



# REMUNERATION REPORT 2021

## 1. INTRODUCTION

The Board of Directors of Magyar Telekom Telecommunications Public Limited Company (hereinafter “Magyar Telekom” or “Company”) based on the Remuneration Policy adopted with its resolution no 4/26 (04.24.2020)<sup>1</sup>, and the provisions of Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the amendment of certain Acts for EU harmonization purposes (“SRD Act”), approves and submits to the Annual General Meeting the below Remuneration Report for the 2021 business year (“Remuneration Report” or “Report”).

This Remuneration Report is prepared for the first time in accordance with the SRD Act. The Remuneration Policy on which the Report is based was approved by the Company in 2020 and was first applied in the 2021 business year. The Remuneration Policy is available on the website of the Company:

<https://www.telekom.hu/static-tr/sw/file/2020AGM-Remuneration-Policy.pdf>

The Remuneration Report is providing a comprehensive overview of the remuneration, including all benefits in whatever form, awarded or due during the 2021 business year in accordance with the Remuneration Policy to the members of the Board of Directors, the Supervisory Board, the Chief Executive Officer and Chief Officers of Magyar Telekom (together, based on the SRD Act, “Directors”; the Chief Executive Officer and the Chief Officers together “Executives” or “Management”). The Remuneration Report contains the incomes presented in the Financial Statements as cost independently from its financial performance (payment). There was no personal change regarding the Directors in 2021.

In this Remuneration Report „group” shall have the meaning of the Magyar Telekom Group. All monetary amounts in the Report are presented in gross without duties or taxes levied on the Company.

In the 2021 business year the Company paid remuneration based on the Remuneration Policy, no deviations from the procedure for the implementation of the Remuneration Policy or the possibility to reclaim variable remuneration applied.

Magyar Telekom aims to achieve leadership position in terms of customer experience, as well as technological and business productivity alike, which it is indispensable to have efficient bodies and top executives in place with long-term engagement. Therefore, Magyar Telekom elaborated a competitive remuneration structure that supports, recognizes and provides motivation for the Directors to implement the Company’s aim. The remuneration structure promotes the Company’s business strategy, long-term interests and sustainability through its short and long-term incentive systems. The relative value and composition of the components are determined on the basis of market benchmarks. The Remuneration Policy is prepared by the Company’s People Unit upon discussion with all other affected areas, and submits it to the Company’s Remuneration and Nomination Committee.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report for the business year 2022 for the first time.

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<sup>1</sup> Resolution no 4/26 (04.24.2020) of the Board of Directors (based on Section 9 (2) of Government Decree no. 102/2021. (IV. 10.) the Board of Directors decided on the matters set on the agenda of the AGM).



## 2. REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Pursuant to the Articles of Association the Board of Directors of the Company shall be comprised of a minimum of five (5), and a maximum of eleven (11) members. The members of the Board of Directors shall be elected by the General Meeting. On December 31, 2021, the Board of Directors had eight members.

Members of the Board of Directors of Magyar Telekom, for being in this position at the Company, are paid remuneration on a monthly basis. Their remuneration contains no variable components (therefore, it is not influenced by the Company's operating results in a given part of past or future period and reclaiming variable remuneration is not applicable). The amount of the remuneration is resolved by the General Meeting<sup>2</sup> based on the proposal of the Remuneration and Nomination Committee.

The Company has a Remuneration and Nomination Committee established by the Board of Directors. The Remuneration and Nomination Committee is comprised of three members elected by the Board of Directors from among its members. The assignment of the members is the same period as their assignment as members of the Board of Directors. Members of the Board of Directors having membership in the Remuneration and Nomination Committee are not entitled to remuneration therefor.

Certain members of the Board of Directors have waived their remuneration. Tibor Rékasi offered his remuneration for his activity as member of the Board of Directors for charity, the net amount thereof is directly transferred by the Company to Magenta Összefogás Alapítvány.

Board of Directors members, Tibor Rékasi and Dodonova Daria Aleksandrovna, are also members of the Company's Management, whose remuneration to be paid for their Management position is presented in Section 4 of this Remuneration Report. There is no other member of the Board of Directors who receives remuneration from Magyar Telekom or any companies belonging to the Magyar Telekom Group. No shares have been granted by the Company to the members of the Board of Directors and currently there is no share option program at the Company.

The members of the Board of Directors are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership (e.g. cross-border travel) in accordance with the applicable internal regulations of the Company effective from time to time. Furthermore, they are entitled to insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report for the business year 2022 for the first time.

Remuneration payment and related cost reimbursement connected to their membership is based on the Remuneration Policy and in accordance with the Company's internal regulations effective from time to time. The Company paid remuneration to the members of the Board of Directors in the business year 2021 in accordance with the Remuneration Policy.

### Remuneration of the individual members of the Board of Directors for 2021

members of the Board of Directors	Fixed remuneration (per month)	Total remuneration
Dodonova Daria Aleksandrovna <sup>i</sup>	450,000	0
Gábor Fekete, independent	450,000	5,400,000
Dr. Robert Hauber <sup>i, ii</sup> , Chairperson	600,000	0
Ralf Nejedl <sup>i, ii</sup>	450,000	0
Frank Odzuck <sup>i</sup> , Deputy-Chairperson, independent	450,000	5,400,000
Péter Ratatics, independent	450,000	5,400,000
Tibor Rékasi <sup>iii</sup>	450,000	0

<sup>2</sup> Resolution no. 11/2014 (IV.11.) of the General Meeting.



Éva Somorjai-Tamássy <sup>i</sup>	450,000	0
<b>total</b>		<b>16,200,000</b>

<sup>i</sup> Members of the Remuneration and Nomination Committee.

<sup>ii</sup> Waived their remuneration.

<sup>iii</sup> Offered the remuneration for charity.

### 3. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

According to the Articles of Association the Supervisory Board shall be comprised of 5 members. Three members of the Supervisory Board must be independent from time to time in accordance with the provisions of the Civil Code and two members of the Supervisory Board must be employees of the Company. The members of the Supervisory Board shall be elected by the General Meeting.

Members of the Supervisory Board of Magyar Telekom, for being in this position at the Company, are paid remuneration on a monthly basis. Their remuneration contains no variable components (therefore, it is not influenced by the Company's operating results in a given part of past or future period and reclaiming variable remuneration is not applicable). Those independent members of the Supervisory Board who are also members of the Audit Committee of the Company are entitled to remuneration too as members of the Audit Committee. The amount of the remuneration is resolved by the General Meeting<sup>3</sup> based on the proposal of the Remuneration and Nomination Committee.

Remuneration of the employee representatives of the Supervisory Board, Tamás Lichnovszky and Zsoltné Varga, related to their employment with the Company is not part of this Remuneration Report as they shall be deemed Directors for the activity as members of the Supervisory Board in accordance with the SRD Act. There is no other member of the Supervisory Board beside the employee representatives who receive remuneration from Magyar Telekom or any companies belonging to the Magyar Telekom Group. No shares have been granted by the Company to the members of the Supervisory Board, currently there is no share option program at the Company.

The members of the Supervisory Board are entitled to infocommunication services and to the reimbursement of the reasonable costs arising in connection with their participation at the meetings, or directly connected to their membership (e.g. cross-border travel) in accordance with the applicable internal regulations of the Company effective from time to time. Furthermore, they are entitled to insurance (liability, travel) in accordance with the applicable insurance conditions of the Company effective from time to time.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report for the business year 2022 for the first time.

Remuneration payment and related cost reimbursement connected to their membership is based on the Remuneration Policy and in accordance with the Company's internal regulations effective from time to time. The Company paid remuneration to the members of the Supervisory Board in the business year 2021 in accordance with the Remuneration Policy.

#### Remuneration of the individual members of the Supervisory Board for 2021

members of the Supervisory Board	Fixed remuneration (per month)	Total remuneration
Prof. Dr. Attila Borbély <sup>i</sup> , Chairperson, independent	600,000	13,920,000
Krisztina Dorogházi <sup>ii</sup> , independent	350,000	7,560,000
Tamás Lichnovszky, employee representative	350,000	4,200,000
András Szakonyi <sup>iii</sup> , independent	350,000	7,560,000
Zsoltné Varga, employee representative	350,000	4,200,000
<b>total</b>		<b>37,440,000</b>

<sup>3</sup> Resolution no. 11/2014 (IV.11.) of the General Meeting.



<sup>i</sup> Prof. Dr. Attila Borbély, in addition to remuneration for this activity as a member of the Supervisory Board of Magyar Telekom, also received remuneration as Chairperson of the Audit Committee amounting to HUF 560,000 per month, totally HUF 6,720,000 in 2021.

<sup>ii</sup> Krisztina Dorogházi, in addition to remuneration for this activity as a member of the Supervisory Board of Magyar Telekom., also received remuneration as member of the Audit Committee amounting to HUF 280,000 per month, totally HUF 3,360,000 in 2021.

<sup>iii</sup> András Szakonyi, in addition to remuneration for this activity as a member of the Supervisory Board of Magyar Telekom, also received remuneration as member of the Audit Committee amounting to HUF 280,000 per month, totally HUF 3,360,000 in 2021.

#### 4. REMUNERATION OF THE CHIEF EXECUTIVE OFFICER AND OTHER CHIEF OFFICERS

The Management of the Company comprises of the Chief Executive Officer and other Chief Officers. On December 31, 2021, the Management had six members.

Procedures of the Company related to remuneration is regulated by internal regulations.

The Chief Executive Officer and the other Chief Officers perform this activity based on employment contract, while Dodonova Daria Aleksandrovna performs it based on an intra-group expatriate contract.

Chief Executive Officer, Tibor Rékasi, and Chief Financial Officer, Dodonova Daria Aleksandrovna, are also members of the Company's Board of Directors, whose remuneration to be paid for their position in the Board of Directors is presented in Section 2 of this Remuneration Report.

Executives may (have) receive(d) remuneration for holding a position in Magyar Telekom Group companies, in 2021 the affected Executives were:

Tibor Rékasi in addition to the remuneration for this activity as Chief Executive Officer of Magyar Telekom, received no remuneration as member of the Board of Directors (Chairperson) of T-Systems Magyarország Zrt.

Gábor Gonda, has employment relationship with Magyar Telekom as Chief Commercial Officer Enterprise and with T-Systems Magyarország Zrt. as Chief Executive Officer.

Lubor Zatko in addition to the remuneration for this activity as Chief Technology and IT Officer of Magyar Telekom, received remuneration as non-executive member of the Board of Directors of Makedonski Telekom AD amounting to MKD 62,000 (appr. HUF 372,000) per month which of he has waived.

There is no other member of the Management who receive remuneration from Magyar Telekom or any companies belonging to the Magyar Telekom Group. Currently there is no share option program at the Company.

Decision about the remuneration of the Chief Executive Officer and other Chief Officers is adopted by the Company's Remuneration and Nomination Committee (incl. performance management target setting and evaluation, awarding bonuses and other incentives to the Executives, including any stock options and other equity-based compensation plans or determination of the size of the components included in the remuneration package upon consideration of the Hungarian remuneration benchmarks). The remuneration package consists of fixed and variable components.

Executives are entitled to annual on-target earnings, extraordinary, per-case bonus, long-term incentive programs and different additional benefits based on their contracts and the respective internal regulations of the Company, in accordance with the Remuneration Policy. Terms and conditions for supplementary retirement or early retirement schemes are not included in the contracts.

##### Annual On-Target Earnings

The annual on-target earnings consist of the (fixed) monthly base wage defined in the employment contract and the bonus determined as a percentage of the base wage the amount of which varies subject to the annual performance. The ratio of the base wage and the bonus within the annual on-target earnings is 57%/43% for the CEO, 55%/45% for other Chief Officers, and 70%/30% in case an agreement is included in the employment contract regarding the different ratio.

##### a) Annual base wage

The annual base wage is a (fixed) annual amount determined for individual that differs in different positions, and is paid in identical allotments on a monthly basis.

##### b) Annual bonus

The bonus is a set percentage of the base wage paid proportionately to the performance levels of strategic and financial targets (50% financial and 50% strategic) derived from the strategic objectives defined for the specific business year. The Remuneration and Nomination Committee adopts the annual targets and their performance levels annually in light of the Company's strategic objectives and corporate responsibility principles (our corporate responsibility programs focus on



digital education and volunteer work, but we also put emphasis on supporting NGOs by means of tariff packages designed specifically for them). Bonus advance payments are not made, bonus is paid on a scale of 0-150% subject to the evaluation of the performance of the relevant targets when the financials of the closed business year are final. After payment is made, the bonus may not be reclaimed.

The amount of the Executives' bonuses presented in this Remuneration Report is based on the presumption of 137,07% target performance in accordance with the 2021 Financial Statements.

#### Extraordinary, per-case bonus

In case of outstanding performance of targets set forth by the Remuneration Policy, the extra performance demonstrated by individuals may be recognized by per-case bonus. The amount of the reward shall be fixed by the Remuneration and Nomination Committee.

Currently, there is no mid-term incentive plan in place at the Company.

#### Long-term incentive programs:

Long-term Incentive Plan (LTI) is a long-term incentive program paid in cash that is linked to the performance of four indicators (ROCE (Return on Capital Employed), Adjusted Earnings per Share, Customer satisfaction and Employee satisfaction) of the mother company considered of special strategic priority. Performance criteria may not be changed during the term of the program. Participation in the program is subject to the performance of the central indicators determined for the previous year, and the achievable amount is 30% of the annual on-target earnings.

The 2021 LTI program is a global, Deutsche Telekom Group-wide incentive program.

At the beginning of the program, the relevant incentive amount is converted into a number of virtual shares of DT AG and awarded to the plan participant in the form of virtual shares (basic number). The annual level of target achievement is determined at the end of each year. This target achievement level is multiplied on a pro rata basis by the basic number of virtual shares awarded. The number of virtual shares calculated using this method shall then be "fixed" for the plan participant as the binding result for that specific year ("annual result"). At the end of the plan term, the four binding annual results shall be added together. The resulting total number of virtual shares shall be converted into cash applying the prevailing price of DT AG shares at that time, which is paid to the plan participants. For dividend payments during the plan term, the virtual shares shall be treated as real shares. The dividends shall be taken into account as follows: The first/second/third dividend payments shall be "reinvested" into virtual shares when the actual dividends are paid on real shares. The fourth (and last) dividend payment shall not be reinvested but paid in cash together with the plan payment following the DTAG shareholders' meeting at which a decision is made regarding this dividend payment. The plan currency is euro.

As part of the program launched in 2015, a four-year program is introduced each year. Payment is always made after the program's expiry and the evaluation of the targets' performance levels on a scale of 0-150%. The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee.

Currently LTI 2018, 2019, 2020 and 2021 are available. After payment is made, the LTI may not be reclaimed.

The amount of the Executives' LTIs presented in this Remuneration Report with respect to the 2021 business year is based on the presumption of 100% target performance in accordance with the 2021 Financial Statements.

#### Share Matching Plan (SMP)

Participation in the program is mandatory for the Company's Chief Executive Officer, and voluntary for other members of the management. The program may be launched, if the previous year's DT Group Free Cash-Flow target is achieved. Participants must spend a part, minimum of 10%, of their gross annual bonus on Deutsche Telekom shares. The investment must not exceed 1/2 of their annual bonus ("personal investment") (assuming 100% achievement of the previous year's bonus in case of the CEO and that of the specific year in case of other Chief Officers). Participants must hold their shares for at least 4 years (freeze) and may freely use them upon the expiry of the freeze. As part of the program Deutsche Telekom grants a certain number of shares free of charge to the participants based on the number of Deutsche Telekom shares they purchased. The proportion of the number of additional shares thus granted depends on the individual's management level: CEO: 1:1, other Chief Officers: 1:2. The program is launched subject to the relevant decision adopted by the Board of Directors. The detailed rules of the program are determined by the Remuneration and Nomination Committee.

Currently SMP 2019, 2020 and 2021 are available. After payment is made, the SMP may not be reclaimed.

The amount of the Executives' SMPs presented in this Remuneration Report with respect to the 2021 business year is based on the presumption of 100% target performance in accordance with the 2021 Financial Statements.



#### Recurring Performance Incentive (RPI)

The purpose of RPI is to provide incentive in the form of additional bonus for recurring, extraordinary, collective performance, which is measured by the overachievement of a defined bonus KPI. The RPI is a four-year program. If the targets defined by the rules are achieved in two consecutive years, the first year is considered as a year of obtaining entitlement only. The achievement of the key performance indicator defined for the program is to be assessed in the context of the financial planning process. The key performance indicator is attached to the unadjusted EBITDA. Entitlement is determined on each management level separately. Entitlement is governed by the manager's management level on January 1 of the specific year, but (in case he/she becomes entitled in the first half of the year) at the latest on July 1. The incentive amount payable is subject to the management level, the performance of Magyar Telekom Group's targets and the number of consecutive years in which targets have been overachieved. The detailed rules, the amount that may be utilized for the specific incentive and the actual performance levels at the end of the programs' duration are determined by the Remuneration and Nomination Committee. The rules of participation in the programs are included in the regulation adopted by the Remuneration and Nomination Committee

RPI is for a defined group of Executives (incl. Business Leaders) at Deutsche Telekom Group.

The RPI was running from 2018 to 2021, and at the end of 2021 the RPI ended. After payment is made, the RPI may not be reclaimed.

The amount of the Executives' RPI presented in this Remuneration Report is based on the presumption of 140% target performance in accordance with the 2021 Financial Statements.

The Company's 2021 Financial Statements contains information on the accounting policy of the short- and long-term remuneration under Note 20 „Employee-related expenses”. The Financial Statements is available at the website of the Company: [https://www.telekom.hu/about\\_us/investor\\_relations/financial](https://www.telekom.hu/about_us/investor_relations/financial)

The interest of the Magyar Telekom is, to develop a fair, performance-based and consistent remuneration package, which provides competitive remuneration for the Executives to carry out the Company's strategy and reward them for the achievement of strategic goals through a combination of short-term and long-term incentives. Through the design of its incentive programs, the Company wishes to ensure that Executive remuneration is aligned with and supports the Company's strategic objectives within a framework that closely aligns the interests of Executives to those of the shareholders.

The Company complies with its obligation under Section 19(2) of the SRD Act (i.e. the annual change of remuneration, the performance of the company, and of average remuneration of employees of the company other than directors presented in a comparative method) in accordance with Section 29(4) of the SRD Act, therefore this information will be presented in the Remuneration Report 2022 for the first time.

Executives' remuneration payment and related cost reimbursement connected to their membership is based on the Remuneration Policy and in accordance with the Company's internal regulations effective from time to time. The Company paid remuneration to the members of the Management in 2021 in accordance with the Remuneration Policy.

Remuneration of the Chief Executive Officer and other Chief Officers is presented as follows:



Remuneration of the Chief Executive Officer and other Chief Officers for 2021

Name of Director, position	Reported financial year	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Any remuneration from undertakings of the same group <sup>ii</sup>	5 Total remuneration	6 Relative proportion of fixed and variable remuneration (xx%/yy%)
		Base salary	Fringe benefits <sup>i</sup>	One-year variable	Multi-year variable				
<b>Dodonova Daria Aleksandrovna</b> Chief Financial Officer	2021	42 942 156	21 065 783	37 909 450	72 244 533	-	-	174 161 922	36,8% / 63,2%
<b>Friedl Zsuzsanna</b> Chief People Officer	2021	42 000 002	5 546 335	47 103 288	77 660 180	-	-	172 309 805	27,6% / 72,4%
<b>Gonda Gábor</b> Chief Commercial Officer Enterprise	2021	48 000 000	5 410 139	53 832 324	42 332 644	12 000 000	-	161 575 107	35,7% / 64,3%
<b>Rékasi Tibor</b> Chief Executive Officer	2021	84 010 532	10 773 819	86 364 925	143 982 347	-	-	325 131 623	29,2% / 70,8%
<b>Szabó Melinda</b> Chief Commercial Officer	2021	47 999 999	5 302 989	53 832 324	71 062 283	-	-	178 197 595	29,9% / 70,1%
<b>Lubor Zátka</b> Chief Technology and IT Officer	2021	43 200 004	13 665 589	48 449 088	55 015 986	-	-	160 330 667	35,5% / 64,5%

<sup>i</sup> The amount of fringe benefits include, among others, the cost of company car usage, health insurance, accommodation and expatriate in accordance with the Remuneration Policy.

<sup>ii</sup> In line with the narrative information.