>The Board of Directors is not an operative management body, in other words, the Board of Directors is not involved in the Company's daily business. For the purpose of the operative control and effective day-to-day management of the Company the Board of Directors established the Management Committee the members of which are the CEO and the Chief Officers. The Management Committee acts within the scope of competences assigned to it by the Board of Directors. The Management Committee reports to the Board of Directors on the operation and status of Magyar Telekom Group at each meeting of the Board of Directors. The Supervisory Board (SB) supervises the management of the Company in order to protect its interests. Within the framework of this activity the Supervisory Board supervises the control, management and business activities of the Company as well as compliance of the Company's operation with the laws and the Articles of Association.</p> <p>The Audit Committee is a permanent committee composed – by selection of the Company's General Meeting – of independent members of the Company's Supervisory Board. The purpose of the Committee is to support the Supervisory Board (1) in supervising the financial reporting system, (2) in selecting the statutory Auditor and (3) in cooperating with the statutory Auditor. The Committee shall act within its scope of authority provided in the Civil Code, in the Capital Markets Act, in the Articles of Association and in the Rules of Procedure of the SB.</p> <p>The Board of Directors established the Remuneration and Nomination Committee to function as supporting body of the Board of Directors of the Company regarding the remuneration and certain nomination related issues of the members of the corporate bodies and the top executives of the Company in accordance with its Rules of Procedure. The reason for combining certain tasks regarding the remuneration and nomination is to make the decision making procedure of the Board of Directors more efficient in personnel matters, and to ensure the complex handling thereof.</p>		✓
102-19	Delegating authority	7. Corporate governance					✓
102-20	Executive-level responsibility for economic, environmental and social topics	7. Corporate governance					✓
102-21	Consulting stakeholders on economic, environmental and social topics	Stakeholders 3. Suppliers 4.3 Involvement of our customers 5. Employees 7. Corporate governance					✓
102-22	Composition of the highest governance body and its committees			http://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors http://www.telekom.hu/about_us/investor_relations/corporate_governance/management_committee http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation https://www.telekom.hu/static-tr/sw/file/IFRS_Group_2018_AGM_alairt_nyilatkozattal.pdf https://www.telekom.hu/static-tr/sw/file/2019AGM-Corporate-Governance-Report-2018.pdf https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2018_eng.pdf	<p>As at December 31, 2018 the Board of Directors had 7 members, with one executive and six non-executive members. 2 members are considered independent and 5 members are not considered independent. Members of the Board of Directors on December 31, 2018: Dr. Robert Hauber, Chairman of the Board of Directors, Senior Vice President Finance & Performance Management Europe, Deutsche Telekom AG; Tibor Rékasi, Chief Executive Officer, Magyar Telekom Plc.; Guido Menzel, Senior Vice President Technology Europe, Deutsche Telekom AG; Ralf Nejedl, Senior Vice President B2B Europe, Deutsche Telekom AG; Mardia Niehaus, Lead of Innovation Hub at Technology & Innovation, Deutsche Telekom AG; Frank Odzuck, Chief Executive Officer, Zwack Unikum Plc. (independent); Dr. Mihály Patai, Chairman-CEO, UniCredit Bank Hungary Zrt. (independent). Members of the Management Committee on December 31, 2018: Tibor Rékasi Chief Executive Officer; Zsuzsanna Friedl, Chief Human Resources Officer; Melinda Szabó, Chief Commercial Officer Residential; Balázs Máthé, Chief Legal and Corporate Affairs Officer; Zoltán Kaszás, Chief Commercial Officer Enterprise; János Szabó, Chief Financial Officer.</p> <p>Members of the Remuneration and Nomination Committee on December 31, 2018: Dr. Robert Hauber, Chairman of the Remuneration and Nomination Committee, Senior Vice President Finance & Performance Management Europe, Deutsche Telekom AG; Frank Odzuck, Chief Executive Officer of Zwack Unicum Plc., Ralf Nejedl, Senior Vice President B2B Europe, Deutsche Telekom AG.</p>		✓
102-23	Chair of the highest governance body			https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors/_members_of_the_board_of_directors https://www.telekom.hu/static-tr/sw/file/2019AGM-Corporate-Governance-Report-2018.pdf	The Chief Executive Officer does not fill the position of the Chairman of the Board of Directors.		✓
102-24	Nominating and selecting the highest governance body			http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents https://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjeszesek_eng.pdf https://www.telekom.hu/static-tr/sw/file/Resolutions_of_the_AGM_12april2016.pdf https://www.telekom.hu/static-tr/sw/file/AGM_2017_combined_file_EN_v04.pdf https://www.telekom.hu/static-tr/sw/file/20170407_kozgyulesi_hatarozatok_ENG.pdf https://www.telekom.hu/static-tr/sw/file/2018EGM_submission_20180531_eng.pdf https://www.telekom.hu/static-tr/sw/file/20180622_EGM_resolutions.pdf	<p>The Annual General Meeting held on April 12, 2016 elected the new Board of Directors members. The April 7, 2017 AGM elected 3 new members and the June 22, 2018 Extraordinary General Meeting elected 1 new member of the Board of Directors. Shareholders shall have the right to participate at the General Meeting, and if holding shares with voting rights, to vote, in accordance with the Articles of Association.</p> <p>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 category 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.'</p> <p>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 opinions.</p>		✓
102-25	Conflicts of interest			https://www.telekom.hu/static-tr/sw/file/20171101-mt-bod-rop-eng.pdf https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/2019AGM-Corporate-Governance-Report-2018.pdf https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2018_eng.pdf	<p>Members of the Board of Directors shall inform the Board of Directors and the Supervisory Board if he/she (or any other person in a close relationship to him/her) has a significant, personal interest in a transaction of the Company (or of any of the Company's subsidiaries).</p> <p>Transactions between members of the Board of Directors (or persons in a close relationship to them) and the Company (or the Company's subsidiaries) shall be conducted according to the general rules of practice of the Company, but, with stricter transparency rules in place. In the case such a transaction is outside the normal course of the Company's business, the transaction and its terms should be approved by the Supervisory Board.</p> <p>In the event of accepting a new executive office, within fifteen days of accepting such executive office, the member of the Board of Directors shall notify about this fact in writing those companies, where he/she already serves as an executive officer or a supervisory board member. The member of the Board of Directors shall inform the Supervisory Board, if he/she receives an offer of Board of Directors or Supervisory Board membership or an offer of an executive management position in a company which is not part of the Company group and also if he/she accepted the offer.</p> <p>The self-evaluation of the Board of Directors is publicly available.</p>		✓

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
102-26	Role of highest governance body in setting purpose, values, and strategy	7. Corporate governance					✓
102-27	Collective knowledge of highest governance body	7. Corporate governance					✓
102-28	Evaluating the highest governance body's performance				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.		✓
102-29	Identifying and managing economic, environmental, and social impacts	7. Corporate governance					✓
102-30	Effectiveness of risk management processes	7. Corporate governance			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	Review of economic, environmental, and social topics	7. Corporate governance					✓
102-32	Highest governance body's role in sustainability reporting	7. Corporate governance					✓
102-33	Communicating critical concerns	7. Corporate governance					✓
102-34	Nature and total number of critical concerns	Stakeholders					✓
102-35	Remuneration policies	5.1 Human rights and equal opportunities		http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation https://www.telekom.hu/static-tr/sw/file/IFRS_Group_2018_AGM_alairt_nyilatkozattal.pdf https://www.telekom.hu/static-tr/sw/file/2019AGM-Corporate-Governance-Report-2018.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.		✓

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
102-36	Process for determining remuneration			http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation https://www.telekom.hu/static-tr/sw/file/20150415_Javadalmazasi_iranyelvek_ENG.pdf https://www.telekom.hu/static-tr/sw/file/Rules_of_Procedure_of_the_Remuneration_and_Nomination_Committee_ENG_20130920.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	Stakeholders' involvement in remuneration			http://www.telekom.hu/static-tr/sw/file/8_javadalmazas_19March2014_eng.pdf http://www.telekom.hu/static-tr/sw/file/kozgyulesi_hatarozatok_2014AGM_14April2014_eng.pdf http://www.telekom.hu/static-tr/sw/file/20150324_AGM_submission_Javadalmazasi_iranyelvek_ENG.pdf 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. The Annual General Meeting, held on April 15, 2015 approved the amendments of the Remuneration Guidelines. The guidelines of remuneration accepted in 2015 were still in effect in 2018.		✓
102-38	Annual total compensation ratio			https://www.telekom.hu/static-tr/sw/file/2019AGM-Corporate-Governance-Report-2018.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)).	Partial disclosure	✓
102-39	Percentage increase in annual total compensation ratio			https://www.telekom.hu/static-tr/sw/file/2019AGM-Corporate-Governance-Report-2018.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)).	Partial disclosure	✓
5. STAKEHOLDER ENGAGEMENT							
102-40	List of stakeholder groups	Stakeholders					✓
102-41	Collective bargaining agreements				100% of the employment contracts of Magyar Telekom Group employees operating in Hungary fall under collective bargaining agreements, the same ratio for Macedonian workers is 90.2%.		✓
102-42	Identifying and selecting stakeholders	Stakeholders					✓
102-43	Approach to stakeholder engagement	Stakeholders 2.1 Closing the digital divide 2.4 Protecion of our children in the digital age 3. Suppliers 4.1 Customer satisfaction 4.3 Involvement of our customers 5.2 Involvement of our employees 6.2 Our employees and social engagement					✓
102-44	Key topics and concerns raised	Stakeholders					✓
6. REPORTING PRACTICE							
102-45	Entities included in the consolidated financial statements				The report covers Hungary and Macedonia 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	Defining report content and topic Boundaries	Our approach (Materiality)					✓
102-47	List of material topics	Our approach (Materiality)					✓
102-48	Restatements of information				The report does not contain any restatements.		✓
102-49	Changes in reporting				There is no any significant change in reporting.		✓
102-50	Reporting period				All data and information presented in this current report references the year 2018.		✓
102-51	Date of most recent report			https://www.telekom.hu/static-tr/sw/file/sustainability-report-2017.pdf	The most recent report was published in 2018 covering the year 2017.		✓
102-52	Reporting cycle			https://www.telekom.hu/about_us/society_and_environment/sustainability_reports/?token=1468592762386	Magyar Telekom releases its sustainability report on an annual basis.		✓
102-53	Contact point for questions regarding the report				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	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																																																																																																																									
102-54	Claims of reporting in accordance with the GRI Standards				'This report has been prepared in accordance with the GRI Standards: Comprehensive option'		✔																																																																																																																									
102-55	GRI content index	GRI content index					✔																																																																																																																									
102-56	External assurance	Assurance statement			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-2017 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.		✔																																																																																																																									
GRI 200: ECONOMIC STANDARDS 2016																																																																																																																																
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103- 1 2 3	Management approach	Our approach (Corporate strategy)					✔																																																																																																																									
201-1	Direct economic value generated and distributed				<table><tr><th colspan="11">CREATING VALUE FOR OUR STAKEHOLDERS ✔</th></tr><tr><th></th><th></th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2018</th><th>2018</th><th>2018</th><th>2018</th></tr><tr><td></td><td>Produces economic value</td><td>Group</td><td>Group</td><td>Group</td><td>Group</td><td>Group</td><td>Hungary</td><td>Macedonia</td><td>Bulgaria</td><td>Romania</td></tr><tr><td></td><td>Revenues (total revenue + share from the after-tax profit of the affiliates)</td><td>626 442 HUF million</td><td>656 342 HUF million</td><td>602 729 HUF million</td><td>611 194 HUF million</td><td>657 692 HUF million</td><td>597 191 HUF million</td><td>54 612 HUF million</td><td>2 310 HUF million</td><td>3 579 HUF million</td></tr><tr><td>Stakeholder</td><td>Distributed economic value</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Supplies</td><td>Operating costs (total revenue-related payments + net other operating costs)</td><td>354 573 HUF million</td><td>377 409 HUF million</td><td>311 721 HUF million</td><td>345 245 HUF million</td><td>374 470 HUF million</td><td>343 261 HUF million</td><td>27 308 HUF million</td><td>1 639 HUF million</td><td>2 262 HUF million</td></tr><tr><td>Employees</td><td>Employee wages and benefits (employee related costs)</td><td>94 750 HUF million</td><td>95 160 HUF million</td><td>83 327 HUF million</td><td>80 240 HUF million</td><td>82 968 HUF million</td><td>76 362 HUF million</td><td>5 892 HUF million</td><td>337 HUF million</td><td>377 HUF million</td></tr><tr><td>Investors</td><td>Payment to capital investors dividend pay + net other operating costs)</td><td>28 397 HUF million</td><td>28 176 HUF million</td><td>42 448 HUF million</td><td>47 708 HUF million</td><td>43 852 HUF million</td><td>43 653 Ft</td><td>178 HUF million</td><td>6 HUF million</td><td>15 HUF million</td></tr><tr><td>State</td><td>Payments to the state budget (profit tax + crisis tax + telecom tax + utility tax)</td><td>53 614 HUF million</td><td>46 666 HUF million</td><td>27 128 HUF million</td><td>48 461 HUF million</td><td>45 979 HUF million</td><td>44 874 HUF million</td><td>1 049 HUF million</td><td>7 HUF million</td><td>63 HUF million</td></tr><tr><td>Communities</td><td>Community investments (donations, institutional sponsorship, voluntary work, education)</td><td>497 HUF million</td><td>348 HUF million</td><td>444 HUF million</td><td>363 HUF million</td><td>703 HUF million</td><td>534 HUF million</td><td>169 HUF million</td><td>n.a</td><td>n.a</td></tr><tr><td>Overall stakeholders in the future</td><td>Retailled earnings (after-tax profit + depreciation-dividend paid)</td><td>132 674 HUF million</td><td>145 331 HUF million</td><td>159 066 HUF million</td><td>122 353 HUF million</td><td>135 910 HUF million</td><td>114 528 HUF million</td><td>20 185 HUF million</td><td>335 HUF million</td><td>862 HUF million</td></tr></table>	CREATING VALUE FOR OUR STAKEHOLDERS ✔													2014	2015	2016	2017	2018	2018	2018	2018	2018		Produces economic value	Group	Group	Group	Group	Group	Hungary	Macedonia	Bulgaria	Romania		Revenues (total revenue + share from the after-tax profit of the affiliates)	626 442 HUF million	656 342 HUF million	602 729 HUF million	611 194 HUF million	657 692 HUF million	597 191 HUF million	54 612 HUF million	2 310 HUF million	3 579 HUF million	Stakeholder	Distributed economic value										Supplies	Operating costs (total revenue-related payments + net other operating costs)	354 573 HUF million	377 409 HUF million	311 721 HUF million	345 245 HUF million	374 470 HUF million	343 261 HUF million	27 308 HUF million	1 639 HUF million	2 262 HUF million	Employees	Employee wages and benefits (employee related costs)	94 750 HUF million	95 160 HUF million	83 327 HUF million	80 240 HUF million	82 968 HUF million	76 362 HUF million	5 892 HUF million	337 HUF million	377 HUF million	Investors	Payment to capital investors dividend pay + net other operating costs)	28 397 HUF million	28 176 HUF million	42 448 HUF million	47 708 HUF million	43 852 HUF million	43 653 Ft	178 HUF million	6 HUF million	15 HUF million	State	Payments to the state budget (profit tax + crisis tax + telecom tax + utility tax)	53 614 HUF million	46 666 HUF million	27 128 HUF million	48 461 HUF million	45 979 HUF million	44 874 HUF million	1 049 HUF million	7 HUF million	63 HUF million	Communities	Community investments (donations, institutional sponsorship, voluntary work, education)	497 HUF million	348 HUF million	444 HUF million	363 HUF million	703 HUF million	534 HUF million	169 HUF million	n.a	n.a	Overall stakeholders in the future	Retailled earnings (after-tax profit + depreciation-dividend paid)	132 674 HUF million	145 331 HUF million	159 066 HUF million	122 353 HUF million	135 910 HUF million	114 528 HUF million	20 185 HUF million	335 HUF million	862 HUF million		✔
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Investors	Payment to capital investors dividend pay + net other operating costs)	28 397 HUF million	28 176 HUF million	42 448 HUF million	47 708 HUF million	43 852 HUF million	43 653 Ft	178 HUF million	6 HUF million	15 HUF million																																																																																																																						
State	Payments to the state budget (profit tax + crisis tax + telecom tax + utility tax)	53 614 HUF million	46 666 HUF million	27 128 HUF million	48 461 HUF million	45 979 HUF million	44 874 HUF million	1 049 HUF million	7 HUF million	63 HUF million																																																																																																																						
Communities	Community investments (donations, institutional sponsorship, voluntary work, education)	497 HUF million	348 HUF million	444 HUF million	363 HUF million	703 HUF million	534 HUF million	169 HUF million	n.a	n.a																																																																																																																						
Overall stakeholders in the future	Retailled earnings (after-tax profit + depreciation-dividend paid)	132 674 HUF million	145 331 HUF million	159 066 HUF million	122 353 HUF million	135 910 HUF million	114 528 HUF million	20 185 HUF million	335 HUF million	862 HUF million																																																																																																																						
201-2	Financial implications and other risks and opportunities due to climate change	Our approach (Corporate strategy) 1. Climate- and environmental protection									✔																																																																																																																					
201-3	Defined benefit plan obligations and other retirement plans					Besides our legally required contributions to the state owned healthcare, pension and unemployment support systems we also contribute to our employees' savings in voluntary pension, healthcare and mutual funds that supplement the pension and medical care services provided by the state while providing entitlement to private pension and social security services and social benefits. However, we do not guarantee that members of these funds receive payment. On December 31, 2018 approximately 55% of Magyar Telekom Plc.'s employees were members of the private pension fund, 36% of the mutual fund and 44% of the healthcare fund.				✔																																																																																																																						
201-4	Financial assistance received from government					<table><tr><th colspan="6">SUBSTANTIAL FINANCIAL SUPPORT FROM STATE</th></tr><tr><th></th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr><tr><td>tax credit utilization</td><td>3323 HUF million</td><td>5493 HUF million</td><td>1914 HUF million</td><td>3208 HUF million</td><td>2484 HUF million</td></tr><tr><td>film- and sport subsidies</td><td>584 HUF million</td><td>664 HUF million</td><td>395 HUF million</td><td>546 HUF million</td><td>500 HUF million</td></tr><tr><td>tax benefit on wage cost of softer developers</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>tax impact of tax base decreasing item on donations</td><td>400 HUF thousand</td><td>300 HUF thousand</td><td>114 HUF thousand</td><td>189 HUF thousand</td><td>0</td></tr><tr><td>tax impact of tax base decreasing item on R&D</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>	SUBSTANTIAL FINANCIAL SUPPORT FROM STATE							2014	2015	2016	2017	2018	tax credit utilization	3323 HUF million	5493 HUF million	1914 HUF million	3208 HUF million	2484 HUF million	film- and sport subsidies	584 HUF million	664 HUF million	395 HUF million	546 HUF million	500 HUF million	tax benefit on wage cost of softer developers	0	0	0	0	0	tax impact of tax base decreasing item on donations	400 HUF thousand	300 HUF thousand	114 HUF thousand	189 HUF thousand	0	tax impact of tax base decreasing item on R&D	0	0	0	0	0		✔																																																																														
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Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																																				
GRI 202: MARKET PRESENCE 2016																																											
103-1 2 3	Management approach	Our approach 5. Employees					✔																																				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage				Magyar Telekom Group always provides 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. The lowest base wage as stated in the Collective Agreement is 120% of the minimum wage.		✔																																				
202-2	Proportion of senior management hired from the local community	5. Employees					✔																																				
GRI 203: INDIRECT ECONOMIC IMPACTS 2016																																											
103-1 2 3	Management Approach	Our approach 2.1 Closing the digital divide					✔																																				
203-1	Infrastructure investments and services supported	2.1 Closing the digital divide 6. Social engagement					✔																																				
203-2	Significant indirect economic impacts	2.1 Closing the digital divide 2.3 Innovation for sustainability 3. Suppliers 6. Social engagement					✔																																				
GRI 204: PROCUREMENT PRACTICES 2016																																											
103-1 2 3	Management Approach	3. Suppliers		https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm	The group-level coordination of vendor relations is ensured by the Procurement, Logistic and Infrastructure Services 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 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. One of the main interfaces for supplier relations is the interactive website of the Procurement and Logistic Directorate where suppliers – upon registration – can directly reach the newsletter service, the supplier qualification system, the OneSource system where quotations and auctions are managed, privacy policy, electronic invoicing description and may find further useful information on our procurement processes and sustainability requirements.		✔																																				
204-1	Proportion of spending on local suppliers	3. Suppliers			Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local suppliers (with headquarters in a given country). By ordering products and services from local suppliers we significantly contribute to the retention of jobs. <table><tr><th colspan="6">Value ratio of products and services from local suppliers, Magyar Telekom Group ✔</th></tr><tr><td>Subsidiaries¹</td><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr><tr><td>Magyar Telekom Plc.</td><td>67%</td><td>74,50%</td><td>78,90%</td><td>77,80%</td><td>85,56%</td></tr><tr><td>T-Systems Hungary</td><td>80%</td><td>77,80%</td><td>78,46%</td><td>84,32%</td><td>82,87%</td></tr><tr><td>Makedonski Telekom</td><td>64%</td><td>65%²</td><td>67%</td><td>65%</td><td>61%</td></tr><tr><td>T-Mobile Macedonia</td><td>46%</td><td>-</td><td>-</td><td>-</td><td>-</td></tr></table>	Value ratio of products and services from local suppliers, Magyar Telekom Group ✔						Subsidiaries¹	2014	2015	2016	2017	2018	Magyar Telekom Plc.	67%	74,50%	78,90%	77,80%	85,56%	T-Systems Hungary	80%	77,80%	78,46%	84,32%	82,87%	Makedonski Telekom	64%	65%²	67%	65%	61%	T-Mobile Macedonia	46%	-	-	-	-		✔
Value ratio of products and services from local suppliers, Magyar Telekom Group ✔																																											
Subsidiaries¹	2014	2015	2016	2017	2018																																						
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T-Mobile Macedonia	46%	-	-	-	-																																						
GRI 205: ANTI-CORRUPTION 2016																																											
103-1 2 3	Management Approach			http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.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	Operations assessed for risks related to corruption			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. 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%). During the risk assessment we formulate remedial actions concerning the risks identified. We also monitor the fulfillment of these measures.		✔																																				

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
205-2	Communication and training about anti-corruption policies and procedures			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: 6 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: 6 persons e. number and proportion of employees who were trained on anticorruption, broken down to employee a category and region: Magyar Telekom Plc.: 222 persons, in 2018 98% of new entrants completed the course successfully.		✓
205-3	Confirmed incidents of corruption and actions taken				Number of confirmed incidents: 0		✓
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016							
103-1 2 3	Management Approach			http://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. The antitrust policy covers: price fixing, bid rigging, market allocation scheme. The antitrust policy applies to: employees, contractors, suppliers. The company publicly report on breaches of its antitrust policy. Measures are taken to promote and ensure antitrust compliance.		✓
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices				In 2018 no fines were imposed due to anti-competitive conduct or violation of anti-trust statutes. Three cases are pending in front of the Hungarian Competition Authority, none of which have been closed in 2018.		✓
GRI 300: ENVIRONMENTAL STANDARDS 2016							
GRI 301: MATERIALS 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy) 1. Climate and environmental protection		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	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.		✓
301-1	Materials used by weight or volume	Our approach 1.2 Environmental impacts 1.3 Waste		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 (only HU) http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✓
301-2	Recycled input materials used			http://www.telekom.hu/about_us/society_and_environment https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)	Recycled paper used in 2018: 135 841 kg (bills, office use).		✓
301-3	Reclaimed products and their packaging materials	1.2 Environmental impacts		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.		✓
GRI 302: ENERGY 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy) 1. Climate and environmental protection		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	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. Magyar Telekom and T-Systems has obtained ISO 50001 energy management system.		✓
302-1	Energy consumption within the organization	1.1 Emissions and energy efficiency					✓
302-2	Energy consumption outside of the organization	1.1 Emissions and energy efficiency		http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management			✓
302-3	Energy intensity	1.1 Emissions and energy efficiency					✓
302-4	Reduction of energy consumption	1.1 Emissions and energy efficiency		http://www.telekom.hu/about_us/society_and_environment			✓
302-5	Reductions in energy requirements of products and services	1.1 Emissions and energy efficiency					✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
GRI 303: WATER AND EFFLUENTS 2018							
303-1	Interactions with water as a shared resource	1.2 Environmental impacts		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	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.		✓
303-2	Management of water discharge-related impacts	1.2 Environmental impacts		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			✓
303-3	Water withdrawal	1.2 Environmental impacts			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 of consumption.		✓
303-4	Water discharge	1.2 Environmental impacts					✓
303-5	Water consumption	1.2 Environmental impacts					✓
GRI 304: BIODIVERSITY 2016							
103 1-2-3	Management Approach	1.2 Environmental impacts		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	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.		✓
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	1.2 Environmental impacts		https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✓
304-2	Significant impacts of activities, products, and services on biodiversity				Our company avoids operations on protected and Natura 2000 areas.		✓
304-3	Habitats protected or restored				We do not conduct operations on protected or restored habitats.		✓
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations				Our operations do not affect habitats of endangered and/or IUCN Red List species.		✓
GRI 305: EMISSIONS 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy) 1. Climate and environmental protection		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	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.		✓
305-1	Direct (Scope 1) GHG emissions	1.1 Emissions and energy efficiency					✓
305-2	Energy indirect (Scope 2) GHG emissions	1.1 Emissions and energy efficiency			All emissions are location based.		✓
305-3	Other indirect (Scope 3) GHG emissions	1.1 Emissions and energy efficiency					✓
305-4	GHG emissions intensity	1.1 Emissions and energy efficiency			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, paper use, emissions of business travel.		✓
305-5	Reduction of GHG emissions	1.1 Emissions and energy efficiency			The quoted emission data refer to Scope 1 and Scope 2 emissions.		✓
305-6	Emissions of ozone-depleting substances (ODS)				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	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	1.2 Environmental impacts					✓
GRI 306: EFFLUENTS AND WASTE 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy) 1. Climate and environmental protection		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	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.		✓
306-1	Water discharge by quality and destination	1.2 Environmental impacts			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	Waste by type and disposal method	1.2 Environmental impacts 1.3 Waste					✓

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																																																																																		
306-3	Significant spills				There was no significant leakage or unsupervised output.		✔																																																																																		
306-4	Transport of hazardous waste				Magyar Telekom does not import or export or manage hazardous waste.		✔																																																																																		
306-5	Water bodies affected by water discharges and/ or runoff				Our operations do not directly affect water bodies, water discharges and/or freshwater habitat.		✔																																																																																		
GRI 307: ENVIRONMENTAL COMPLIANCE 2016																																																																																									
103-1 2 3	Management Approach	Our approach (Environmental policy) 1. Climate and environmental protection		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	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.		✔																																																																																		
307-1	Non-compliance with environmental laws and regulations	1.2 Environmental impacts					✔																																																																																		
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016																																																																																									
103-1 2 3	Management Approach	Our approach (Environmental policy) 3. Suppliers					✔																																																																																		
308-1	New suppliers that were screened using environmental criteria	3. Suppliers			In 2018 325 suppliers were prequalified. This questionnaire contains environmental criteria.		✔																																																																																		
308-2	Negative environmental impacts in the supply chain and actions taken	3. Suppliers			Magyar Telekom has not terminated any contracts with any of its suppliers with reference to negative environmental impacts.		✔																																																																																		
GRI 400: GRI 400: SOCIAL STANDARDS 2016																																																																																									
GRI 401: EMPLOYMENT 2016																																																																																									
103-1 2 3	Management Approach	3. Suppliers 5. Employees					✔																																																																																		
401-1	New employee hires and employee turnover				<div>FLUCTUATION AT MAGYAR TELEKOM GROUP ✔</div> <table><tr><td></td><td>2014 (Plc./Group)</td><td>2015 (Plc./Group)</td><td>2016 (Plc./Group)</td><td>2017 (Plc./Group)</td><td>2018 (Plc./Group)</td></tr><tr><td>Total fluctuation</td><td>16,8%/15,4%</td><td>14,97%/13,7%</td><td>15,85%/15,63%</td><td>10,81%/12,26%</td><td>16,47%/17,51%</td></tr><tr><td>Termination initiated by the employee</td><td>4,4%/4,7%</td><td>5,5%/6,9%</td><td>5,0%/7,75%</td><td>4,84%/16,20%</td><td>6,81%/18,84%</td></tr></table> <div>FLUCTUATION AT MAGYAR TELEKOM GROUP IN 2018 ✔</div> <table><tr><td></td><td>Magyar Telekom Group</td><td>Magyar Telekom Plc.</td><td>T-Systems Hungary</td><td>Makedonski Telekom</td></tr><tr><td>Total fluctuation</td><td>17,51%</td><td>16,47%</td><td>25,71%</td><td>11,40%</td></tr><tr><td>Termination initiated by the employee</td><td>18,84%</td><td>6,81%</td><td>12,03%</td><td>93,85%</td></tr></table> <div>AGE GROUPS AND GENDER DISTRIBUTION OF NEW HIRES AT MAGYAR TELEKOM PLC. IN 2018 ✔</div> <table><tr><td>Age group</td><td>19-25</td><td>26-30</td><td>31-35</td><td>36-40</td><td>41-45</td><td>46-50</td><td>51-55</td><td>56+</td><td>Total</td></tr><tr><td>Male</td><td>344</td><td>220</td><td>71</td><td>32</td><td>36</td><td>16</td><td>11</td><td>9</td><td>739</td></tr><tr><td>Female</td><td>196</td><td>99</td><td>34</td><td>27</td><td>28</td><td>7</td><td>2</td><td>5</td><td>398</td></tr><tr><td>Total headcount</td><td>540</td><td>319</td><td>105</td><td>59</td><td>64</td><td>23</td><td>13</td><td>14</td><td>1137</td></tr></table> <div>FLUCTUATION AT MAGYAR TELEKOM PLC. IN 2018 ✔</div> <table><tr><td></td><td>Female</td><td>Male</td></tr><tr><td>Total fluctuation</td><td>7,69%</td><td>8,79%</td></tr><tr><td>Termination initiated by the employee</td><td>2,77%</td><td>4,03%</td></tr></table>		2014 (Plc./Group)	2015 (Plc./Group)	2016 (Plc./Group)	2017 (Plc./Group)	2018 (Plc./Group)	Total fluctuation	16,8%/15,4%	14,97%/13,7%	15,85%/15,63%	10,81%/12,26%	16,47%/17,51%	Termination initiated by the employee	4,4%/4,7%	5,5%/6,9%	5,0%/7,75%	4,84%/16,20%	6,81%/18,84%		Magyar Telekom Group	Magyar Telekom Plc.	T-Systems Hungary	Makedonski Telekom	Total fluctuation	17,51%	16,47%	25,71%	11,40%	Termination initiated by the employee	18,84%	6,81%	12,03%	93,85%	Age group	19-25	26-30	31-35	36-40	41-45	46-50	51-55	56+	Total	Male	344	220	71	32	36	16	11	9	739	Female	196	99	34	27	28	7	2	5	398	Total headcount	540	319	105	59	64	23	13	14	1137		Female	Male	Total fluctuation	7,69%	8,79%	Termination initiated by the employee	2,77%	4,03%		✔
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401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.1 Human rights, equal opportunities			Magyar Telekom provides a broad range of welfare and social benefits. Some of them are provided automatically whereas others can be obtained upon satisfying certain conditions while there are insurance types of benefits, too. The provision of certain benefits is subject to the employee's own contribution. The provision of social benefits and benefits that are not provided automatically is regulated in the Collective Agreement and the relevant policies. We also provide telecommunication discounts, meal allowances, interest free housing loans (such loans are not offered or provided to the members of the Board of Directors), discount priced holiday opportunities as well as various other benefits. Besides our legally required contributions to the state owned healthcare, pension and unemployment support systems we also contribute to our employees' savings in voluntary pension, healthcare and mutual funds that supplement the pension and medical care services provided by the state while providing entitlement to private pension and social security services and social benefits. However, we do not guarantee that members of these funds receive payment. On December 31, 2018 approximately 55% of Magyar Telekom Plc.'s employees were members of the private pension fund, 36% of the mutual fund and 44% of the healthcare fund.		✔																																																																																		
401-3	Parental leave	5.1 Human rights, equal opportunities					✔																																																																																		

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
GRI 402: LABOR/MANAGEMENT RELATIONS 2016							
103-1 2 3	Management Approach				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. In line with the provisions of Act V of 2013 on the Hungarian Civil Code one third of Supervisory Board members are employee representatives. The employee representatives of the Supervisory Board are nominated by the Central Works Council, in consideration of the opinion of trade unions operating at the Company. The General Meeting is obliged to elect persons nominated by the Central Works Council to the Supervisory Board unless there are underlying circumstances that serve as grounds for exclusion. On December 31, 2018 the Supervisory Board had four employee representatives: Tamás Lichnovszky, Zsoltné Varga, Bujdosó Attila and Sándor Hartai.		✓
402-1	Minimum notice periods regarding operational changes				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 2018							
403-1	Occupational health and safety management system	3. Suppliers		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 2018 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. The company also demands suppliers compliance with its health and safety regulations.		✓
403-2	Hazard identification, risk assessment, and incident investigation				Prevention and screening examinations are important part of Magyar Telekom's prevention system. The system provides opportunity for taking preventive measures, such as vaccination of employees who are exposed to tick bites. 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.		✓
403-3	Occupational health services				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.		✓
403-4	Worker participation, consultation, and communication on occupational health and safety				Workers representation in formal joint management-worker health and safety committees: 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. Magyar Telekom Plc. 1.1 % (72 persons), T-Systems 1.68% (25 persons).		✓
403-5	Worker training on occupational health and safety				All Magyar Telekom employees are required to complete their labor safety training at the time they are hired, and to take the course repeatedly every two years.		✓
403-6	Promotion of worker health				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 (Occupational Health and Safety Management System) safety standards.		✓
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships				The Company elaborates technological processes to avoid electric shock accidents and to ensure the safety of work performed in heights.		✓
403-8	Workers covered by an occupational health and safety management system				Magyar Telekom together with all of its national and international subsidiaries have the DECRA Certification OHSAS 18001:2007 (Occupational Health and Safety Management System). The company also demands suppliers compliance with its health and safety regulations.		✓

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																																																
403-9	Work-related injuries				<div><div>ACCIDENT RATIO FOR ONE THOUSAND EMPLOYEE AT MAGYAR TELEKOM GROUP ✓</div><table><tr><th>Year</th><th>Magyar Telekom Plc.</th><th>Makedonski Telekom</th><th>T-Systems Hungary</th></tr><tr><td>2014 4/3/2</td><td>4.3</td><td>3.3</td><td>2.3</td></tr><tr><td>2015 3/2/0</td><td>3.3</td><td>2.3</td><td>0.0</td></tr><tr><td>2016 3/7/0</td><td>3.3</td><td>6.3</td><td>0.0</td></tr><tr><td>2017 4/6/2</td><td>4.3</td><td>6.3</td><td>2.3</td></tr><tr><td>2018 4/9/1</td><td>4.3</td><td>9.3</td><td>1.3</td></tr></table></div> <div><div>WORKPLACE ACCIDENTS AT MAGYAR TELEKOM GROUP ✓</div><table><tr><th>Year</th><th>Magyar Telekom Plc.</th><th>Makedonski Telekom</th><th>T-Systems Hungary</th></tr><tr><td>2014 29/4/3</td><td>30</td><td>5</td><td>4</td></tr><tr><td>2015 20/3/0</td><td>21</td><td>4</td><td>0</td></tr><tr><td>2016 21/8/0</td><td>22</td><td>10</td><td>0</td></tr><tr><td>2017 25/7/3</td><td>26</td><td>9</td><td>4</td></tr><tr><td>2018 27/10/2</td><td>28</td><td>11</td><td>2</td></tr></table></div> <p>Magyar Telekom Plc.: There were no occupational fatal accidents in 2018. Most frequesnt injuries are bruises and twist or dislocation of limbs. 59 injuries (13 female, 46 male): 23 cases involved the loss of more than 3 workdays, 4 cases involving the loss of 1 to 3 workdays, 31 cases that did not involve loss of workdays, 1 unsubstantiated accidents, i.e. a total of 981 lost workdays. Ditrubition of injury types: 50 technical and other type and 9 office injuries. T-Systems Hungary: There was 1 case of fatal travel/operating accident. The most frequent recorded injuries were and and face injuries related to slipping and falling, and sickness; 3 injuries (2 female, 1 male): 2 case involved the loss of more than 3 workdays, 0 cases involving the loss of 1 to 3 workdays, 1 cases that did not involve loss of workdays, 0 unsubstantiated accident, i.e. a total of 70 lost workdays. Distribution of injury types: 1 slipping in traffic, 1 bicycle fall on team building event, 1 case of sickness.</p> <p>Makedonski Telekom: 0 fatal accidents, 10 accidents at work subject to reporting obligations, i.e. a total of 212 lost workdays.</p> <p>Magyar Telekom does not keep records on injuries of its suppliers.</p>	Year	Magyar Telekom Plc.	Makedonski Telekom	T-Systems Hungary	2014 4/3/2	4.3	3.3	2.3	2015 3/2/0	3.3	2.3	0.0	2016 3/7/0	3.3	6.3	0.0	2017 4/6/2	4.3	6.3	2.3	2018 4/9/1	4.3	9.3	1.3	Year	Magyar Telekom Plc.	Makedonski Telekom	T-Systems Hungary	2014 29/4/3	30	5	4	2015 20/3/0	21	4	0	2016 21/8/0	22	10	0	2017 25/7/3	26	9	4	2018 27/10/2	28	11	2		
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403-10	Work-related ill health				At Magyar Telekom Group there were no occupational diseases in 2018.		✓																																																

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																								
404-1	Average hours of training per year per employee				<div><div>ANNUAL AVERAGE TRAINING HOURS PER CAPITA, BROKEN DOWN TO EMPLOYEE GROUPS, MAGYAR TELEKOM GROUP 2018 ✓</div><div><table><thead><tr><th>Employee Group</th><th>Magyar Telekom Plc.</th><th>T-Systems Hungary</th><th>Makedonski Telekom</th></tr></thead><tbody><tr><td>Top managers 8/0/10</td><td>11</td><td>12</td><td>12</td></tr><tr><td>Senior Managers 38/0/27</td><td>40</td><td>30</td><td>30</td></tr><tr><td>Middle Managers 34/0/23</td><td>36</td><td>25</td><td>25</td></tr><tr><td>Other Employees 29/0/8</td><td>31</td><td>10</td><td>10</td></tr><tr><td>Specialists 34/0/18</td><td>36</td><td>21</td><td>21</td></tr></tbody></table></div></div> <div>As the company adopted a new system, T-Systems's 2018 training data are not accessible.</div>	Employee Group	Magyar Telekom Plc.	T-Systems Hungary	Makedonski Telekom	Top managers 8/0/10	11	12	12	Senior Managers 38/0/27	40	30	30	Middle Managers 34/0/23	36	25	25	Other Employees 29/0/8	31	10	10	Specialists 34/0/18	36	21	21		✓
Employee Group	Magyar Telekom Plc.	T-Systems Hungary	Makedonski Telekom																												
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404-2	Programs for upgrading employee skills and transition assistance programs	5.1 Human rights, equal opportunities			<div>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 2018, Magyar Telekom concluded a total of 93 study contracts. Out of them 15 covered school training, the others were related to training courses or agreements containing mutual commitments.</div> <div>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.</div>		✓																								
404-3	Percentage of employees receiving regular performance and career development reviews				<div>In 2018 Magyar Telekom has introduced FUTAM, a flexible framework in support of both personal and business success. It is the practical realisation of growth mindset that supports feedback culture. FUTAM is customizable to the relevant targets of personal development and business tartgets both on the level of the organisation and the employee. It provides a framework for employee development tracking and control, based on feedback and cooperation instead of evaluation.</div>		✓																								
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016																															
103-1 2 3	Management Approach	5.1 Human rights, equal opportunities		<div>https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/Diversity_Policy.pdf</div>			✓																								
405-1	Diversity of governance bodies and employees	5.1 Human rights, equal opportunities					✓																								
405-2	Ratio of basic salary and remuneration of women to men	5.1 Human rights, equal opportunities					✓																								
GRI 406: NON-DISCRIMINATION 2016																															
103-1 2 3	Management Approach	5.1 Human rights, equal opportunities		<div>https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/Diversity_Policy.pdf</div>	<div>Magyar Telekom Group's Code of Conduct and the Code of Human Rights and Social Principles are a summary of the corporate compliance requirements; these documents set 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 these Codes 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.</div> <div>In order to effectively develop Magyar Telekom's Diversity and Equal Opportunities efforts. An anonimous employee survey measuring the diversity and inclusion culture of the company was conducted in 2018 january. The results of the survey were used as the basis of the Diversity and Equal Opportunities Plan prepared at the beginning of 2018.</div>		✓																								
406-1	Incidents of discrimination and corrective actions taken				<div>In 2017 there were no complaints issued against the company by the Equal Opportunity Authority for Discriminative Practices (EBH).</div>		✓																								

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016							
103-1 2 3	Management Approach	3. Suppliers		https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf	Magyar Telekom Group has acknowledged the freedom of association and the right for collective bargaining in its Code of Human Rights and Social Principles. Magyar Telekom strives to maintain a dialogue and cooperation with employee representation bodies in the spirit of openness and trust. The Code of Human Rights and Social Principles and the long-standing relationship between Magyar Telekom's management and the employee representation bodies are the guarantee that the relevant rights are observed. The agreement, which can be terminated by either party with three months' notice, applies to all Magyar Telekom Plc. employees except the CEO, regardless of their union membership status. Wage terms in the collective bargaining agreement must be renegotiated annually. If the employment is terminated due to reasons related to the employer's operation, employees are entitled to a specific amount of severance pay surplus, which depends on the tenure of the employee. In addition to the collective bargaining agreement, employees of our Hungarian operations are generally covered by the Act I of 2012 on the Labor Code, which imposes various restrictions on the involuntary termination of employment. The Labor Code protects employee interests through two different labor organizations: the Trade Union and the Workers' Council. The Trade Union, as the official representative of employee interests in negotiations relating to the terms of employment, has the right to be informed of all corporate measures that may significantly affect the interests of employees and to commence legal action against the Company for employment-related conduct that infringes an employment rule. In addition, the Workers' Council directly represents employee interests in dealings with management and decides jointly with manageme on matters involving employee welfare funds and institutions. The Workers' Council must be informed semi-annually on issues affecting our economic performance and changes in wages, employment conditions and working hours. The Workers' Council must also be consulted on corporate measures affecting employees. We believe that our relations with our employees are good. We have not experienced any labor strikes or disruptions since our formation.		✔
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	3. Suppliers			100% of the employment contracts of Magyar Telekom Group employees operating in Hungary fall under collective bargaining agreements, the same ratio for Macedonian workers is 90.2%.		✔
GRI 408: CHILD LABOR 2016							
103-1 2 3	Management Approach	3. Suppliers		https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf	Magyar Telekom Group is an ICT company committed to respect and support human and social rights at all times in view of our tasks arising from technological development and digitalization. In line with the basic principles set out in the Code of Human Rights & Social Principles our company stands up for the protection of human rights as set forth in international human rights treaties, including the protection of freedom of speech and protection of the right for ones' own belief. Furthermore, the company rejects child labor, all types of forced or compulsory labor, and uses all measures to fight any kind of human trafficking and modern slavery.		✔
408-1	Operations and suppliers at significant risk for incidents of child labor	3. Suppliers		https://www.telekom.com/en/corporate-responsibility/assume-responsibility/assume-responsibility/supply-chain-management-355304	Deutsche Telekom Group as our parent company is responsible for the maintenance and supervision of compliance of global suppliers through monitoring and audits. For further information of the method of classification of global suppliers and the relevant results, please visit the indicated website.		✔
GRI 409: FORCED OR COMPULSORY LABOR 2016							
103-1 2 3	Management Approach	3. Suppliers		https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf	Magyar Telekom Group is an ICT company committed to respect and support human and social rights at all times in view of our tasks arising from technological development and digitalization. In line with the basic principles set out in the Code of Human Rights & Social Principles our company stands up for the protection of human rights as set forth in international human rights treaties, including the protection of freedom of speech and protection of the right for ones' own belief. Furthermore, the company rejects child labor, all types of forced or compulsory labor, and uses all measures to fight any kind of human trafficking and modern slavery.		✔
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	3. Suppliers		https://www.telekom.com/en/corporate-responsibility/assume-responsibility/assume-responsibility/supply-chain-management-355304	Deutsche Telekom Group as our parent company is responsible for the maintenance and supervision of compliance of global suppliers through monitoring and audits. For further information of the method of classification of global suppliers and the relevant results, please visit the indicated website.		✔
GRI 410: SECURITY PRACTICES 2016							
103-1 2 3	Management Approach			http://www.telekom.hu/static-tr/sw/file/Code_of_Ethics.pdf https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf			✔
410-1	Security personnel trained in human rights policies or procedures				Security personnel employed by the company also participated in the compulsory human rights e-Training of all Magyar Telekom Group employees in 2018. The training became an element of the compulsory employee training portfolio as of 2018. As partners 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 and the code of Human Rights and Social Principles.		✔
GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016							
103-1 2 3	Management Approach				In Hungary there is no adequate denotation of the group 'Indigenous Peoples'.		✔
411-1	Incidents of violations involving rights of indigenous peoples				In Hungary there is no adequate denotation of the group 'Indigenous Peoples'.		✔

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
GRI 412: HUMAN RIGHTS ASSESSMENT 2016							
103-1 2 3	Management Approach	3. Suppliers 5.1 Human rights, equal opportunities		http://www.telekom.hu/static-tr/sw/file/Code_of_Ethics.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlosegi_Terv_2016_2020_en.pdf https://www.telekom.hu/static-tr/sw/file/Employee-relations-policy.pdf			✓
412-1	Operations that have been subject to human rights reviews or impact assessments	3. Suppliers 4.3. Involvement of our customers 5.1 Human rights, equal opportunities		http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlosegi_Terv_2016_2020_en.pdf	As a member of Deutsche Telekom Group, Magyar Telekom Group fulfills its obligation to provide an annual Human Rights & Social Performance Report confirming its observance of the principles of the Code of Human Rights and Social Principles. Following the practice Magyar Telekom Group has declared its full conformity with the ten basic principles of Deutsche Telekom's Code of Human Rights and Social Principles for the year 2018 relevant to all its Hungarian operations.		✓
412-2	Employee training on human rights policies or procedures				As a tribute to the 70th anniversary of the Universal Declaration of Human Rights and in compliance with the Code of Human Rights and Social Principles renewed in 2017, all employees of Magyar Telekom Plc. and T-Systems together with their external workforce involved in brand representation participated in a compulsory human rights e-Learning training in 2018. The enrollment of the employees was conducted in four steps, in which the management of the company group took the training first. 85.3% of all people enrolled and 90% of the entire employee group have finished the course by September 18. The online training points to relevant human rights issues, regulations, complaint handling and wistleblowing options that might come up within the employment, sourcing, operational and distributional processes of the company group. The e-Learning material has become part of the compulsory employee e-Learning course portfolio of the company as of 2018.		✓
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	3. Suppliers		https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf	The warranty statement is a compulsory element of the suppliers contracts (100%). Both the suppliers and sponsorship contract sample includes the relevant elements for the declaration of respecting of human rights, and these elements are also part of the Suppliers Code of Conduct.		✓
GRI 413: LOCAL COMMUNITIES 2016							
103-1 2 3	Management Approach	2.1 Closing the digital divide 4.3 Involvement of our customers 5.2 Involvement of our employees					✓
413-1	Operations with local community engagement, impact assessments, and development programs	2.1 Closing the digital divide 2.2 ICT for sustainability 2.3 Innovation for sustainability 2.4 Protection of our children in the digital age 4.3 Involvement of our customers 5.2 Involvement of our employees		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	Operations with significant actual and potential negative impacts on local communities			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 temporary inconvenience to residents.		✓
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016							
103-1 2 3	Management Approach	3. Suppliers					✓
414-1	New suppliers that were screened using social criteria	3. Suppliers			In 2018 325 supplier were prequalified. This questionnaire contains social criterias.		✓
414-2	Negative social impacts in the supply chain and actions taken	3. Suppliers			Magyar Telekom has not terminated any contracts with any of its suppliers with reference to negative environmental impacts.		✓
GRI 415: PUBLIC POLICY 2016							
103-1 2 3	Management Approach				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	Political contributions			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 2018, which is in full compliance with the detailed stipulations set forth in the Code of Conduct - Paragraph [2.10]. If it would have done so the operation would have been in full compliance with the relevant international bookkeeping regulations.		✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
GRI 416: CUSTOMER HEALTH AND SAFETY 2016							
103-1 2 3	Management Approach	2.4 Protecion of our children in the digital age		http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety https://www.telekom.hu/about_us/society_and_environment/society/protection_of_our_children	In order to provide high-quality services to the Hungarian and Macedonian mobile telephone subscribers through the mobile telecom network, UMTS licenses were distributed among operators in Hungary in December, 2004 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 2017 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.		✓
416-1	Assessment of the health and safety impacts of product and service categories				Magyar Telekom did not identify such impacts.		✓
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services				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	Management Approach	Our approach (sustainability strategy) 1.2 Environmental impacts 2.2 ICT for sustainability 4.4 Informing our customers		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			✓
417-1	Requirements for product and service information and labeling	1.2 Environmental impacts 1.3 Waste			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	Incidents of non-compliance concerning product and service information and labeling				The Company did not identify such incidents.		✓
417-3	Incidents of non-compliance concerning marketing communications				In 2015 one and in 2016 four consumer protection - e.g. marketing communication - proceedings were initiated against Telekom before the Hungarian Competition Authority (GVH) due to the alleged breach of the relevant regulations. The proceedings were closed in 2017. In two cases the Competition Office identified an infringement and imposed a fine of 600m HUF and 35m HUF respectively. Magyar Telekom requested the judicial review of the authority's resolution and the administrative actions are in progress. Two cases were terminated while in one case the Competition Office accepted Telekom's undertaken commitment and closed the case without defining an infringement.		✓
GRI 418: CUSTOMER PRIVACY 2016							
103-1 2 3	Management Approach	2.5. Data Protection		http://www.telekom.hu/about_us/data_protection			✓
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.5. Data Protection			Magyar Telekom received requests and complaints from the National Authority for Data Protection and Freedom of Information and also directly from customers in 2018, which were duly investigated by Magyar Telekom, and the findings were reported to the complaining customer or to the Authority. Based on the results of the investigation, we review our processes and make adjustments, if necessary. In 2018 we received 17 requests to investigate personal data management complaints of which 9 cases were closed. 3 of these cases any non-compliance has not been found. Based on the results of the investigation, we review our processes and make the necessary adjustments.		✓
GRI 419: SOCIOECONOMIC COMPLIANCE 2016							
103-1 2 3	Management Approach			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.		✓

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
419-1	Non-compliance with laws and regulations in the social and economic area				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 2018 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 167.8 million HUF whereas in the case of subscriber complaints a total of 177.15 million HUF penalty. The District Offices of Government Offices, as bodies responsible for consumer protection completed several investigations against Magyar Telekom, in 2018 the total amount of fines were HUF 13.275 million. Our clients have used the services of alternative dispute resolution fora, in relation to which there were a total of 101 cases handled with the assistance of the Media and Communicatio Commissioner, and 556 cases in which dispute resolution plenums provided assistance.		✓
TELECOMMUNICATION SECTOR SPECIFIC INDICATORS							
CATEGORY: INTERNAL OPERATIONS							
ASPECT: INVESTMENT							
IO 1.	Capital investment in telecommu- nication network infrastructure broken down by country/region.	Letter from the CEO Our approach 2.1 Closing the digital divide					✓
IO 2.	Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describe re- levant legislative and regulatory mechanisms.	2.1 Closing the digital divide		https://www.telekom.hu/about_us/company/telekom-for-digital-hungary https://www.telekom.hu/lakossagi/szolgaltatasok/mobil/domino-dijcsomagok/hello-holnap-dijcsomagok https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok	In accordance with the Partnership for digital Hungary document Telekom's investments are intended to make high-speed broadband internet available for Hungarian consumers as soon as possible. The intensive use of new technologies and info-communication solutions greatly contribute to the improvement of the Hungarian people's quality of life, effectiveness of their businesses and the international competitiveness of the Hungarian economy. Another objective of the company is to spread digital literacy and knowledge on the safe use of the internet throughout the entire country.		✓
ASPECT: HEALTH AND SAFETY							
IO 3.	Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals.			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 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. 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.		✓
IO 4.	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency (RF) emissions from handsets.			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.	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.			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.	Policies and practices with respect to Specific Absorption Rate (SAR) of handsets.			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. 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.		✓

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance																																																						
ASPECT: INFRASTRUCTURE																																																													
IO 7.	Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible.	1.2 Environmental impacts			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.	Number and percentage of stand-alone sites, shared sites, and sites on existing structures.	1.2 Environmental impacts					✔																																																						
CATEGORY: PROVIDING ACCESS																																																													
ASPECT: ACCESS TO TELECOMMUNICATION PRODUCTS AND SERVICES: BRIDGING THE DIGITAL DIVIDE																																																													
PA 1.	Polices and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. Include an explanation of business models applied.	2.1 Closing the digital divide		http://www.telekom.hu/about_us/company/telekom-for-digital-hungary			✔																																																						
PA 2.	Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include an explanation of business models applied.	1.2 Environmental impacts 2.4 Protecion of our children in the digital age		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.	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time.			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.	Quantify the level of availability of telecommunications products and services in areas where the organisation operates. Examples include: customer numbers/ market share, addressable market, percentage of population covered, percentage of land covered.	2.1 Closing the digital divide Key operating statistics of Magyar Telekom Group		http://www.telekom.hu/about_us/company/telekom-for-digital-hungary http://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok (only HU)	<table><tr><th colspan="6">SERVICE AVAILABILITIES ✔</th></tr><tr><td>Annual availability (%)</td><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr><tr><td>Cable television analougue/digital</td><td>99,94/99,90</td><td>99,93/99,84</td><td>99,97/99,89</td><td>99,97/99,90</td><td>99,98/99,50</td></tr><tr><td>SatTV</td><td>99,948</td><td>99,924</td><td>99,92</td><td>99,90</td><td>99,91</td></tr><tr><td>IPTV</td><td>99,83</td><td>99,898</td><td>99,85</td><td>99,82</td><td>99,84</td></tr><tr><td>Fixed line internet (ADSL/GPON/KábelNet)</td><td>99,89/99,90/99,86</td><td>99,90/99,97/99,92</td><td>99,88/99,96/99,90</td><td>99,89/99,96/99,90</td><td>99,90/99,95/99,92</td></tr><tr><td>Mobile internet (2G/3G/4G)</td><td>99,66/99,74/99,67</td><td>99,66/99,74/99,67</td><td>99,56/99,79/99,35</td><td>99,902</td><td>99,893</td></tr><tr><td>Telephone/VoIP/VoCa</td><td>99,94/99,88/99,90</td><td>99,94/99,92/99,91</td><td>99,94/99,90/99,91</td><td>99,94/99,93/99,92</td><td>99,94/99,93/99,95</td></tr><tr><td>Mobile telephone (2G/3G/4G)</td><td>99,907/99,883/99,849</td><td>99,907/99,883/99,849</td><td>99,907/99,901/99,844</td><td>99,91</td><td>99,906</td></tr></table>	SERVICE AVAILABILITIES ✔						Annual availability (%)	2014	2015	2016	2017	2018	Cable television analougue/digital	99,94/99,90	99,93/99,84	99,97/99,89	99,97/99,90	99,98/99,50	SatTV	99,948	99,924	99,92	99,90	99,91	IPTV	99,83	99,898	99,85	99,82	99,84	Fixed line internet (ADSL/GPON/KábelNet)	99,89/99,90/99,86	99,90/99,97/99,92	99,88/99,96/99,90	99,89/99,96/99,90	99,90/99,95/99,92	Mobile internet (2G/3G/4G)	99,66/99,74/99,67	99,66/99,74/99,67	99,56/99,79/99,35	99,902	99,893	Telephone/VoIP/VoCa	99,94/99,88/99,90	99,94/99,92/99,91	99,94/99,90/99,91	99,94/99,93/99,92	99,94/99,93/99,95	Mobile telephone (2G/3G/4G)	99,907/99,883/99,849	99,907/99,883/99,849	99,907/99,901/99,844	99,91	99,906		✔
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Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
PA 5.	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population. Provide definitions selected. Include explanation of approach to pricing, illustrated with examples such as price per minute of dialogue/bit of data transfer in various remote, poor or low population density areas.	2.1 Closing the digital divide Key operating statistics of Magyar Telekom Group		http://www.telekom.hu/about_us/company/telekom-for-digital-hungary			✔
PA 6.	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief.	Our approach 2.2 ICT for sustainability					✔
ASPECT: ACCESS TO CONTENT							
PA 7.	Polices and practices to manage human rights issues relating to access and use of telecommunications products and services.	2.4 Protecion of our children in the digital age		http://www.telekom.hu/static-tr/sw/file/etikaikodex_en.pdf	The coercive measure 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 Section 158/B-D of 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 temporary and final blocking of access to electronic data which is mainly applicable to telecommunications service providers. The blocking or filtering of websites containing content that is subject to public prosecution 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 do not have to wait until a final court decision. 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 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 2013, 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. From January 1, 2015, in accordance with Act XCV of 2005 on the use of pharmaceutical products applied to humans and the amendment of other regulations of the pharmaceutical market, the National Institute of Pharmacy and Nutrition (OGYÉI) is also granted the right to temporarily block electronic data on non-authorized medicinal products, i.e. may request the hosting service provider of the website to remove the website in question. 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.		✔
ASPECT: CUSTOMER RELATIONS							
PA 8.	Policies and practices to publicly communicate on EMF related issues. Include information provides at points of sales material.			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.	Total amount invested in programmes and activities in electromagnetic field research. Include description of programmes currently contributed to and funded by the reporting organisation.			http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety	The assumed health effects of mobile telecommunication have been studied and analyzed for more than twenty-five 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. 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.		✔

Discolsure Number	Disclosure Title	Chapter in Sustainability Report 2018	Page Number	Website	Direct answer	Omission	External Assurance
PA 10.	Initiatives to ensure clarity of charges and tariffs.	4.4 Informing our customers		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			✓
PA 11.	Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use.	1. Climate and environmental protection 2.2 ICT for sustainability 2.3 Innovation for sustainability		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)			✓
CATEGORY: TECHNOLOGY APPLICATIONS							
ASPECT: RESOURCE EFFICIENCY							
TA 1.	Provide examples of the resource efficiency of telecommunication products and services delivered.	1.1 Emissions and energy efficiency 2.2 ICT for sustainability					✓
TA 2.	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects (e.g. a telephone book by a database on the web or travel by videoconferencing).	1.1 Emissions and energy efficiency		https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✓
TA 3.	Disclose any measures of transport and/or resource changes of customer use of the telecommunicaation products and services listed above. Provide some indication of scale, market size, or potential savings.	1.1 Emissions and energy efficiency 2.2 ICT for sustainability		https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✓
TA 4.	Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development. This may include social consequences as well as environmental.	1.1 Emissions and energy efficiency 2.2 ICT for sustainability					✓
TA 5.	Description of practices relating to intellectual property rights and open source technologies.				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
2. Make sure that they are not complicit in human rights abuses	3, 5.1
3. The freedom of association and the effective recognition of the right to collective bargaining	GRI Content Index (GRI 407)
4. The elimination of all forms of forced and compulsory labour	GRI Content Index (GRI 409)
5. The effective abolition of child labour	GRI Content Index (GRI 408)
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, GRI Content Index (GRI 205)



LIST OF ABBREVIATIONS

Abbreviation	Full name
ADSs	American Depositary Shares
AG	Aktiengesellschaft (Company limited by shares)
AM	Before Noon
AOSZ	National Association of autism
AR	Augmented Reality
GTC	General Conctract Terms and Conditions
B2B	Business to Business
BSE	Budapest Stock Exchange
BCM	Business Continuity Management System
BTL	Below the line
CC	call center
CDP	Carbon Disclosure Project
CEERIUS	Central and Eastern European Responsible Investment Universe
CEO	chief executive officer
CER	Certified Emission Reduction
CHRO	Chief HR officer
CO2	carbon dioxide
CPE	Customer Premise Equipment
CPEx	Customer Profile Exchange
CRA	Compliance Risk Analysis
GSCC	Group Sustainability Coordination council
CV	Curriculum Vitae
pcs	darab
DWP	Digital Wellfare Program
DNFP	Digital National Development Program
DT	Deutsche Telekom
D&I	Diversity and Inclusion
EBH	Equal Treatment authority
EIA	Environmental Impact Assessment
ÉFOÉSZ	Hungarian Association for Persons with Intellectual Disability

Abbreviation	Full name
EFOTT	University and college students' national tourist meeting
EIT	European Institute of Innovation and Technology
EMF	electromagnetic fields
EMS	Energy management system
UN	United Nations
ESzCsM	Ministry of Health, Welfare and Family Affairs
ETNO	European Telecommunications Network Operators' Association
EU	European Union
EUN	European Schoolnet
FCSE	Faculty of Computer Technology and Engineering
FEIT	Faculty of Electrical Engineering and IT
FIFA	Federation of Association Football
FN	Sustainability Day
FTC	Ferencvárosi Torna Club (a Hungariaa football team)
FTSE4GOOD	Financial Times Stock Exchange
g	gram
Gbit	gigabit (1000 000 000 bits)
GIS	Geographic Information System
GDPR	General Data Protection Regulation
GeSI	Global e-Sustainability Initiative
GVH	Hungarian Competition Authority
GHG	Green House Gases (üvegházhatású gázok)
GJ	giga Joule
GmbH	Gesellschaft mit beschränkter Haftung
GRI	Global Reporting Initiative
GSM	Global System for Mobile Communication
GoO	Guarantee of Origin
GVH	Hungarian Competition Authority
GWh	gigawatt-hour
GWP	Global Warming Potention

Abbreviation	Full name
GYED/GYES	Employees on maternity leave or childcare benefit
HBLF	Hungarian Business Leaders Forum
HQ	Headquarters
HR	Human Resources
HUF	Hungarian Forints
ICNIRP	International Commission on Non-Ionising Radiation Protection
ICT	information and communication technology
ISAE3000	Revised International Standard on Assurance Engagements
ICS	Internal Control System
ILO	International Labour Office
iOS	mobile operating system developed and distributed by Apple Inc.
IoT	internet of things
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
IT	Information technology
IUCN	International Union of Conservation of Nature
IVSZ	ICT Association of Hungary
JAC	Joint Audit Cooperation
JÖN	Eco generation of the future
R&D	Research and Development
KEK	Contemporary Architecture Center
Kft.	limited liability company
kg	kilogramm
LLC	limited liability company
Ltd.	private company limited by shares
KKV	SMB - small and medium-sized business
km	kilometer
KPI	key performance indicators
MC	Management Committee
MEBIR	Occupational Health and Safety Management System



Abbreviation	Full name
kWh	kilowatt-hour
L	litre
MSCI	Morgan Stanley Capital International
LTE	long term evolution
HUF M	million forints
M³	cubic metre
MEOSZ	National Federation of Disabled Persons' Associations
NB IoT	Narrow band IoT
NG ICCA	Next Generation International Customer Contact Analyses
MOB (HOC)	Hungarian Olympic Committee Magyar Olimpiai Bizottság
MVGYSZ	Hungarian Federation of the Blind and Partially Sighted
OECD	Organisation for Economic Co-operation and Development
MWh	megawatt-hour
NGO	non-governmental organization
NOx	nitrogen-oxide
Ptk.	Civil code / Polgári Törvénykönyv
Nyrt.	(Plc.) public limited company
ODS	ozone-depleting substances
OHSAS	Occupational Health and Safety Management System
SBTi	Science Based Target initiative
SZIP	SuperFast Internet Program
PA	providing access
PR	public relations
PSL system	Related on the network-based real estate assets and the tool area of the technology area
PSTN	public switched telephone network
QR	2 dimensional barcode
TCFD	Task Force on Climate related Financial disclosure
SAR	Specific Absorption Rate
SLA	Service Level Agreement
SME	small and medium enterprises
SBP	Share benefit program
SOx	Sulfur oxide
SOHO	Small Office Home Office

Abbreviation	Full name
VÜK	Corporate Customer Support Branch
T	ton
TRI*M Index	a standardized indicator system to explore customer satisfaction and customer loyalty
TSM	T-Systems Hungary
UMTS	Universal Mobile Telecommunications System
UNEP	United Nations Environmental Programme
VFK (CSC)	Corporate Sustaibnability Centre
VR	Virtual Reality
WWF	World Wide Fund for Nature
Zrt.	cPLC

IMPRESSUM

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