

Magyar Telekom Telecommunications Public Limited Company

## **Rules of Procedure for the Remuneration Committee**

Budapest

2006.

## **1 Composition of the Remuneration Committee**

- 1.1 The Remuneration Committee (hereinafter referred to as the “Committee”) consists of three (3) members selected by the Board of Directors (the “Board”), unless otherwise determined by the Board.
- 1.2 Other non-voting representatives may be selected by the Committee to participate in Committee meetings and to be consulted prior to decisions by the Committee.
- 1.3 The Committee may also request the Chief Human Resources and Legal Officer of Magyar Telekom to participate as non-voting member in Committee meetings and to be consulted prior to decisions by the Committee.

## **2 Powers of the Committee**

- 2.1 The duties of the Remuneration Committee are as follows:
  - Determine the group, company and individual targets based upon the Group’s performance for the remuneration of top executives (Chief Executive Officer, Chief Officers and Chief Operating Officers of LoBs) of Magyar Telekom Group, and make recommendations to the Board regarding the evaluation of these targets.
  - Monitor the performance of top executives.
  - Periodically review market data to assess the top executives’ competitive position for fixed and variable compensation by reviewing top executive compensation surveys, compiled by third-party consultants.
  - Annually review the compensation of top executives and make recommendations to the Board based on this review.
  - Make recommendations regarding the establishment and/or termination of employment, and the modification of the employment contract of the top executives.
  - Review the systems of cost disbursement and other types of remuneration of the top executives.
  - Make recommendations for the general meeting regarding the amount of compensation for members of the Board of Directors.
  - Develop standards for the nomination of members of the Board of Directors.
  - Select candidates for Board committee membership.
  - Initiate the Board’s self-evaluation.
  - Consider stock option and other equity-based compensation plans for the management of Magyar Telekom, and supervise the status of equity plans, including options and other awards granted, vested, exercised and cancelled.
  - Carry out any other tasks that the Board may from time to time direct to its competence.
- 2.2 No determination of salary or bonus and other decisions made by the Committee are valid, however, until approved by the Board.

### 3 Meetings

3.1 The Committee will meet at least three (3) times per year, to be coordinated with meetings of the Board.

3.1.1 It is anticipated that the meetings will take place in December, February and March.

3.2 During the December meeting, the Committee will undertake the following:

3.2.1 Preparation of objectives connected to the following year's Business Plan as the basis of evaluating the performance of top executives, in order to submit it as a recommendation to the Board, and

3.2.2 any other tasks regarding compensation that the Board has delegated to the Committee.

3.3 During the February meeting, the Committee will undertake the following:

3.3.1 Review the current remuneration of the top executives in the context of the Business Plan and goals to determine what, if any, changes to remuneration should be recommended, and

3.3.2 any other tasks regarding compensation that the Board has delegated to the Committee.

3.4 During the March meeting, the Committee will undertake the following:

3.4.1 Review the audited annual report on Magyar Telekom and Magyar Telekom Group's Financial Statements and the financial indicators of the previous calendar year to determine to what extent the indicators have been achieved and to thereupon recommend the amount of bonus for payment to the top executives for the previous year, and

3.4.2 any other tasks regarding compensation that the Board has delegated to the Committee.

3.5. The Committee shall undertake the following items according to necessity:

- Monitor the performance of top executives.
- Make recommendations regarding the establishment and/or termination of employment, and the modification of the employment contract of top executives.
- Make recommendations for the general meeting regarding the amount of compensation for members of the Board of Directors.
- Develop standards for the nomination of members of the Board of Directors.
- Select candidates for Board committee membership.
- Initiate the Board's self-evaluation.
- Consideration of stock option and other equity-based compensation plans for the management of Magyar Telekom, and reviewing reports from management on the status of equity plans, including options and other awards granted, vested, exercised and cancelled.

3.6. Any meeting may be held by telephone or by other electronic means of communication when unanimously agreed upon by the Committee members.

3.7. All reports and recommendations will be made in written form. A record of all Committee activity shall be kept.

3.8. All recommendations to the Board must be made with the approval of the majority of all voting members of the Committee.

#### **4. Approval and effective date**

4.1 These Rules of Procedure for the Remuneration Committee were approved by the Board of Directors of Magyar Telekom on December 5<sup>th</sup>, 2006.

4.2 These Rules of Procedure shall take effect on the day of their approval.

4.3 These Rules of Procedure shall be reviewed according to necessity to determine whether any modifications to the Rules of Procedure are necessary or appropriate.