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SUBMISSION
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

APPROVAL OF THE AMENDED RULES OF PROCEDURE OF THE SUPERVISORY BOARD

BUDAPEST, APRIL 15, 2015



Act V of 2013 on the Civil Code entered into effect on March 15, 2014 and according to the official commentary, the Civil Code “[...] unambiguously declares, without any room for derogation, that the Board of Directors makes resolutions with non-equal voting ratio, therefore any regulation providing for a lower voting ratio shall be null and void. This also means that no rules are allowed based on which tie votes could be decided upon [...] the decisive vote of the chairman or any other board member. In such cases the necessary majority of votes - i.e. at least simple majority - is not ensured therefore no resolution can be made.”

Although the above commentary is applicable to the Board of Directors, the same rule applies to other corporate bodies, such as the Supervisory Board.

With respect to this the Rules of Procedure shall be amended as follows:

In Section 3.5. of the Rules of Procedure (Quorum and passing resolutions) the provision, according to which “[i]n the event of a tie vote, the proposal supported by the Chairman, or, in case of his absence, the proposal supported by the Deputy Chairman shall be approved. If the Chairman (Deputy Chairman) is not present at the meeting a proposal cannot be considered approved in the event of a tie vote, and the item must be discussed again at the next meeting[.]” shall be deleted.

The changed text of the Rules of Procedure is attached as Annex to the submission. The amendments to the Rules of Procedure are highlighted in the text with track changes as follows:

- the red coloured strikethrough text indicates the deleted text.

Resolution proposal:

The General Meeting approves the amended and restated Rules of Procedure of the Supervisory Board with the modifications set out in the submission.

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board accepted its amended Rules of Procedure, and submits it to the General Meeting for approval.



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**AMENDED AND RESTATED RULES OF
PROCEDURE OF THE SUPERVISORY BOARD OF
MAGYAR TELEKOM TELECOMMUNICATIONS
PUBLIC LIMITED COMPANY**

1. GENERAL RULES

1.1 The Supervisory Board (the "SB") of Magyar Telekom Telecommunications Public Limited Company (the "Company") carries out its activities pursuant to Act V of 2013 on the Civil Code (the "Civil Code"), the Articles of Association of the Company (the "Articles") and these Rules of Procedure.

1.2 The SB in order to protect the interests of the Company supervises the management of the Company. (Civil Code Section 3:26 (1), Articles Section 7.1.)

Within the framework of this activity the SB 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.

1.3 Within its scope of authority provided by the statutes the SB may request information from the Company's executive officers and employees; and may examine the documents, accounting records and books of the Company, inspect the Company's payment account, cash desk, securities portfolio, inventories and contracts, or may have them inspected by an expert. (Civil Code Section 3:27 (2), Articles Section 7.1.)
The information must be provided as requested by the SB within the relevant deadline.

2. MEMBERSHIP/ORGANIZATION OF THE SB

2.1 The SB consists of 3-15 members. (Civil Code Sections 3:26 (1), 121 (1), Articles Section 7.2.1.)

The members are elected by the General Meeting. The assignment of the members of the SB, unless otherwise provided by the General Meeting, lasts for a term of three years until May, 31 of the third year subsequent to their election, however, if the General Meeting in the third year is held prior to May 31, then their assignment lasts until the date of the General Meeting. (Civil Code Sections 3:26 (4), 121 (2), Articles Section 7.2.1.)

2.2 The majority of the members of the acting SB must be independent. The member is independent if he has no other legal relationship with the Company than his SB membership and any transaction conducted within the Company's usual activities, aiming to satisfy the SB member's needs. (Civil Code Sections 3:286 (2), 287 (1), Articles Section 7.2.2.)

2.3 The SB member shall not be regarded as an independent member, if (Civil Code Section 3:287 (2), Articles Section 7.2.3.)

- a.) he is an employee or an ex-employee of the Company, in the latter case the conflict of interest exists for five years from the termination of the employment;
- b.) provides advisory services or other activities as a retained advisor for the Company or its executive officers in return of remuneration;
- c.) he is a shareholder of the Company who either directly or indirectly owns at least 30% of the votes or is a close relative or domestic partner to such person;
- d.) he is a close relative or domestic partner to a – non independent – senior manager of the Company;
- e.) he is entitled to receive remuneration in case of the profitable operation of the Company or receives any other remuneration besides his fee as a SB member from the Company or an affiliated business association to the Company;
- f.) he is in a legal relationship with a non-independent member of the SB in another business association on the basis of which the non-independent member has controlling or supervisory rights;
- g.) he is the statutory Auditor of the Company or a member or an employee of the statutory Auditor company within three years from the termination of this legal relationship;
- h.) he is an executive officer or senior employee in a business association where the independent Board of Directors member is the executive officer of the Company.

2.4 One third of the SB is made up of employee representatives. (Civil Code Section 3:124 (1)) Employee representatives shall have the same rights and obligations as all other members of the SB. (Civil Code Section 3:126 (1))

The Central Workers' Council (the "CWC") - considering the opinion of the trade unions operating at the Company - nominates the employee representatives. (Civil Code Sections 3:125 (1), (2); Articles Section 7.2.4.)

At the nomination of the employee representatives of the SB, the CWC specifies the order of nominees with taking the prevailing number of SB members into account.

- 2.5. SB membership terminates with (Civil Code Sections 3:25 (1), 26 (5)):
 - a.) expiration of the assignment period;
 - b.) if the mandate is rendered subject to some condition for termination, when the condition is met;
 - c.) recall;
 - d.) resignation;
 - e.) death;
 - f.) if SB member's legal capacity is limited in the scope required for discharging his functions;
 - g.) upon the occurrence of any reason for disqualification or any reason giving cause to conflict of interest (the involved SB member shall inform in writing the Chairman of the SB without delay but no later than within 15 days of the occurrence of the event);
 - h.) termination of employment of the employee representative (the employee representative can only be recalled by the General Meeting upon the proposal of the CWC). (Civil Code Sections 3:125 (1) and (3))
- 2.6. An SB member may resign at any time, with the proviso that SB members shall send their resignation to the Company's Board of Directors but if the operation of the Company so necessitates, the resignation will only take effect upon the election of a new SB member, or failing this on the 60th day from its announcement at the latest. (Civil Code Sections 3:25 (4), 26 (5))
- 2.7. If the number of the members of the SB falls below the minimum number (6 members) required by the Articles the SB must notify the Board of Directors that it must convoke the General Meeting to restore the proper operation of the SB. (Civil Code Section 3:122 (4))
- 2.8. The members of the SB shall partake in the work of the SB in person. SB members shall be independent of the management of the Company, and shall not be bound by any instructions in performing their duties. (Civil Code Section 3:26 (3))

3. OPERATION OF THE SB

3.1. General Principles

The SB acts as a body. (Civil Code Section 3:121 (1), Articles Section 7.3.)

The SB may assign certain supervisory tasks to any of its members, or may divide supervisory tasks among its members. (Civil Code Section 3:121 (1))

The SB at its first meeting elects a Chairman (if necessary, a Deputy Chairman) from among its members. (Civil Code Section 3:122 (1), Articles Section 7.3.)

The SB shall establish its own Rules of Procedure that is subject to the approval of the General Meeting. (Civil Code Section 3:122 (3); Articles Section 7.3.)

3.2. Meetings

The SB holds its meetings as necessary but at least 4 times per year and works according to its annual work plan.

The Chairman of the SB convenes and chairs the SB meetings.

Any SB member, specifying the reason and the purpose, may at any time request in writing to call an SB meeting, if the Chairman fails to take the necessary steps within 8 days upon receipt of such written request and fails to convene such meeting to be held within 30 days.



The Chairman shall nominate the Minute Keeper and the SB member who authenticates the Minutes, puts issues on the vote and announces the result of the voting.

If he is prevented, the Chairman shall be substituted by the Deputy Chairman, in case of lacking a Deputy Chairman, the Chairman requests a member to preside over the meeting.

The meetings are held in Hungarian and English.

Comments made in Hungarian shall be simultaneously translated into English, whereas, comments made in English shall be simultaneously translated into Hungarian.

If any of the members is prevented and there is an appropriate reason, upon the decision of the Chairman (Deputy Chairman, Presiding Chairman) the meeting may be held by means of a conference call, or the member may attend by means of a conference call, if the communication equipment makes it possible for all members to hear each other simultaneously.

Such participation at the meeting is to be considered as presence.

3.3. Secretariat

The SB's secretarial tasks shall be performed by its own secretariat (the "Secretariat"). The Secretariat supports the Chairman in convening and organizing the meeting. The administrative - technical conditions required for the operation of the SB (keeping of minutes, interpretation, meeting room, recorder, overhead projector, etc.) will be provided by the Secretariat and their costs will be borne by the Company.

3.4. Notice on convening the meeting

Notice of the meeting shall be sent to the SB members at least 5 days before the date of the meeting by electronic mail or courier (express mail) to the address specified by the SB members.

If there is no such address the notice shall be sent to the last known address of the SB member concerned.

The notice shall contain the agenda, venue and date of the meeting.

Discussion materials must be attached to the notice in Hungarian and English.

3.5. Quorum and passing resolutions

The SB meeting has a quorum if 2/3 of the elected members but at least 3 members are present. If the SB is comprised of 3 members or if the above mentioned 2/3 of the members is less than 3 persons the presence of 3 persons is necessary to constitute a quorum. (Civil Code Section 3:122 (2), Articles Section 7.5.)

If the meeting does not have a quorum it shall be re-convened within 15 days.

The SB passes resolutions by open voting, with simple majority of the votes of the SB members present. (Civil Code Section 3:27 (3))

Each member of the SB shall have one vote. (Articles Section 7.5.)

~~In the event of a tie vote, the proposal supported by the Chairman, or, in case of his absence, the proposal supported by the Deputy Chairman shall be approved. If the Chairman (Deputy Chairman) is not present at the meeting a proposal cannot be considered approved in the event of a tie vote, and the item must be discussed again at the next meeting.~~

3.6. Passing resolutions without holding a meeting

The SB may pass resolutions on any issue without holding a meeting if SB members received the submission requiring a decision beforehand and the majority of the SB members cast their affirmative votes in writing (by electronic mail or fax). Written voting can be initiated by the Chairman of the SB or if no Chairman is elected yet by any member of the SB. The general rules apply to the validity of the resolution. The resolution and its approval by the respective SB members shall be handled according to the rules on the minutes. If any SB member requests to convoke an SB meeting, the meeting must be held.

3.7. Invitees of the meeting

3.7.1. Permanent invitees to the SB meetings are:

- a.) the Chairman of the Board of Directors or the member of the Board of Directors appointed by him;
- b.) the Chairman and the Deputy Chairman of the Management Committee (the "MC") or the member of the MC appointed by them;
- c.) head of the Company's Internal Audit organization;
- d.) chief legal counsel of the Company.

3.7.2. Ad hoc invitees to the SB meetings:

- a.) the statutory Auditor of the Company if the SB initiated his hearing at the meeting, or if the statutory Auditor requests to participate the SB meeting with consultation rights (Civil Code Section 3:131 (3), Articles Section 8.3.(e));
- b.) expert, if his invitation (participation) is initiated by SB members to the meeting or certain agenda items of the meeting.

3.8. Closed meeting

At the proposal of the Chairman (Deputy Chairman, Presiding Chairman), with a simple majority vote of the members present, a closed meeting may be held. Besides the SB members only those invited for a given issue may be present at closed meetings.

4. MINUTES

- 4.1. Minutes of every SB meeting shall be taken in Hungarian that must be translated to English prior to its authentication. Both Minutes shall be authenticated. In case of any conflict between the Hungarian and the English version, the Hungarian version shall prevail.
- 4.2. The minutes shall contain:
 - a.) the venue and date of the meeting;
 - b.) the names of the participants;
 - c.) the agenda;
 - d.) the names of the Chairman of the meeting, the Keeper of the Minutes and the Authenticator of the Minutes;
 - e.) the main issues questioned during the discussion of the individual agenda items and the answers to such questions;
 - f.) transcription of individual SB members' contributions to the discussion, provided that the respective SB member requests so;
 - g.) the resolutions, the number of votes cast for and against the resolutions and the abstentions;
 - h.) objections to the resolutions (provided the objecting SB member requests the objection be entered into the Minutes).
- 4.3. At the request of any participant the contributions, opinions and objections shall be recorded in the minutes verbatim.
- 4.4. The meetings of the SB shall be recorded – unless otherwise decided by the SB - on tape. The Secretariat shall ensure that the recordings are kept in a safe place, at least for 1 year. Such voice recordings shall be confidential, and shall not be disclosed to any person without the Chairman's consent, other than to current members of the SB, to persons who were members of the SB at the time when a particular recording was made and to persons who attended, as invitees the meeting of which such recording was made.
- 4.5. The minutes are signed by the Chairman and the Minute Keeper and are authenticated by an SB member present.

- 4.6. Following authentication the minutes shall be sent in English and Hungarian to all SB members and to persons who were invited to the discussion of specific agenda items. SB members may query the accuracy of the Minutes, including its translation, within 15 days upon receipt.
- 4.7. The authenticated minutes of closed meetings can only be distributed with the consent of the Chairman to other persons than the members of the SB and the invitees to the closed meeting.

5. SCOPE OF AUTHORITIES AND TASKS OF THE SB

5.1. Tasks related to the General Meeting

- 5.1.1. The SB shall examine all submissions to be submitted to the General Meeting and present its opinion thereof at the General Meeting. (Civil Code Section 3:27 (1), Articles Section 7.4.)
- 5.1.2. The General Meeting may pass a resolution on the report prepared in accordance with the Act on Accounting and the use of the profit after income tax only upon receipt of the written report of the SB. (Civil Code Section 3:120 (2), Articles Section 7.4.)
- 5.1.3. The Board of Directors shall make available to the SB its submissions to the General Meeting at least 26 days prior to the General Meeting.
- 5.1.4. The Supervisory Board makes a proposal directly to the General Meeting regarding the election, remuneration and removal of the statutory Auditor. (Articles Section 7.4)
- 5.1.5. The SB shall forward its report set forth under Section 5.1.2. and its proposal under Section 5.1.4. in time to allow the publication of the main data contained in the report within at least 21 days prior to the General Meeting. (Civil Code Section 3:272 (3); Articles Section 4.2.(b))
- 5.1.6. At the General Meeting, the Chairman or Deputy Chairman of the SB - or in case of his absence or prevention the SB member designated by him - verbally presents the report of the SB in full during the discussion of the given agenda item, or, if this is impossible because of the length of the report, he provides a summary of it.
- 5.1.7. Members of the SB participate at the General Meeting in an advisory capacity. (Civil Code Section 3:111 (1))
- 5.1.8. If the opinion of the employee representatives unanimously differs from the majority standpoint of the SB, the minority opinion of the employees shall be stated at the next meeting of the Company's General Meeting. (Civil Code Section 3:126 (1))
- 5.1.9. The SB may convene the General Meeting to discuss that issue and to take the necessary decisions, if, in its opinion, the activities of the management infringe the law, the Articles or the resolutions passed by the General Meeting, or otherwise interfere with the interests of the Company. (Civil Code Section 3:120 (3), Articles Section 7.4) The SB makes a proposal as to the agenda of the extraordinary General Meeting called with the aforementioned purpose.

5.2. Tasks related to the management of the Company

The SB shall review, discuss and evaluate:

- 5.2.1.) the quarterly report of the Board of Directors prepared for the SB on the management, the financial status and the business policy of the Company (Civil Code Section 3:284 (1); Articles Section 6.4.(k));
- 5.2.2.) the annual self-evaluation of the Board of Directors;
- 5.2.3.) matters related to the strategy and business plans of the Company;
- 5.2.4.) remuneration processes employed by the Company;

5.2.5.) matters falling into the competence of the MC concerning the most important current issues regarding the operation of the Company.

5.3. Other tasks

- 5.3.1. The SB supervises the financial reporting system, selects and cooperates with the statutory Auditor.
- 5.3.2. The SB supervises the effectiveness of risk management and the operation of the internal control system.
- 5.3.3. The SB supervises the Internal Audit activities of the Company, in the frame of which it
 - a.) approves the Internal Audit Work Plan of the Company;
 - b.) discusses the reports on the auditing activities;
 - c.) opines the decisions related to the establishment and termination of employment of the head of the Internal Audit organization, and the determination of his/her remuneration.
- 5.3.4. The SB supervises the Compliance activities of the Company in accordance with the scope described in the Corporate Compliance Program Manual and the related directives and policies, in the frame of which it
 - a.) opines the decisions related to the establishment and termination of employment of the head of the Compliance organization, and the determination of his/her remuneration.
- 5.3.5. The SB establishes procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- 5.3.6. The SB, if necessary, conducts an internal investigation into matters that relate to questionable accounting, internal accounting controls or auditing matters.

The Audit Committee supports the SB in fulfilling the tasks listed in Section 5.3., the Rules of Procedure of which (its rules of operation) is approved by the SB. The SB fulfills its tasks defined in Sections 5.3.3.c.) and 5.3.4. a.) through its Chairman.

6. LIABILITY OF THE MEMBERS OF THE SB

Members of the SB shall be held liable for damages caused to the Company resulting from their omission of supervisory responsibilities in accordance with the provisions on liability for damages for loss caused by non-performance of an obligation liable in accordance with the rules pertaining to damages caused by breach of contract. (Civil Code Section 3:28, Articles Section 7.7.)

7. CONFLICT OF INTEREST (Articles Section 12)

Disqualification (conflict of interest) rules set out in Section 3:115 (1) of the Civil Code shall not be applicable for the members of the SB. Instead thereof the disqualification rules defined in the present section shall be applied to the members of the SB.

The members of the SB may not acquire any share - except for the shares of public limited companies -, and may not accept executive officer or SB membership in such domestic or foreign business associations whose main business activity is the same as the main activity of the Company, except if permitted by law or the Articles.

Despite the restrictions set out in the above section, SB members may be elected to executive posts or to be members of SBs of such other domestic or foreign business associations whose main business activity is the same as the main activity of the Company, such

- (i) having a direct or indirect majority influence in the Company;
- or

- (ii) in which the Company or any person having a direct or indirect majority influence in the Company holds at least 25% ownership and/or voting right.

8. INDEMNIFICATION OF SB MEMBERS

8.1. Indemnification

To the extent permitted by law the Company shall indemnify any present or former member of the SB who was or is threatened to be a party to any threatened, pending or concluded civil, criminal or administrative procedure by reason of his above position at the Company for costs (including attorney's costs) ordered by the court, fines or amounts paid in settlement actually and reasonably incurred by him in connection with the above proceedings or suits if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal proceeding, he had no reasonable cause to believe that his conduct was unlawful. (Articles Section 13.1.)

8.2. Advancement of costs

The Company may reimburse the costs borne by a member of its SB in any civil, criminal or administrative proceeding or action (including reasonable attorney's fees) to the given person prior to the conclusion of the procedure, if the SB member undertakes to pay back the amount if it is decided that he is not entitled to indemnification by the Company as defined under Section 8.1. (Articles Section 13.2.)

8.3. Insurance

The Company has the right to take out and maintain insurance to the benefit of the current and former members of the SB in respect of the liability borne by or imputed to them by reason of or in connection with such position, irrespective of whether or not the Company is entitled to indemnify them because of the given liability in accordance with the above 8.1. and 8.2. Sections of these Rules of Procedure or the statutes. (Articles Section 13.3.)

9. OTHER PROVISIONS

- 9.1. The executive officers and employees of the Company are obliged, in the course of the supervisory activities of the SB, to supply all information and make the necessary documents and files available to the SB. If the above persons do not comply with their such obligation the SB shall inform the Board of Directors about such failure without delay.
- 9.2. The management of the Company provides the members of the SB the possibility of entering the official premises of the Company to facilitate fulfillment of their tasks.
- 9.3. To prepare its position on certain issues the SB may set up committees – comprised from its own members – on a permanent or an ad hoc basis. The Rules of Procedure of the permanent committee (rules of operation) shall be established by such committee and shall become effective upon its approval by the SB.
- 9.4. If the SB wishes to engage the services of experts in the course of its supervisory activities, management shall fulfill the SB's such request. (Civil Code Section 3:120 (1))
- 9.5. The General Meeting may provide remuneration to the members of the SB.
- 9.6. SB members shall notify the SB within 15 days in the event they are offered a membership in a SB or a board of directors or offered an executive management position at another company and also whether they accepted the position.
- 9.7. SB members are bound to keep business secrets of the Company (Civil Code Section 2:47)



- 9.8. The employee representative SB member shall inform – with the exception of confidential information - the employees on the activities of the SB. (Civil Code Section 3:126 (2))

10. GUIDELINES AND CONTINUOUS EDUCATION FOR THE SB MEMBERS

- 10.1. The SB maintains an orientation program for new members of the SB. The orientation program includes comprehensive information about the Company's business and operations, general information about the SB, including a summary of members of the SB compensation and benefits and a review of members of the SB duties and responsibilities.
- 10.2. The SB maintains a continuing education program for all members of the SB. The SB recognizes the importance of continuing education for its members and is committed to provide such education in order to improve the performance of the SB. It is the responsibility of the Chairman of the SB to advise the members of the SB about their continuing education, including relevant leading-edge corporate governance issues. The members of the SB are encouraged to participate in continuing SB member education programs.

11. ANNUAL EVALUATION OF THE SB

The SB shall perform an annual comprehensive self-evaluation of its performance. This self-evaluation should include a review of the SB's contribution as a whole and should specifically review areas in which the SB believes a better contribution could be made. Its purpose is to increase the effectiveness of the SB and the evaluation of the individual SB members. The SB shall meet annually to discuss the results of this critical self-evaluation.

FINAL CLAUSE

These Rules of Procedure were approved by the General Meeting of Magyar Telekom Plc. with Resolution No. ~~28/2014 (IV. 11.)~~.