SUSTAINABILITY REPORT 2015
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Dear Reader,

Another year has passed, and now you are reading Telekom’s report on the completion of its third Sustainability Strategy, which has been compiled, similar to last year, in full compliance with the 4th generation guidelines of the Global Reporting Initiative (GRI) and also reports the achievements related to the UN Global Compact as Magyar Telekom remains committed to the 10 principles set forth by the Global Compact in the areas of human rights, environmental protection and anticorruption.

While working hard on the last stretch of implementing the current strategy and laying the ground for the new one, in 2015, we mainly focused on network development to thus strengthen our technological leader position. We accelerated our high-speed broadband fixed-line network development efforts, and continued to roll out our 4G mobile network. We are committed to building a state-of-the-art infrastructure in Hungary, integrated into Europe’s overall broadband network.

Last year, we spent a significant amount of money on fixed-line network development. Relying upon our own resources, we provided high-speed broadband internet to more than 464,000 additional households by the end of the year, thus exceeding our original target.

As a result of the development, Telekom’s high-speed fixed-line internet coverage reached 2.3 million households.

Our 4G mobile network already demonstrated its power in 2015. By now, the most sophisticated mobile internet services are available at more than 2700 settlements, and the nationwide residential outdoor coverage exceeds 97%. The number of 4G/LTE users among our customers reached one million. This dynamic increase confirms that people are open to the technology launched in 2012, i.e. top quality, fast mobile internet, and the number of 4G/LTE-capable devices are increasingly popular.

While increasing our coverage, we also focused on quality. Telekom’s broadband mobile internet network achieved the best test results in course of the independent, international and Hungarian tests conducted during the year. The latest measurement results were published by a company highly esteemed in the mobile industry, OpenSignal, according to which Magyar Telekom’s 4G services provide 30 Mbit/s download speeds on average, which makes us the ninth 4G provider in the world and the third in Europe.

Another novelty of mobile nature is associated with the first venue of the Digital Hungary Program, Nyíregyháza. It was the first settlement in Hungary where Telekom’s mobile internet service, provided in cooperation with Ericsson and reaching as high nominal speeds as 300 Mbit/s became available in December 2015. That is...
The greatest sustainability success of 2015 we can look back upon is that the whole corporate Group went carbon-neutral. We were the first to achieve that status among large enterprises in Hungary, and only a few companies worldwide can boast of the same.

For approximately EUR 42 million, we purchased Deutsche Telekom’s 100% stake in GTS Hungary LLC. By this acquisition, our main goal was to further strengthen our market position on the business service market.

Getting back to topics closer to home and initiatives that aim to achieve more than business success, our company won the Family-friendly Workplace title for the second time in May 2015 and the Handicapped-friendly Workplace title in November 2015.

Sustainability is for our joint benefit. Therefore we strive to make it accessible and educative for everyone in a playful manner. We further developed the “hello futur!” mobile application, by which customers collect points by taking sustainable action, and then make monetary donations debited to those points.

It is also within the interest of all of us to support communities. That is why we opened community gardens at three of our less used premises last year, including the largest community garden of Budapest established at our Soroksári Road facility, where close to 100 families living in the tenement buildings close by can maintain their own vegetable gardens.

As CEO, I consider it an objective and also expect employees to continue to act in the same spirit.

Christopher Matthiasen
Chief Executive Officer
Budapest, June 23, 2016

Building, modernizing and developing the network cannot be the main objective in itself. We wish to make the digital world understandable and accessible, for which digital services are needed, which in turn require that users possess the appropriate digital competencies. Let us enumerate a few further achievements from last year:

- The Digital Bridge Program visited its 200th location in Hungary currently, i.e. LTE-Advanced, which is the next stage of 4G.
- The Group launched its “Become an IT expert!” program, which familiarizes students with the promising future offered by an IT career. The program takes place in the form of 45-minute classes held by IT experts of Magyar Telekom and T-Systems Hungary.
- In the framework of our safe internet use Awareness campaigns, the volunteers have educated more than 62,000 users by now.
- The Group launched its “Become an IT expert!” program, which familiarizes students with the promising future offered by an IT career. The program takes place in the form of 45-minute classes held by IT experts of Magyar Telekom and T-Systems Hungary.
- By now, most service providers have realized that the first and foremost key to success is understanding customer demand and providing experience. We have done a lot in this field, but are also aware that we still need to improve. We firmly believe that customer experience starts with service experience. We deem it important to provide real genuine high quality to both residential and business customers.

One of the greatest achievements of our affiliate providing services to large enterprises and state administration, T-Systems Hungary, in 2015 was that it won Coca-Cola HBC’s tender for data center outsourcing services, in cooperation with OTE Greece. The EUR 43 million contract is one of the greatest ICT business successes achieved by Deutsche Telekom Group in Europe, as well as an excellent example of cross-border cooperation. The agreement promotes the achievement of Deutsche Telekom’s goal to strengthen its positions in the European B2B segment. Affiliates of the Group, like T-Systems Hungary, owned by Magyar Telekom, play an increasingly important role in that, as its integrated operations, comprehensive ICT portfolio and market leader position in Hungary make it possible to successfully implement international projects, across multiple countries.

Our affiliate in Montenegro introduced its integrated billing and CRM system in October 2015, and went all-IP with its total network in November.

T-Mobile Macedonia merged into Makedonski Telekom (MKT) on June 30, 2015. The merger was necessary due to the increasing significance of fixed mobile convergent products and propositions on the Macedonian market.
OUR APPROACH

VISION
First now, first forever.

MISSION
We make the digital world more understandable and accessible for everyone. We enable people to have a more effortless, colorful and successful life.

CORPORATE STRATEGY

Thanks to the concentrated strategic efforts Magyar Telekom successfully kept its leading position in the Hungarian fixed voice, broadband, pay-TV, mobile and ICT market in the fourth quarter of 2015 while improving the company’s customer retention ability as well as its quantifiable results. We continued to expand our network and customer service capabilities, proactively exploiting our diverse partner relation models, too.

We continue our transformation along our strategic focus points to become a diversified digital service provider: our objective is the renewal, enhancement and expansion of the core activity which, while boosting revenues, serves the purpose of developing a more agile organization. Our medium-term strategic objective is to become a more efficient and agile organization. Our medium-term strategic objective is to become a more efficient and agile organization, to streamline our product and service portfolio and to enhance the automation of our processes while providing more online customer services. As an integrated service provider our main objective remains to provide special customer experience through our leading brand and excellent technology.

Amongst changing customer needs, technological development and new business models we leverage our capabilities to win a leading role in providing digital services for the homes of our consumers. We continue the exploration of new business opportunities in the field of e-healthcare, IoT, cloud-based financial and insurance services that serve the objective of customer retention and offer new revenue sources both in the residential and business segments. As a result of the changing business environment we abandon the residential natural gas market. At the same time, in order to develop and optimize our energy services, we establish a joint venture to service our business energy customers.

Our strategy enables us to leverage and develop our extensive customer base, considerably improve our efficiency, and seize the growth opportunities in the field of information and communication technology as well as in the related industries which, in the long term, result in stable cash generation.

SUSTAINABILITY APPROACH

Having realized the importance of sustainable development, as well as the fact that it is essential for future business activity, Magyar Telekom Group undertakes commitment, responsibility that it will pursue its operation, corporate governance and all other activities in this spirit in Hungary, and in every other country where it has business presence or some form of cooperation. This is the key not only to the long-term success of the Group, but through its role in the region and through its services it also has positive impact on the society, the environment and the economy.

The figure presents the complex relationship of the Group with sustainability on the triple pillars of environment-society-economy. We bore this in mind when developing the sustainability approach of Magyar Telekom Group, which centers around the following three guidelines, that are closely related to sustainability on the triple pillars of environment-society-economy.

Sustainability permeates the entire texture of the organization, so it cannot be treated as the task of a single, specific organization unit. The tasks affect different areas of the Group, and often require the cooperation of distant units. Sustainable development is not a one-man challenge, it affects everyone in person.

MISSION
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SUSTAINABILITY APPROACH

Within the three dimensions of sustainability the following values characterize the company’s sustainability efforts:

Economic dimension
- Company, integrity, transparency
- Vision, innovation
- Employees, team, dynamism
- Customer

Social dimension
- Democracy, information society
- Future generations, sustainable society
- Diversity, social solidarity, quality of life
- Partnership, talent, creativity

Environmental dimension
- Land
- Livable, healthy environment
- Nature, biological diversity
- Natural resources

Sustainability values

Amongst changing customer needs, technological development and new business models we leverage our capabilities to win a leading role in providing digital services for the homes of our consumers. We continue the exploration of new business opportunities in the field of e-healthcare, IoT, cloud-based financial and insurance services that serve the objective of customer retention and offer new revenue sources both in the residential and business segments. As a result of the changing business environment we abandon the residential natural gas market. At the same time, in order to develop and optimize our energy services, we establish a joint venture to service our business energy customers.

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Our strategy enables us to leverage and develop our extensive customer base, considerably improve our efficiency, and seize the growth opportunities in the field of information and communication technology as well as in the related industries which, in the long term, result in stable cash generation.
Last year, we completed our third Sustainability Strategy, covering the years 2011-2015, and started to lay the foundation for our new, five-year strategy.

Our main objective during the past five years was to make sustainability an integral part of Magyar Telekom’s identity, thus giving a competitive edge to the company in the long run.

We had prioritized topics according to how much focus and resources they required. That is how we selected five topics from the more than one hundred tasks and key indicators. The selected topics and their level of performance at the end of 2015 were as follows:

**Brand management** – the concept of sustainability and linking it to the Telekom brand

One of our objectives was to achieve 20% awareness among the public about sustainability and 80% among employees, as people cannot consciously take action to support something that they do not really know.

According to the surveys conducted in 2015, 24% of the public and 79% of the employees understood the concept of sustainability.

Our other objective was to achieve that 10% (original target: 20%) of the public and 60% (original target: 50%) of the employees mention Magyar Telekom as the most sustainable company. In course of the five years, we had to revise the original targets, thus we decreased the target of public awareness due to resource limitations, while increased the employee awareness.

By the end of the period covered by the strategy, the main directions of which have been influenced by not only the steps we have already made, but also the expectations of responsible investors, EU directives, industrial and corporate trends, as well as local, i.e. Hungarian conditions and consumption patterns.

The main objective set forth by the new strategy covering the period through the end of 2020 is to make sustainability part of Magyar Telekom’s business, meaning that we should capitalize on our responsible identity.

To achieve that end, we defined three major facets:

**Climate protection**
Our goal is to make our customers climate-conscious, too, and to be an authentic and responsible company that helps them along that journey.

It is our ambitious objective to generate revenue from our climate protection activities, as the ICT world offers especially great potential for that, at the same time to push Magyar Telekom Group’s actual CO₂ emission below 100,000 tons.

In order to achieve the above, in addition to the emission decreasing initiatives, we also need to work on elaborating “green” services specifically.

**Education**
We want to assume a role in educating the public and our customers.

Our goal is to directly or indirectly reach 100,000 people in Hungary with our trainings by the end of the period covered by the strategy. We shall primarily focus these trainings on two areas: programs aimed at eliminating the digital gap and the succession pool of the industry.

**Digitally enabled sustainability**
Being a sustainable digital company, it is our clear expectation that our customers should also use sustainable digital services. To that end, we strive to pursue responsible marketing and activities that enable and inspire others, as well as are based on sharing.

In this context, our goal is that awareness about Magyar Telekom, as a sustainable company should reach 50%.

It is not easy to aim even higher with the fourth strategy, but we believe that we managed to set objectives the challenge posed by which make all of us smarter than we were five years ago, i.e. when the previous strategic period started. And by smarter we mean more sustainable, more conscious people, demonstrating more responsible conduct and being better qualified, as well as solutions that enable us to pursue activities cheaper, more efficiently and on digital platforms. That is the bridge we build to the future.

Budapest, June 30, 2016

**Chief HR Officer**

**as top executive in charge of 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 (RobecoSam, Oekom Research, Sustainalytics) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI). The objective is to give a full-scope picture, and to report on information required for all stakeholders, however the entirety of the report is primarily prepared for our shareholders and investors, and amongst them chiefly our responsible investors and sustainability analysts.

When defining the scope, content and structure of the year 2015 report we took into account the results of the stakeholder survey. Our stakeholders are presented in details in the “Stakeholders” chapter. Based on the comparison of the sustainability strategy priorities for the period between 2011 and 2015 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows:

### MATERIALLY

**High priority topics**
- Climate protection and energy efficiency
- Innovation for sustainability
- Sustainability in the supplier chain
- Procurement locally
- Involvement of our employees
- Initiatives to eliminate the digital divide
- ICT products for sustainability
- Customer satisfaction
- Supplier Relations
- Emissions
- Resource consumption
- Human rights, equal opportunities
- Operational data
- lnform our customers
- Human rights, equal opportunities
- Environmental targets, costs and compliance
- Informing our employees
- Protection of our children in the Digital Age
- Human rights, equal opportunities
- Operational data
- High priority topics
- Low priority topics
- Critical success factor
- Strategic insights
- Non-material

**Low priority topics**
- Corporate governance
- Occupational health and safety
- Safe use of mobile phones, electromagnetic fields
- Data protection
- Professional cooperation
- Talent management
- Management of customer complaints
- Service availability
- Addressing legal and ethical aspects of content service providing
- Risk management
- Managing changes
- Investor relations
- Corporate compliance
- DELFIN Award to responsible companies
- Operational data
- 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 and medium priority topics are presented in details 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.

### STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH

**Human resources strategy**

One of the key challenges of the Sustainability Strategy is human resource management, so Magyar Telekom’s HR Strategy also plays an important role in achieving our sustainability objectives. Magyar Telekom’s human strategy for 2011–2015 was elaborated in line with the company’s strategy. The vision is to operate a liveable, livable and successful company. This strengthens our employees’ commitment, satisfaction and it is attractive in the labor market.

Magyar Telekom’s HR strategy from the Company’s point of view:
- Efficient company - continuous revenue alignment of the personnel costs
- Competitive company - competitive edge with the human capital (training-developement, career management)
- Energized company - an international, diverse, healthy community, sharing successes
- Magyar Telekom’s HR strategy from the employees’ point of view:

The development of the employees will be implemented through enhancement of the employee experience, which is the key element of our strategy. We identified the stations of a Magyar Telekom employee’s employment life cycle, and assigned the necessary HR tools to the implementation of each HR station. In 2012 we earned the second place in the Best Employer survey in the big enterprise category and proudly held the title for three years.

Selection: We will create a place of work with diversity by maintaining a healthy level of internal recruitment and by increasing the weight of non typical employment. The company boasts 70% internal replacement rate, and some 12% of the employees work in a non-typical form of employment.

Agreements: We create transparent, flexible and reliable frameworks. We maintain balanced partnership with the employee representation organizations and seek to standardize employee contracts.

Orientation: New entrants become members of our team by sharing our knowledge, culture and experience. We have renewed our orientation program in order to make it an informative and efficient event for our new colleagues, which also facilitates their integration in the organization’s culture.

Remuneration: We operate a simpler, more transparent and consistent employee remuneration model, which reflects the true value of the positions and not the hierarchy, and which is suitable for market benchmarking as the basis of a competitive remuneration policy.

Improvement of training, organization development: We thank our competitive edge to our qualified employees. The financial resources devoted to the development of our employees are in line with the best international practice. We gave high priority to internal knowledge sharing and the majority of trainings are provided from internal resources.

Work, private life: Our energized employees make us successful. We help to keep our employees’ mental and physical health with programs organized by the company as well as various benefits.

**Support strategy**

Magyar Telekom has, for almost two decades, been making a special point of selecting and implementing its corporate social responsibility, and within that, its sponsoring programs. The company provides the support in a centrally controlled way, in line with audited processes. Naturally, the changes in our economic, social and natural environment require continuous review of our support activities.

As a result of this process, in the past years we sought to operate our support activity in an integrated manner, to efficiently implement sponsoring projects that focus on our activities, to identify and tap the synergies in the group operation.

The company’s sponsoring activity is primarily focused on sports and music and embraces the support of Hungarian professional sports, amateur sportspeople, pop music festivals and music institutes. It is important for Magyar Telekom to harmonize its sponsoring activity with the other elements of its CSR activity. This also means that we attach much importance to sponsoring initiatives with other than financial forms of support, and seek to aid the realization of the projects with our core activity info-communication solutions.

### PROCESS FOR DETERMINING THE CONTENT OF THE REPORT

**Objective and Use of the Report**

The objective is to give a full-scope picture, and to report on information required by responsible investor analysts, investors and regulators.

**Specification of the Topics**

The topics of the report were determined on the basis of the information required by responsible investor analysts, investors and regulators.

**Involvement, Testing Validation**

Continuous collection information, analysis of trends, harmonization of the company’s organizational units, involvement of stakeholder, incorporation of feedback into the material.

**Prioritization of the Topics**

Prioritization is provided in the strategy however, the Sustainability report is a reporting tool, therefore it covers all specific topics.
In view of the corporate social and economic responsibility arising from the sheer size of the Company, Magyar Telekom is trying to answer the challenge of making its CSR and support activities awareness-raising, so from the very start it pays distinguished attention to the communication of its CSR program and to the involvement and activation of its customers and employees.

Since 2013, in line with the senior management’s decision and the corporate strategy, the company’s social responsibility practices are linked to the core activities, i.e. Telekom supports digital education programs that develop the society’s digital maturity and conveys knowledge that can be used in our everyday lives. This is why we established the Telekom Smart Digital Program in 2013 that was amended with the Become an IT expert! program at the end of 2015.

Environmental policy

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:

https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf

Quality policy

The Quality Policy of Magyar Telekom Group, approved in 2005 and renewed in 2009, is available in full length on the following website: http://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf

Management systems

In November 2014 Magyar Telekom Group renewed the ISO 9001, ISO14001, ISO 27001 certificates; in the same year DT extended its HSE (ISO 14001, OHSAS 18001) certificate to Magyar Telekom Plc. as well. The integrated management system of Magyar Telekom Plc. includes a company health and security management system too (MSZ 28001:2008 (BS OHSAS 18001:2007)). T-Systems has its ISO 50001 energy management system and an ISO 20000-1 IT service management system too.

In order to achieve Magyar Telekom’s strategic objectives it is essential to operate successfully, to sustain the continuity of services, to preserve the health of employees, to protect the company’s physical and intellectual property in any and all circumstances, both within and outside the competence of the company (e.g. extraordinary weather conditions, flood). Telekom was the first company in Hungary that obtained the ISO 22301 business continuity management system certificate (in 2014). Magyar Telekom Plc. has been consciously optimizing energy consumption and is committed to implement and obtain the ISO 50001 energy management system in 2016.

For further information on Magyar Telekom Group’s quality guarantees, please visit http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees

MAGYAR TELEKOM GROUP’S ISO14001 CERTIFIED MEMBER COMPANIES:

<table>
<thead>
<tr>
<th>Member company/Organization</th>
<th>Validity of the certificate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makadonski Telekom</td>
<td>March 29, 2017</td>
</tr>
<tr>
<td>DT HSE-certificate</td>
<td>December 9, 2016</td>
</tr>
</tbody>
</table>

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 keeps 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, employ-
es, communities, NGOs, suppliers, partners, the media and future generations.

In 2015, we organized the 16th Sustainability Roundtable, which aimed to hold an open dialogue to learn the expectations from Magyar Telekom Group and to discuss the problems raised, and also to provide an appropriate background for joint thinking and for cooperation in the building of a sustainable future as well as to present our sustainability achievements and goals.

Within the frame of the sustainability roundtable discussions we introduced non-profit organizations that help the company’s digitalization, sustainability and donation efforts through the hello holnap! mobile telephone application. The participants could familiarize with the company’s sustainability strategy and results as well as the relationship between consumer attitudes and sustainability.

The most important issues discussed with the stakeholders are contained in the memoranda of previous Sustainability Roundtables:

http://www.telekom.hu/rolunk/fenntarthatosag/esemenyek/2015/kereskutak/kereszletek

In the Sustainability report - besides referring to the available surveys and research - this time we invited the stakeholders to express their opinion on certain matters via filling in a survey sheet. We asked them to judge the importance of the individual topics within the Company’s sustainability performance in a scale of 1-5.

In general we may conclude that our stakeholders find active participation in politics as the least important activity in respect of the Company’s sustainability efforts.

The feedback of our stakeholders was taken into consideration when preparing the material analysis of this report.

Based on the survey the most important areas for our stakeholders are climate protection, efficient use of energy, emissions and cooperation in the field of environment protection and social matters.

We wish to continue our co-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.
In order to successfully operate the company it is essential to have strong relations with stakeholders. 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.

Frequency of the involvement of our stakeholders and key events in 2015

- Investors – Investor (and responsible investor) assessment
- Customers – Sustainable products and services
- Employees – hello holnap! points and club
- Regulators – conformity, regulatory relations
- Local communities – Digital Bridge, voluntary work
- Non-profit organizations – sustainability panel discussions
- Suppliers – sustainable supplier chain
- Media – Sustainability Media Club
- Future generations – Telekom Smart Digital Program, Become an IT expert, sustainable innovation, hello holnap! mobile app

SHAREHOLDERS

Four times during the year 2015 the Chief Financial Officer presented quarterly results to the representatives of investors and professional financial journalists (25 February; Release of fourth quarter 2014 results; 12 May; Release of first quarter 2015 results; 5 August; Release of first half 2015 results; 4 November; Release of third quarter 2015 results).

On 15 April 2015 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 2014, and decided on the use of the profit after tax earned in 2014.

In 2015 we participated in eight investor conferences and roadshows around the world:

- 9-10 September: HSBC EMEA Investor Forum – London;
- 6-7 October 2015: Erste Conference, St. Gallen;
- 17-19 March 2015: European and Emerging Markets Telecoms Conference, London;
- 9 April 2015: Concordia Conference, Budapest;
- 27 January 2015: Raiffeisen Roadshow – Wien;
- 2 March 2015: Concorde investor lunch – Budapest;
- 6-7 October 2015: Erste Conference, St. Gallen;
- 6-7 October 2015: Erste Conference, St. Gallen;
- 17-19 March 2015: European and Emerging Markets Telecoms Conference, London;
- 9 April 2015: Concordia Conference, Budapest;

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. The summary presentation of the final results of the survey is prepared by the Investor Relations department, and presented at the meeting of the Management Committee.

Magyar Telekom continues to be the target of responsible investor analyses. Responsible investors are those who take into consideration the environmental and social performance of the Company when making their analysis in addition to the customary financial and risk analyses.

In 2015 Magyar Telekom was listed again among the CEERIUS (Central and Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange, rating Central and Eastern European companies that offer outstanding sustainability performance.

Magyar Telekom participated in the Carbon Disclosure Project (CDP) also in 2015. In the framework of this worldwide initiative the largest companies report about their climate protection approach, the related risks and opportunities and their CO2 emission to the key investors. Before this report was published the responsible investment consultants of FTSE4Good and Trucost analyzed the 2015 sustainability performance of Magyar Telekom Group.

CUSTOMERS

In April this year Telekom announced the “Business Applications Competition” where those business applications could be nominated that were developed on the basis of actual business needs and support small and medium enterprises. The top prize, i.e. the 10 million HUF worth advertisement campaign, was awarded to Accessium Kft. for the e-Access cloud-based building access control system. The e-Access access control system is a combination of wireless data transmission technology and cutting-edge data protection procedures. The solution offers the connection of unlimited number of locations and their management in a single system. On top of that the solution is not only useful in traditional office buildings but also in vehicles (e.g. trucks) or in remote places (e.g. farms) there is no access to the fixed line network infrastructure. The user interface of the cloud-based system, communicating through the mobile network, is available both on mobile phones and tablets. The system provides real-time information on the operation and status of all devices integrated into the system.

In 2015 the former customer satisfaction measurement methods were replaced by the Contact person satisfaction survey. The contact person satisfaction survey is performed at the end of each quarter among customers who used T-Systems’ telephone or email based fault 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 an external partner 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 management of the company.

Within the frame of the Omnibusz 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. Twice a year we include questions on sustainability as well. We normally involve 1430 persons in the survey.
were sold to several thousands of employees Y2015 “It is good to give!” cookie campaign. Several hundreds of employees took part in the hello holnap! points and could collect one extra completed the participants were awarded with event of spring. Depending on the distance with the families - took part in the biggest sport EMPLOYEES ¦ National Media and Info-Communications Ministry for the National Economy, National Ministry of Justice, Prime Minister’s Office, with the following ministries: Ministry of Interior, industry-specific draft strategies; comments to draft legislations circulated by comments to draft legislations circulated by the lawmaker for public discussion; further discussions initiated by the lawmaker in relation to the above mentioned comments; elaboration of the lawmaker’s standpoint in matters of legal interpretation to ensure full compliance with the intentions of the lawmaker; matters on the practical interpretation of the law to obtain the authority’s standpoint to ensure full compliance with the intentions of the lawmaker. Besides the above Magyar Telecom keeps contact with market players and competitors too. Harmonization with interest representation forums (in particular with the: Communications Reconciliation Council (HÉT), TVSZ Alliance for the Digital Economy) where the compa- ny’s key objective is to establish a common legal opinion on the legislative process. HÉT is the dedicated consultation partner of the telecommunication industry in respect of the Digital National Development Program (DNHP), launched as a result of the InterIndustry national consultation that determined the future of the domestic internet market, and from Decem- ber, 2015 the Digital Welfare Program (DSP). During the planning and implementation of the government decree, issued to ensure the implementation of the DSP, the HÉT represents the standpoint of the industry. Magyar Telecom’s regulatory area organizes the so-called Regulatory Forum event in every six months where in House stakeholders are informed on the most important regulatory changes and processes.

COMMUNITIES

The first phase of the complex Digital Hungary government program was implemented in the city of Nyíregyháza where this spring Magyar Telecom launched various develop- ment projects together with the Ministry of National Development and the Municipality. The network development work was performed in several parts of the city. Besides, in order to improve digital literacy, we continued the Telekom Smart Digital program in Nyíregyháza: we launched an intensive series of training sessions for adults and elderly people on the basics of the use of the internet and our volun- teers visited schools to give lessons to pupils on similar subjects. Ferencvárosi Torna Club and Magyar Telecom signed a long term, three-year sponsorship agreement in November. By signing the agreement Telekom expresses its commitment to deepen the current cooperation between the company and the sports club. The company has been sponsoring the youth development program (Digitális Híd Kistelepüléseken) the Telekom Smart Digital program in Nyíregyháza: we launched an intensive series of training sessions for adults and elderly people on the basics of the use of the internet and our volun- teers visited schools to give lessons to pupils on similar subjects.

The multiple-day event makes life more colorful in Budapest not only with music programs but also with various arts, technology, gastronomy and fashion shows. Festivalgoers can visit new venues this year, the main events were organized in the Akvárium, the A38 boat and AnkArt. The program included several exciting daily events and some of the exhibitions, con- certs and all night parties were organized by partners representing the local community. T-Systems has been supporting numerous organizations that fits into Magyar Telecom Group’s sustainable strategy. The fulfillment of the objectives of these programs give us an opportunity to build a renewable society and environment. We support the Hungarian Interchurch Aid with 5 million HUF to purchase a new “Life Changing” house for the social and development center in Kastallajdombi. We supported the building of an IT room in Oroszláháza with 5 million HUF at a nursing home, available both for adults and children and also donated another 5 million HUF to modernize the heating system in a transitional home built for families in Szentrok thereby supporting the sustainable operation of the building.

In November Telekom renewed the coopera- tion agreement concluded with the Veszprém handball team which is of key importance for the sports club. Telekom, as the most loyal sponsor of the MVM Veszprém handball team, supported the successful preparation of the team for Hungarian and international matches through financial support and with the provision of telecommunication services and devices. Deutsche Telekom’s very popular and suc- cessful electronic music festival was organized again between October 16-18, attracting vis- itors with numerous new programs, exclusive music and visual experience. The Caravan did not only brighten the lives of these needy children but also raised awareness among the employees for the importance of corporate volunteering.

Besides the donation contest in 2015 Csongrád Telekom supported a number of initiatives dealing with problems of socially vulnerable groups. These included donation to purchase a sterilizer for the Danilovgrad Primary Health Center and donation for the purchase of a telephone exchange for a Special Hospital in Risan. Both devices were urgently needed for the daily activities of the medical institutions. The National Breast Cancer Awareness Month Campaign in Montenegro was supported too.

STAKEHOLDERS

Magyar Telekom regularly harmonizes the following topics with ministries (in particular with the following ministries: Ministry of Interior, Ministry of Justice, Prime Minister’s Office, Ministry for the National Economy, National Development Ministry, as well as with authori- ties in particular with the following authorities: National Media and Info-Communications Authority, Hungarian Energy and Public: Utility Regulatory Authority):

• industry-specific draft strategies;
• comments to draft legislations circulated by the lawmaker for public discussion;
• further discussions initiated by the lawmaker

EMPLEEES

In 2015 Magyar Telekom supported the 30-year old Telekom Vé成为中国 city as a naming sponsor. The event was simultaneously held in 3 cities for 4 days. Our colleagues were encouraged to take part in the city run with free admission to the race and a preliminary cam- paign. More than 1000 employees - together with the families - took part in the biggest sport event of spring. Depending on the distance completed the participants were awarded with hello hotnap points and could collect one extra point only for cheering.

Several hundreds of employees took part in the Y2015 “It is good to give” cookie campaign. The event was organized by 38 volunteers in 15 sites where 222 employees made cookies that were sold to several thousands of employees on December 7. On the day of the event almost 1.7 million HUF was raised for the Autistic Art- Simfe Fund.

Within the frame of our Smart Digital Program 52 Telekom volunteers gave 485 lessons in more than 300 schools across Hungary. Only last year 12,516 children attended our interactive presentations on the safe use of the internet and mobile communication. Under the Digital Bridge for Small Settlements program (Digitális Híd Kistelepüléseken) the volunteer team of Magyar Telekom visits dis- advantaged settlements with fewer than 3000 inhabitants to give them efficient, customized IT education. In 2015 we held the 200th events in Kába and Mikszács. We increased the sense of social responsibility of our employees with the organization of volun- teer programs; 2% of team building activities contained charitable elements. In 2015 10 such programs were organized and at these occasions altogether 649 Magyar Telekom vol- unteers participated in 4412 hours. With these programs we provided 21.8 million HUF worth of theoretical contribution to the society.

Several thousands of employees attended the Kick-Off event at the beginning of the year. At the Kick-Off event the Group CEO presented the Y2014 results and outlined the objectives and expectations for 2015. Magyar Telecom organized the traditional “Health Week” in 2015 too to preserve the health of employees. This year T-Systems also joined the program. The motto of 2015 was the following: “A week focusing on health and stress management!”. Within the frame of the program we provided stress examinations, mental health programs, presentations, train- ings and free consultation with psychologists where our colleagues could collect information on this topic and seek help if they deemed it necessary. We organized complex stress factor medical screening (online stress test and med- ical, laboratory tests) in six sites in Budapest and five in the countryside. The online stress survey was filled in by 1076 employees and 708 employees attended medical exams.

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NON-PROFIT ORGANIZATIONS

Everyone has the opportunity to exchange ideas and experience with NGOs at the annual Sustainability Roundtable discussions. In 2015 the panel discussion was organized on June 12.

The Sustainability Day has been organized for eight years on the last Saturday of September. In 2015 there were 50 exhibitors at the event, including non-profit organizations. The event was attended by 3000 visitors.

As a preparation for the year 2015 Sustainability Report we distributed a survey sheet among non-profit organizations trying to find out which topics of the report are most useful and important for them. The survey was sent to all non-profit organizations that were granted donations from Magyar Telekom in the past four years as well as the partners and beneficiaries of the hello holnap! mobile application, the organizations that took part in the elaboration of the hello holnap! fee package, the organizations representing people with disabilities, the organizations participating in the 8th Sustainability Day and the winners of the Civil and Civil Net Application for Funds.

In the process of the preparation of the hello holnap! mobile application Magyar Telekom had non-profit organizations as cooperation partners: the “Ságyút” consumer community, the ZK6km.hu and the Oszkár car sharing service, the Amosity International, the Suhajn Foundation, the Budapest Bike Maffia and the Hungarian Bird Science Association. In 2015 the following organizations became beneficiaries: Autónamia Foundation, Budapest Bike Maffia, “Heti Batótv” (Weekly Maal), Hungarian Bird and Environment Protection Association and the Suhajn Foundation.

Magyar Telekom launched its Civil Tariff Package service in March, 2004. In 2014 the Company invited applications on one occasion and provided discount schemes to 27 organizations in an overall value of 2.4 million HUF.

In 2015 Csomópórki Telekom organized donation contest “Za svako dobro”, which is supporting socially responsible projects of special importance for the community, for the second year in a row. Total amount of funding for this year’s contest was 35,000 euros, which is an increase of 67% compared to the previous year.

The contest was open to all non-governmental organizations from Montenegro that could apply their projects in the fields of education, arts and culture, environmental protection and the creation of equal opportunities for inclusion in digital society.

Among 50 NGOs that applied for grants, 6 projects were selected and awarded with funds for implementation.

The goal of the “All the best” program is to support socially responsible projects that are contributing to the community’s welfare, engagement of important stakeholders and gaining their trust as well as the increase of transparency in the company’s social engagement.

In order to ensure transparency and the selection of the best projects, besides Telekom employees, representatives from NGOs, the media and the local UNDP office participated in the selection of the winning projects.

The company also participated in disaster relief activities by supporting collection of aid for migrants in Southeast Europe, through a donation line. The donation line was opened in cooperation with Red Cross Montenegro, in order to enable our customers to give a contribution and help those in need.

In 2015 Makedonski Telekom organized 12 workshops in 12 cities. In the two years of its existence, the educational caravan visited 16 cities around the country and over 1,500 young people were actively engaged. Through these workshops young people were encouraged to become leaders and creators of the future, both in the civil society and in youth cooperation. The closing conference on December 12, which was attended by 15 lectures and the most motivated and active young people, produced many useful conclusions and recommendations about how young people’s electronic engagement can support strategies for proactive involvement in all spheres of social life.

This partnership between UNICEF and the Telekom for Macedonia Foundation aims to raise awareness of the importance of early education. After all, children develop most in the first five years of their lives, and children who attend high-quality pre-school programs are more successful in school and life in general. To this end, the partnership is striving to open early childhood development centers so that children from vulnerable environments enjoy the same opportunities for early education as their peers who go to kindergarten.

In order to close the gap between urban and rural areas, where kindergartens are underrepresented, the new early childhood development centers are being built in the communities that need them most. Overall, nine centers have been opened by the end of 2015. The Telekom for Macedonia Foundation made an initial cash donation of US$ 50,000 (€ 46,000) to help pay for the new centers, and also donated some of the revenues from text messages sent on New Year’s Eve.

SUPPLIERS

We invited our TOP 90 key suppliers to fill out the Ecoladis assessment, which evaluates companies in terms of economic, environmental, social and responsible procurement aspects, and we received 33 responses from our direct and indirect suppliers.

Magyar Telekom Sustainability questionnaire is a series of questions on environmental, social and business ethics topics. 15 out of 40 companies participated directly in the survey in 2015. Respondents were informed about their results, where they have received topic specified feedback on their performance.

T-Systems Hungary organizes every year the T-Systems Symposium Informatic conference, where we present in cooperation with our partners the innovations and trends in the ICT world, as well as a vision of the future.

Deutsche Telekom conducts worldwide audits of selected suppliers. The uniform auditing system promotes and ensures compliance with the minimum social and environmental standards. As part of the system, in 2015 a total of 16 indirect Magyar Telekom suppliers were audited.

Deutsche Telekom’s cross-border initiative ‘Together for Sustainability’ was created in 2014. This is a supplier development program, and in 2015 seven key ICT product suppliers cooperated in it.

In 2015 a record-breaking number of participa
to - more than 26 thousand - took part at the Telekom Vivicittà Run for the City event. The members of the Sustainability Media Club as well as several hundreds of employees of nine Hungarian media companies run to support children in need and the future of the next generation.

MEDIA

Magyar Telekom’s sustainability center and the organization responsible for media relations organized two meetings for the members of the Sustainability Media Club. All nine members took part in the meeting. The participants, besides Magyar Telekom, were: CEMP-group, TV2, RTL, Klub, Class FM, Ringier Axel Springer, Metropol, Origo group and Central Media.

Almost 50 applications were submitted to Magyar Telekom’s Sustainability media award. Projects could be nominated in three categories: “Bottom View”, “Wide-angle View” and Blog. The projects were required to address environmental, social or economic phenomena. The awards were distributed among the winners on the eighth Sustainability Day.

On February 10, on the occasion of the Safe Internet Day, Telekom volunteers visited and educated 1000 children in 14 schools in 12 cities on the conscious and safe use of online technologies. Our volunteers taught practical tips and tricks on the use of the internet, called the children’s attention to potential dangers on the web, showed them useful browser settings and talked about the etiquettes of communicating through electronic channels.

The objective of Telekom’s Smart Digital Program is to support the development of Hungary’s digital maturity and literacy. In partnership with the Academy of Digital Knowledge our volunteers have been visiting schools for four years and teach practical tips and tricks on the use of the internet, call the children’s attention to potential dangers on the web, show them useful browser settings and talk about the etiquettes of communicating through electronic channels. On the Safe Internet Day, besides three schools in the capital, our volunteers also visited schools in Budapest, Saintendres, Dósd, Győr, Cegled, Szobn, Eger, Miskolc, Szeged, Pécs and Nyíregyháza. The interactive sessions are organized as 45 minute school lessons and taking into account the inherent features of the age group such topics were discussed as password protection, avoiding dangerous web content and cyber bullying.

On the 8th Sustainability day in 2015 - where the target group was young, educated city dwellers within the age group of 18-35 - as many as 3000 persons visited the event that was comprised of four panel discussions.

Music and festivals are among the main target groups of Magyar Telekom’s sponsoring efforts. The company has been supporting the VOLT and Balaton Sound festivals for years and in 2015 we started to support the Sziget Festival too. 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 more than 700,000 young adults in 2015: 123,000 persons partied at the VOLT, 145,000 at the Balaton Sound and 441,000 at the Sziget festival.

The Become an IT expert career guidance program was launched by Magyar Telekom and T-Systems Hungary where the companies use their knowledge base to inspire students to choose the IT profession. In 2015 the program reached 1114 students. Within the frame of the program Telekom volunteers present the advantages and characteristics of the IT and engineering profession in 45 minute school lessons, mainly in secondary and primary schools.

In December 2015 the e-Engagement educational caravan project of the Macedonian subsidiary ended with the closing conference at the Telekom Innovation Center. The event was organized by the NGO Youth Union with the support of the eu-Mac edonia Foundation, established by Makedonski Telekom. The aim of the project was to encourage young people to use digital tools for self-improve ment and creating positive changes in society.

FUTURE GENERATIONS

In 2015 the Mobile Digital Program was organized 12 workshops in 12 cities. In the two years of its existence, the educational caravan visited 16 cities around the country and over 1,500 young people were actively engaged. Through these workshops young people were encouraged to become leaders and creators of the future, both in the civil society and in youth cooperation. The closing conference on December 12, which was attended by 15 lectures and the most motivated and active young people, produced many useful conclusions and recommendations about how young people’s electronic engagement can support strategies for proactive involvement in all spheres of social life.

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In order to close the gap between urban and rural areas, where kindergartens are underrepresented, the new early childhood development centers are being built in the communities that need them most. Overall, nine centers have been opened by the end of 2015. The Telekom for Macedonia Foundation made an initial cash donation of US$ 50,000 (€ 46,000) to help pay for the new centers, and also donated some of the revenues from text messages sent on New Year’s Eve.
COOPERATION IN ENVIRONMENTAL AND SOCIAL ISSUES

Besides professional challenges, the Group also seeks cooperation opportunities for the solution of social and environmental problems.

The Group is a member of several working groups of the Hungarian Business Leaders Forum (HBLF):

- Partnership and Volunteering Working Group
- HBLF for Diversity HR Working Group
- Equal Opportunities Working Group
- Health Working Group
- Environmental Protection and Sustainability Working Group
- Community Programs Working Group
- Business Ethics and Transparency Working Group

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.

In respect of the hello holnap! Fee package we held various forums with the involved organizations (SINOSZ, MKVGYOSZ, MEOSZ, ÉFÖESZ, AOSZ). Our cooperation with these bodies is continuous, active and based on the proposals we continuously improve our relationship with the disabled people and develop our relevant services. In 2016 we implement the latest version of the fee package that provides several services at the cheap price for disabled people. Our most important new initiative is that each entitled member can use two 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 as well as the scientific work of the National Adaptation Center. 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.

Sustainability Day

The sustainability Day (FN8) was organized on the eighth occasion on September 26th. The conference on distances that “separate” and “connect” was opened by Róbert Alföldi. In his inspirations speech Alföldi said that it is important to be open, to get even closer to things around us and to step out of one’s comfort zone.

In the environmental section the participants discussed genetically manipulated and organic products as well as innovative technologies to be applied in agriculture, including the use of drones. After the discussion of the environmental section the participants of the economic section continued the discussion of distances between stakeholders in the world of business as well as trends and the biggest challenges and opportunities of the Hungarian and global economy. In the social section the topics of discussion were poverty and segregation. During the discussion the participants highlighted the importance of calling young people’s attention to the importance of voluntary work while they came to the conclusion that social problems can be best eliminated with the improvement of living conditions and stimulation of development. The participants of the +1 section were debating on the topic of immigration and emigration - which were particularly actual in September, 2015. To let in or to let go? To open or to close? To admit or to accept? To call or to keep distance? Is there a good solution? These were the questions that the experts were trying to answer.

The attendees of the event could visit 40 exhibitors, including the Traveling Market, selling agricultural products, T-Systems’ newly implemented bus timetable operated by solar cells and dynamo or could purchase Kele Clothing and dynamic or could purchase Kele Clothing pullovers made with the use of the drawings of autistic children supported by the Mosoly Otthon (Home of Smile) Fund. The CollMot Robotics prepared a very spectacular presentation for the audience: the Dance of Drones.

Several awards were distributed at the FN8 event. For example the winners of the “How long are you around?” application for funds were announced as well as the awardees of the Sustainability Press Award.

Within the frame of the Sustainability Press Award the applications were submitted in three categories. The winner of the Bottom View category was a journalist from RTL Klub TV: József Csáki with his “Asbestos trilogy” report. In the Wide Angle category the members of the jury, delegated by Telekom and the Sustainability Media Club, gave the first prize to Tóth Bálint for the „Karmas – community builders’ film while in the E-world category the first prize was given to Petra Gáll from RTL Klub for the report „Kumurg“ (Fake registration).

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 the Responsible Gastro Heres, the Molinó Bag Workshop and the Homoktövis Primary School. (The Homoktövis Primary School was one of the winners of the community garden application for funds, related to the Vícióccity city run, organized in 2013.)

The all-day event was closed by a huge party to the music of Bohemian Betyars, Rotfront and the Dubvic dój duo.

The hello holnap! application

Magyar Telekom concluded donation contracts with six non-profit organizations for years 2015–2016.

The Autonomy Fund primarily supports the Roma people’s integration, the strengthening of the civil society and helps segregated communities. The Budapest Bike Mafia and the Heti Bétevő gives food to those in need; the former delivers food donations by bike and the latter distributes restaurant quality food among disadvantaged people. The Hungarian Bird and Environment Protection Association (MME) helps to protect birds all around Hungary, the Hungarian Environment Protection Association improves the citizens’ and decision-makers’ awareness on environment protection with view-shaping programs. The SUHANJ! Fund helps to share the joy of doing sports with handicapped and disabled people.

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.

Members of the professional jury:

- Péter Bodó – founder of the Route4U wheelchair navigation application
- Viktor Nagy – leading analyst of Portfolio
- András D. Tóth – RTL Klub’s editor-reporter, representing the Sustainability Media Club
- Dr. Gyorgy Pataki – dean of the Corvinus University of Budapest
- Erdő Simon – journalist
- Katalin Szomolányi – head of Magyar Telekom’s sustainability center

The seventh award ceremony was held on June 12, 2015 at the 16th Sustainability Roundtable discussion. The roundtable discussion and the DELFIN Award ceremony was organ-
izted in the Design Terminal in Budapest. The professional jury of the event rewarded exemplary sustainability solutions and performance among the competing companies.

Any Hungarian enterprise could apply for the DELFIN award in 2015 – with implemented and running programs. Winners of the DELFIN Award in 2015:

- In the Sustainable Innovation category the Y2012 DELFIN award winner Budapest Taxi won again with purchasing electric cars and establishing the first “green”, environmentally friendly taxi fleet in Hungary.
- In the climate protection category the winner was Ericsson Hungary’s Take-Back program thanks to which, first in the region, 100% of outdated and dismantled mobile network equipment was recycled.
- In the Equal Opportunity category, after 2013, JDB HR Consulting won the award again by creating the www.rehabjob.hu portal to facilitate the integration of people with reduced capacity to work into the labor market via their Facebook site and blog.
- In the Awareness category the winner was Hegyvidéki Sport Hall and Sports Facility Center (MOM Sport) for organizing competitions for sportsmen in multiply disadvantaged situations.

The application materials can be found on the following website:

http://www.telekom.hu/rolunk/
fenntarthatosag/ismenyek/2015/kerekvaszti-beszelgetes

PROFESSIONAL COOPERATION

Upon the initiation and financing of T-Labs (Telekom Innovation Laboratories, Berlin), a new faculty department was launched at the ELTE University from September, 2016 to connect education and R+D+I activities. The objective of T-Labs is to create an EU Labs researcher network. Hungary is the first pillar in this effort. The department was established for a definite term of five years and they plan to employ one Associate Professor and two PhD students. The positions have been advertised and there are applicants already. The planned name of the department is: Data Science and Engineering Department. Magyar Telekom will support both the education (trainee positions, knowledge transfer, external consultant) and research (financing of the R+D efforts) activities of the new department. For 2016 we plan to propose two R+D topics to the MT R+D Committee.

In recent years special emphasis has been laid on the development of international cooperation among DT member companies to tap the synergies of the group. We play an important role in the international program designed to restructure the operation model of the mother company. The objective of the effort is to establish the necessary infrastructure to support the future operation as well as the service portfolio thereby making DT group the leading European service provider and optimizing the network infrastructures and resources at a company group level.

To this end we have taken part in several international projects:

- In April 2015 we established the Fixed Access SSC – MT and OTE Hub – centers through which we provide access network services to DT EU countries based on service catalogues and contracts concluded with the respective countries.
- In line with the company’s strategy we give key priority to customer satisfaction to further improve it from network side. To this end we launched a joint project with DT called CNE (Customer Network Experience) to improve our customer’s satisfaction with our services.
- We continuously strive to improve quality together with DT subsidiaries we jointly assessed the fault rate of the IPTV service and based on our findings we elaborated joint quality improvement action plans the success of which will be assessed together in the future.
- Our colleagues took part in the DT PANNET project within the frame of which we will establish a uniform infrastructure and operation model.

Within the frame of the PSTN replacement project, launched in 2014, we migrate our PSTN/ ISDN customers to a modern and long-term sustainable MSAN technology IP network by the end of 2016. The MSAN’s advantage is that the equipment is operated on a cheaper and energy efficient IP network while the services for our customers are provided in unchanged quality and with unchanged parameters.

By the end of 2015 half of the centers was switched off thereby we managed to save a significant amount of energy.

We have the equipment to dismantled by contracted subcontractors with the use of environment friendly methods and in consideration of sustainability. Each and every “part” of the centers will be recycled.

The project continues by the end of 2016 and more centers are expected to be switched off with which we may save as much as 10% of the annual electric energy consumption of Telekom.

In March 2015 we started our cooperation with Telenor Hungary within the frame of which we build the LTE800 network in the countryside together. The network will be built by Telekom in the areas east from the Danube while in the western part of the country Telenor will design and build the facilities. The cooperation is not extended to joint efforts in Budapest.

Our main objective is to jointly achieve the coverage commitment made to the National Media and Info-Communications Authority.

With the joint effort we can build cutting-edge mobile technology facilities for our custom- ers in the countryside and the cooperation scheme was designed in a way that none of the companies have to abandon their plans to complete important developments, not even if it is not a preferred option by the partner.

Besides, the 10-10 MHz bands acquired by the two companies can build 20 MHz bandwidth which results in double nominal speed.

We may conclude that the winners of the cooperation are the subscribers of the two companies. They can use the internet sooner and at a higher bandwidth while the network is built cost effectively, as a result of the joint effort.

In 2015 T-Systems Hungary was a member of various industry-specific interest representation bodies, chambers. The objective of membership in chambers is the targeted management of professional, economic and opinion leader organization activities besides the opportunity to acquire useful information and knowledge. Membership also helps us to actively keep contact with market players and professional organizations.
1. CLIMATE- AND ENVIRONMENTAL PROTECTION

1.1 Climate protection and energy efficiency ........................................ 16
1.2 Resources management ................................................................. 18
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1.4 Environmental objectives, costs and compliance ............................ 23
Magyar Telekom, as a leading info-communication service provider of the region – is committed to sustainable development and within it to environmental issues – in line with its mission.

One of the key-topics of Magyar Telekom’s sustainability strategy for the period 2011-2015 is the climate strategy to reduce CO₂-emissions. Further, highlighted environmental, operational eco-efficiency goals:

- Energy consumption: saving energy (reduce consumption), increasing energy efficiency levels, using green energy,
- Reduction of paper consumption, increased use of recycled paper,
- Popularization of solutions to replace travel, and dematerialization solutions,
- Waste management: reduction of waste (increased recycling rate).

The company pays increased attention to supply our networks with energy efficient equipment, as many of our products and services must comply with the requirements of environmental sustainability, and in order to be able to leverage the relevant opportunities we offer our customers options to save on energy and to protect the environment. (For more information, please refer to the “2.2 ICT for Sustainability” section.)

Based on the Business Continuity Management System (BCM) we identified the critical climate risks (floods, heat waves) and made plans for them. The yearly measure of the climate damage in the networks did not reach the level for taking action (monthly 50 million HUF).

The award went to RT 5 Taxi Holding for implementing the country’s first environment friendly “green” taxi fleet and deploying the first electric taxi cabs.

In 2015 the company set the objective of carbon-neutral operation. Magyar Telekom Group (including its foreign subsidiaries, Makedonski Telekom and Crnogorski Telekom) as the first Hungarian large enterprise – and being among the first leading European telecommunication companies – has become completely carbon neutral.

To commemorate the above, T-Systems Hungary symbolically donated 50 trees planted in Budapest to its customers and partners in an eDM. The recipients could download or post the virtual tree on Facebook.

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The DELFIN (“a committed, sustainable and innovative generation”) Award competition established by Telekom in 2008 was open for all Hungarian companies in four categories, by submitting projects or programs implemented in 2015. In the Sustainable Innovation and the Climate protection related procurement and development category the jury gave the DELFIN Award to developments that are aligned with environment protection objectives:

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To commemorate the above, T-Systems Hungary symbolically donated 50 trees planted in Budapest to its customers and partners in an eDM. The recipients could download or post the virtual tree on Facebook.
1.1.1 CLIMATE PROTECTION RESULTS

Taking the purchase of green energy and carbon offset into account, total carbon dioxide emissions was neutralized by the Magyar Telekom Group.

At Makedonski Telekom the optimization provides better usage of working space with increased usage ratio which also leads to decrease of the usage of electricity and improvement of the energy efficiency. Crnogorski Telekom set the target to reduce CO₂ emissions by 23% until 2020 and made much progress in the field of energy saving, for example reduced CO₂ emissions of the technological area in 2015.

Magyar Telekom-related emissions by suppliers have not been monitored. In 2015 the monitoring of our suppliers’ Magyar Telekom-related emissions have been included already in the sustainable supply chain management process within their sustainability evaluation on energy use and emissions.

1.1.2 ENERGY EFFICIENCY

In 2015, the ambitious target set in 2011, the 48 Gbit/kWh was approached, but failed to achieve. The energy efficiency indicator in 2015 46.21 Gbit/kWh.

We apply energy intensity indicators to show the change in two factors that amount to the largest proportion of our CO₂ emissions: the network of electricity use and fuel consumption of motor vehicles. The effectiveness of the energy consumption of Magyar Telekom Plc.’s operation is characterized by the Gbit/kWh (forwarded bits/electricity consumption) energy efficiency indicator. The indicator shows that as the quantity of forwarded 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.

We would like to increase the first and reduce the second indicator. Average carbon dioxide emissions from vehicles decreased further to 156.55 from 151.91 g CO₂/km.

1.1.3 EQUIPMENT IN CUSTOMERS’ PREMISES

Our customers generate significant energy consumption by operating our CPEs, but they are essential for using our services. We identified three major areas where the energy consumption is significant: the use of mobile phones, TV services, internet services. Because we have no information about what kind of mobile phones they are using, we made our calculation based on an average smartphone’s energy consumption (11 kWh/year); for TV services we used an average TV moderm (87 kWh/year); and we took an average router (58.2 kWh/year) for internet services. For the calculation we used the number of subscriptions, thus the CPEs’ energy consumption worked out as 146.9 GWh, which is equivalent to 49,762 tons of CO₂. It’s 5% more than in 2014, due to the increased number of customers.

The CO₂ emissions from direct and indirect energy consumption remained roughly at last year’s level (change within 1%--2%).
The energy savings is considered as a global project: in each of our development, we strive to directly or indirectly reduce energy consumption. Thus, it can become a clear trend of decreasing in the long term.

Energy-use reduction and dematerialization solutions
Makedonski Telekom’s Smart City project, delivered in 2015, was completed in cooperation with the municipality of Skopje. Within the project was introduce the City Skopaska Card, that currently is used for payment and authentication purposes of the travelers in the city transport (additional information see Chapter 1.3 Innovation for ICT).

in energy savings worth 45 mHUF. The entire modernization program will be completed in 2016, and we will achieve an overall 30% reduction in energy consumption as a result. Replacing of 25 pcs high operational cost, 1.6 Petabyte capacity storages will result in a total of 132 mHUF electricity savings over 5 years.

With optimization of energy consumption of air conditioners on base stations and RBS – so called free-cooling system – Crnogorski Telekom saved 16 MWh energy in 2015. (Measure is implemented in September, therefore this is saving for 4 months and additional savings are expected in 2016.)

Based on the operational efficiency of the Data Center T-Systems Hungary LLC repeat-edly received the prize of “Energy Efficient Company” in the Virtual Power Station Program in 2015.

1.2.2 FLEET MANAGEMENT, FUEL CONSUMPTION
The number of vehicles in the fleet on a Group level continued to drop, according to the usage and distribution of fuel really has not changed. The number of hybrid cars decreased slightly, the number of electric cars has not changed (3 pcs).

The fuel consumption, average fuel consump-tion of vehicles, the mileage has remained nearly unchanged at group level as com-pared to the previous year. Compared to the base year (2015) an overall of 3.5% reduction was achieved in fuel consumption.

Makedonski Telekom replaced old vehicles with new vehicles equipped with Euro 6 engine and issued guidelines for employees for eco driving.

In 2015, 132 operational vehicles are in use at Crnogorski Telekom, and additional 40 leased from Ericsson as Managed Service Provider.
## Climate and Environmental Protection

### TOTAL FUEL CONSUMPTION OF VEHICLES

<table>
<thead>
<tr>
<th>Year</th>
<th>1,500 000</th>
<th>2,000 000</th>
<th>3,000 000</th>
<th>3,500 000</th>
<th>4,000 000</th>
<th>5,000 000</th>
<th>6,000 000</th>
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<tbody>
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<td>3,274,823</td>
<td>2,351,815</td>
<td>1,912,323</td>
<td>1,536,686</td>
<td>1,375,561</td>
<td>1,172,141</td>
<td>1,075,780</td>
<td>967,966</td>
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<tr>
<td>2011</td>
<td>3,303,430</td>
<td>2,351,815</td>
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</tr>
<tr>
<td>2012</td>
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<td>2,351,815</td>
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<td>1,536,686</td>
<td>1,375,561</td>
<td>1,172,141</td>
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<td>967,966</td>
</tr>
<tr>
<td>2013</td>
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<td>1,912,323</td>
<td>1,536,686</td>
<td>1,375,561</td>
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<td>967,966</td>
</tr>
<tr>
<td>2014</td>
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<td>2,351,815</td>
<td>1,912,323</td>
<td>1,536,686</td>
<td>1,375,561</td>
<td>1,172,141</td>
<td>1,075,780</td>
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<tr>
<td>2015</td>
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<td>1,912,323</td>
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<td>1,375,561</td>
<td>1,172,141</td>
<td>1,075,780</td>
<td>967,966</td>
</tr>
</tbody>
</table>

### TRAVELS REPLACED BY VIDEO-CONFERENCE

<table>
<thead>
<tr>
<th>Year</th>
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<th>2012</th>
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<th>2014</th>
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<td>Road</td>
<td>99,605</td>
<td>99,605</td>
<td>99,605</td>
<td>99,605</td>
<td>99,605</td>
</tr>
</tbody>
</table>

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- Climate and Environmental Protection
- Teleworking
- Bicycle courier service
- TeleBike

### Teleworking

Magyar Telekom has been supporting teleworking for years as it is beneficial for the employer and the employee alike. We started surveying our employees’ commuting habits (based on a small sample, but for a large office building in a good location in terms of public transport) approximately 37% of the employees choose to come to work by car, with 84 kilometres the daily average. Considering this result, teleworking has a significant role to play 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 by bicycle courier service. Use has increased year on year and is now triple the 2012 level, with more than 3,972 km of car transport replaced and 0.69 tons of CO₂ emissions prevented.
1.2.3 FOSSIL FUEL CONSUMPTION

The Group also continued to decline in natural gas consumption, thanks to (as described in previous reports) initiatives introduced during the strategy period, the natural gas consumption decreased by almost half compared to base year, 2010.

At Makedonski Telekom the use of fuel oil has not disappeared (Sustainability report 2014 page 156), but significantly decreased by 28% in comparison to the base year (2010: 9209 MWh, 2015: 2547 MWh; optimization/modification of HVAC systems is being done i.e. the systems for heating based on oil for heating are being closed down and replaced with inverter split system units and panel board for heating.

1.2.5 PAPER CONSUMPTION

Magyar Telekom Group’s paper consumption continued to decline more than 15%: the trend observed for many years managed to retain. The usage rate of recycled paper has not changed. (Due to the transition from paper-SAP data usage, based on Magyar Telekom’s estimate.)

In 2015 Magyar Telekom innovated personal customer service by introducing e-signature in its shops. This innovative solution may reduce considerably the amount of printed documents, the workload and costs of printing, filing and storing them. This will also improve the operational efficiency and reduce the environmental burden.

Telekom’s aim is to implement 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 constitutes the first step of this process.

We report on paper consumption not to reflect on its use, but rather to provide as much accurate data on CO₂ emissions as possible. We make an effort in accordance with DT expectations to more accurately calculate the carbon dioxide emissions resulting from the use of our products and services.

We expect to achieve a 5% decrease in group-wide office paper use the year compared to 2014.

1.2.4 DISTRICT HEATING

At Group level, the district consumption increased to a small extent (about 3%) compared to the previous year.

In Hungary, the public relations related marketing paper consumption increased due to public information of network development (newly connected settlements).

In 2015 27% more electronic invoices were issued at Group level as in 2014.

In 2014 Magyar Telekom 2015 data is estimated

In Magyar Telekom 2015 data is estimated

The amount of paper used for packaging decreased significantly (over 44%), but this is the area that we can influence the least because it greatly depends on the projects and the sales portfolio.

Office paper consumption

A further 4% decline in group wide office paper use is attributable to the continued improvement and automation of processes, the spread of paperless officesolutions, the consolidation of the printer pool and the preservation of our achievements in this field.

At Makedonski Telekom the automatization of business processes with the BPMS Platform helps to perform paperless work.

The amount of paper used for packaging decreased significantly (over 44%), but this is the area that we can influence the least because it greatly depends on the projects and the sales portfolio.

At Magyar Telekom we do not only pay attention to the paper use during the traditional sales process, but during online sales too: clickshop.hu solution recycles cardboard boxes upon delivery and minimizes the amount of plastic used in packaging. Over the past two years the amount of printed promotional material was reduced to a minimum.

E-billing

During 2015 Cmogoszki Telekom’s e-business unit (commercial division-consumer segment) continued its efforts to acquire new e-bill customers (direct telesales calls actions), due to this measure at the end of 2015 the e-bill penetration in the residential segment was 31.6%, compared to 28.3% in 2014.

Thanks to the campaigns Hungarian companies also achieved outstanding growth: in Hungary the number of users is over half a million, electronic invoicing constitutes more than 21% of the total invoicing.
In March, 2015 Magyar Telekom and Telenor Hungary agreed to jointly operate and develop their 800MHz 4G mobile networks in all parts of Hungary except Budapest. Under the agreement and in line with the common rollout plan Telenor will design and operate the network in areas west from the Danube whereas Telekom will do the same in the eastern part of the country. The joint construction effort will help us to provide cutting edge mobile technology to our customers in the countryside more quickly; cost-effectively and with less use of the land.

We help local communities by creating community gardens and using uncultivated land, thereby increasing the diversity of the area: in 2014 Magyar Telekom Plc. began development of three community gardens, of which the first 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 Ceglédí street. The community garden in Soroksári street is the biggest in Budapest, where garden owners can work on almost 100 plots.
Crnogorski Telekom had a donation of used network and IT equipment to Faculty of Electrical Engineering in Podgorica (instead of disposing this equipment that is for no use any more for CT). Although used, this equipment can be used to set up an IP laboratory at the Faculty of Electrical Engineering, where students can practice the basic settings for configuration of network equipment. Donated equipment consists mostly from switches, routers and firewall systems.

To reduce environmental effects of waste:
- we use our best efforts to re-use unused equipment within the company, or sell them to employees or external partners, to rent or lease or transfer them without compensation (donation)
- ensure selective waste collection in more sites
- improve effectiveness with the revision of collection points, our effective contracts and communication
- In 2015 a DT Group-level policy was released to regulate the management of waste cables.

Hazardous waste
The amount of hazardous waste increased by nearly 15% at Group level (including a significant increase of the amount of technological hazardous waste by almost 30%) due to network upgrade and maintenance (e.g., batteries, replacement of network elements).

Paper waste
The quantity of paper waste significantly decreased at Group level by 41.16%, partly due to the lower volume of document disposal and partly due to projects to minimize consumption as described in 1.2 Resources management chapter.

Other waste
The quantitative increase of other waste at Magyar Telekom Plc. can be traced back, in part, to building renovations.

### QUANTITY OF WASTE BY TYPE, 2014-2015 MAGYAR TELEKOM GROUP

<table>
<thead>
<tr>
<th>Type</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Hazardous waste</td>
<td>120K</td>
<td>110K</td>
<td>130K</td>
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<tr>
<td>Technological waste</td>
<td>300K</td>
<td>280K</td>
<td>300K</td>
</tr>
<tr>
<td>Paper waste</td>
<td>400K</td>
<td>350K</td>
<td>350K</td>
</tr>
<tr>
<td>Other waste</td>
<td>500K</td>
<td>550K</td>
<td>600K</td>
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</tbody>
</table>

### QUANTITY OF WASTE BY TYPE AND RECYCLING RATE AT MAGYAR TELEKOM GROUP, 2010-2015

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>238 910</td>
<td>149 852</td>
<td>1 207 442</td>
<td>811 211</td>
<td>263 860</td>
<td>143 874</td>
<td>2 866 890</td>
<td>7 916</td>
<td>134 848</td>
<td>123 052</td>
<td>3 512 410</td>
<td>1 046 026</td>
<td>30%</td>
</tr>
<tr>
<td>2011</td>
<td>149 852</td>
<td>1 040 810</td>
<td>2 059 072</td>
<td>292 832</td>
<td>811 211</td>
<td>23 000</td>
<td>2 702 282</td>
<td>-</td>
<td>1 105 142</td>
<td>251 780</td>
<td>2 866 890</td>
<td>1 079 417</td>
<td>28%</td>
</tr>
<tr>
<td>2012</td>
<td>1 207 442</td>
<td>2 059 072</td>
<td>2 120 442</td>
<td>2 764 470</td>
<td>263 860</td>
<td>269 443</td>
<td>2 702 282</td>
<td>-</td>
<td>238 910</td>
<td>147 147</td>
<td>3 817 106</td>
<td>1 207 442</td>
<td>89%</td>
</tr>
<tr>
<td>2013</td>
<td>811 211</td>
<td>2 059 072</td>
<td>2 123 708</td>
<td>1 040 810</td>
<td>263 860</td>
<td>269 443</td>
<td>2 702 282</td>
<td>-</td>
<td>1 105 142</td>
<td>251 780</td>
<td>2 866 890</td>
<td>1 079 417</td>
<td>91%</td>
</tr>
<tr>
<td>2014</td>
<td>7 916</td>
<td>134 848</td>
<td>2 059 072</td>
<td>2 764 470</td>
<td>263 860</td>
<td>269 443</td>
<td>2 702 282</td>
<td>-</td>
<td>1 105 142</td>
<td>251 780</td>
<td>2 866 890</td>
<td>1 079 417</td>
<td>97%</td>
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<tr>
<td>2015</td>
<td>7 916</td>
<td>134 848</td>
<td>2 059 072</td>
<td>2 764 470</td>
<td>263 860</td>
<td>269 443</td>
<td>2 702 282</td>
<td>-</td>
<td>1 105 142</td>
<td>251 780</td>
<td>2 866 890</td>
<td>1 079 417</td>
<td>104%</td>
</tr>
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</table>

At Magyar Telekom Plc. the recycling rate is nearly 15%. In the case of municipal waste, local public services must be used, so only estimated data is available; the waste is mainly disposed into licensed landfill sites. The company does not have its waste incinerated or composted. 13% of waste fits into other treatment categories; in these cases the waste management company carries out pre-treatment, selects the recyclable parts, and prepares the waste for final recovery or disposal.
1.3.2 PRODUCER’S RESPONSIBILITY

In cooperation with equipment manufacturers Magyar Telekom is committed to environment-friendly equipment manufacturing and recycling processes. For more details on our requirements for procurement, please see the chapter 3, titled ‘Suppliers’. Sustainable products are elaborated in detail in chapter 2 ‘Responsible Service’.

The company thinks it important to cause the least impact to the environment; we pay special attention to the reviewing, repair and re-use of the equipment in our network.

The re-use rate of CPE devices decreased to 86% of the previous yearly level, although the number of take-back increased, but the number of new customers grew at a quicker pace.

Hungarian companies 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 more than 33 million HUF product fee for electric and electronic equipment in 2015 (283,897 kg). 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. The intermediary company, in order to reach 45% collection rate, collected and treated 1,579 kg of waste, representing 71% recycling rate.

We inform our customers on our websites – on the various waste disposal options of used equipment and batteries. In spite of ensuring the opportunity to exchange returned waste to discount from the price of new devices the volume of such waste showed a decreasing trend.

1.3.3 IMPACT OF TRANS-PORT AND LOGISTICS

Currently the company keeps records of only the internal transport emissions (KPI: mileage, fuel consumption of vehicles). Magyar Telekom Plc.’s 2 biggest logistics partners, which supply our sites, partner outlets and sales channels, travelled more than 2.35 million kilometres in 2015. To reduce the environmental impact of transport in Hungary we prefer procurement from local suppliers (if possible) and the use of bicycle courier services (described in the chapter titled “Solutions to replace travel”).

1.3.4 EMISSIONS INTO THE AIR

Magyar Telekom pays an air pollution fee in accordance with national legislation. The amount of pollutants emitted by Magyar Telekom Plc., and the respective fee paid in 2015 was: 689,000 HUF (NOx: 5,746 kg, SOx: 1 to the treatment of hazardous material. As a result of the complaints there were no adverse rulings against the company as the emission levels were under the limits. The same applies to the noise complaint reported in 2014 (Sustainability report 2014 page 166).

Citizens are very conscious and sensitive to electromagnetic issues. When receiving complaints we always use our best efforts to offer a satisfactory solution to all stakeholders. There was one complaint where we solved the problem with the re-design of the facility and in two cases our company decided to discontinue the planned construction work.

In 2015 Magyar Telekom Plc. received – and closed successfully – four complaints regarding environment protection: 3 were related to electromagnetic fields and 1 to the treatment of hazardous material. As a result of the complaints there were no adverse rulings against the company as the emission levels were under the limits. The same applies to the noise complaint reported in 2014 (Sustainability report 2014 page 166).

The management of our stakeholders’ complaints and announcements is the responsibility of the Group Environment Protection Manager. Complaints, messages can be sent to: sustainability@telekom.hu. We use our best efforts to respond to proposals, complaints and enquiries as soon as practicable.

In 2015 Magyar Telekom Plc. received – and closed successfully – four complaints regarding environment protection: 3 were related to electromagnetic fields and 1 to the treatment of hazardous material. As a result of the complaints there were no adverse rulings against the company as the emission levels were under the limits. The same applies to the noise complaint reported in 2014 (Sustainability report 2014 page 166).

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T-Systems Hungary Plc. did not receive any environmental complaint in 2015 that required investigation.

The energy efficiency indicator has improved, although only approached and ultimately failed to achieve the 48 Gbit/kWh target.

Total fuel consumption decreased by 3.5% compared to the base year, but we were not able to reach the planned level of reduction.

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Total fuel consumption decreased by 3.5% compared to the base year, but we were not able to reach the planned level of reduction.
2. RESPONSIBLE SERVICE

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2.2 ICT for sustainability ...................................................... 27
2.3 Innovation for sustainability ............................................. 28
2.4 Protection of our children in the digital age ..................... 29
With its digital competence program Magyar Telekom tries to overcome the digital divide and support the positive effects of the spreading of information and communication technologies.

For a long time the organization that created it discontinued its operations, used other websites, or has no time to manage its site. By the end of 2014 we had 50 active sites remaining; for these Egálnet offers help in their daily operation.

By the end of 2015 we realized that the Egálnet site is not up-to-date and didn’t meet the needs of the modern websites, thus we suspended the website. We informed the remaining users and with our help they could transfer their sites to their own Facebook page or to our new webzhynen service to remain on the internet free of charge.

With its digital competence program Magyar Telekom tries to overcome the digital divide and support the positive effects of the spreading of information and communication technologies.

Smart Digital Program for primary school children: Magyar Telekom volunteers visit schools and discuss the conscientious, safe and ethical use of mobile phones and the internet at lessons.

Smart Digital Program for secondary school students: There are lessons for more mature students as well where our volunteers discuss the smart and safe use of the internet to consciously design and shape one’s personal brand.

Telekom Smart Digital program for parents: We teach parents how they can pay attention to their children in the digital space. Besides basic information on safety we also discuss cyber bullying.

Telekom Smart Digital program for teachers: During the 2 x 45 minutes training sessions we convey the knowledge that teachers may need to be able to help and support their students in the online world.

Telekom Smart Digital Program at municipalities/Digital Bridge: We also visit communities to show the opportunities that lie in the internet. With this we would like to reduce and eliminate the existing digital gaps. During the Digital Bridge event the participants may discuss various topics with our volunteering experts where we also offer talent management programs that can be followed online.

Telekom Smart Digital program for beginners - intensive course: the series of presentations is comprised of five lectures where the participants start learning from the basics and by the end of the course they get to e-administration and making online purchases.

Telekom Smart Digital program for beginners - basic course: in this type of training our volunteering experts where we also offer talent management programs that can be followed online.

Telekom Smart Digital program for teachers: During the 2 x 45 minutes training sessions we convey the knowledge that teachers may need to be able to help and support their students in the online world.

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In 2014 we set up the “Community Brainstorming” website where Magyar Telekom customers and the visitors of the site may discuss their experience and ideas in relation to the company’s services and other topics related to the digital world.

At Telekom Forum’s social platform our existing and potential customers can chat, find information about our services and find information about how to use the internet, smart devices and online content. It is worth visiting the page as you can get answers to your questions from the most reliable experts: the users themselves. The page is moderated by Magyar Telekom experts.

Mobile Scientists

Our Mobilitudós experts (‘Mobile Scientists’) in Telekom shops are there to help every visiting customer with tools and services. They provide information on how the internet can help to 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 Mobilitudós blog and on Telekom’s Facebook page.

Internet Academy

Our Internet Academy lectures for the elderly are focused on primarily practical issues: administration, communication on the web, reading the news, recipe searches, etc. At the end of the presentations there is also the chance for a private consultation. All our participants receive printed material to help them understand the presentation and as an aid in their self-education.

As a result, Hungary could achieve the objectives specified for 2020 in the Digital Agenda for Europe before the deadline, and could serve as an example for other member countries.

Magyar Telekom is strongly committed to innovation, and keeps developing its newest and most advanced services. Besides the full implementation of a high-speed broadband internet network, future plans include a number of other developments that could elevate the domestic digital infrastructure and the associated services to be among the best in the world by 2018. Magyar Telekom’s subsidiary, T-Systems Hungary serves business and public administration customers and therefore actively contributes to enhancing the digital economy and utilizing EU funds spent on ICT projects that could increase the competitiveness of Hungary’s economy.

Plans include improving the safety of homes and residential areas with intelligent and user-friendly solutions; providing devices that ensure simple management of energy needs for the population and businesses; introducing convenient and secure mobile payment solutions; and making business and public administration processes simpler, more transparent and faster with the help of the most up-to-date internet-based services. In addition, Magyar Telekom significantly supports the acceleration of digitalization processes at enterprises and SMBs by means of the latest ICT technologies ranging from IT infrastructure to application solutions.

Partnership for Digital Hungary

The Hungarian Government and Magyar Telekom, a subsidiary of the Deutsche Telekom Group, have entered into a partnership of cooperation to enhance Hungary’s digital development. As outlined in the official document, Magyar Telekom intends to make further investments so as to foster the provision of high-speed broadband internet in Hungary. The intense use of innovative technologies and information and communications technology (ICT) solutions contributes to improving the quality of life for people in Hungary, the efficiency of businesses and the international competitiveness of the country’s economy. Furthermore, the company aims to promote digital literacy and the widespread adoption of safer internet use. (Digital Bridge, Telekom Smart digital Program: Telekom (Kiskodigitals Program)

Access to broadband internet is an important, but in itself by no means sufficient pre-condition to creating equal opportunities digitally, which is one of the general objectives of this strategic partnership. Most internet users in Hungary still only use the basic services and many of them abstain from online shopping, electronic transactions and other advanced solutions. Magyar Telekom focuses on increasing consumer awareness and cooperates with its partners to ensure that the number of citizens using the modern services in Hungary may reach the EU average and then exceed it. Furthermore, Magyar Telekom plays a pioneering role in facilitating digital literacy.

Magyar Telekom concluded a cooperation agreement with Telenor Hungary for the joint operation and development of 4G networks within the 800 MHz frequency band, which covers the whole territory of Hungary, except the capital. By means of the agreement our company may provide coverage for the 4G mobile Internet services to rural customers earlier, also thereby increasing the customer experience. The cooperation will allow twice the speed of mobile internet service to be offered, using the shared 20 MHz frequency blocks compared to the present 10 MHz LTE800’s network available at both providers each, separately. Thus, rural customers can enjoy a similar quality as those living in larger settlements. We are enabled to achieve our commitments guaranteed in the frequency tender offer faster, more economically, and
Our revenue from sustainable products and services increased year by year, while in 2011 it was only 13% in 2015 we reached the 21% ratio. Our revenues originate 16% from devices an 84% from services.

List of the most important products and services groups with a sustainability impact in 2015:

- Technology for health
- Climate-friendly and cost-effective business solutions
- Sustainable digital solutions
- Equal chances in a digital world
- Sustainable products

For years we have been using the same methodology for the sustainability assessment of our products and services, based on three pillars of sustainability:

1. Social pillar: assessment of the contribution of the product/service to health, access to information, equal opportunities and personal growth.
2. Economic pillar: assessment of the contribution of the product/service to sustainable consumption, competitiveness and actual needs.
3. Environmental pillar: assessment of the contribution of the product/service to environmental protection.

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 and is favorable for the customer.
2.3 INNOVATION FOR SUSTAINABILITY

Research and development

Tender Project

In 2015, Magyar Telekom research development activity has been completed with the support of National Research and Development Innovation Base which was expanded to the sustainability of R&D tender project. In 2015, several prototypes had further development, within the framework of a tender project so called “Info communication R&D umbrella” implemented by Magyar Telekom.

With this exemplary initiative Magyar Telekom expressed its commitment to sustainable development and innovative solutions.

The T-City project is a cooperation between Magyar Telekom and the municipality of Szolnok that enables inhabitants to get to know the latest and most innovative info communication technologies. Usage of these technologies not only makes their lives easier but also contributes to them shaping a more sustainable and conscious lifestyle.

Conception:

“trustworthy, anonymous voting and opinion democratic expression” from home (e-voting), the conception of “double point Day” in November 2015 every virtual card user could redeem their previously collected loyalty points on double value.

Thanks to the service we can also store our concert or event tickets in Mobil Wallet application so we can get in to the events paperless and convenient.

T-CITY, THE CITY OF THE FUTURE

The T-City project has been running in Szolnok since May 2009. The 78,000 inhabitants of the city can benefit from the possibilities offered by the pilot project, experience the impact of the latest ICT technologies on the quality of life, and learn about the community services of Magyar Telekom.

In 2015 these families took part in many tests, including Mobil Wallet, City Card Module and TV GO, and some families were able to try the Smart Home service, too.

The cooperation between the company and Szolnok is a long-term innovation program, focusing on the spread of digital literacy and on the development of transportable, public security, tourism and energy efficiency,

City Card: Intelligent Community Card

In May 2011 the Szolnok City Card was introduced into the T-City program, with which citizens can use innovative services and get various discounts. The system was launched with the involvement of the Local Municipality of the city of Szolnok, Magyar Telekom, local bus company KMKK Co. and NetLock Ltd. (the leader of the consortium that developed the CityPass system).

In 2015, the City Card of Szolnok continued the operation, which is included the previous innovation modules test-type operation:

- School card
- City Card
- Safe Party Zone
- Voting module

In addition, in 2015 the Nicketing module test went further. Under this system, with the help of NFC tags at each bus stop, the ticketing is based on the kilometre travelled, giving a true usage-based pricing system for public transportation.

Since 2014 passengers can travel with their PayPass card instead of paper-based tickets on 10 bus lines in Szolnok. The electronic reader placed on these buses allows passengers to pay just by tapping their bank card against the readers without the need to print a ticket. The ticket inspectors can check whether payment with the bank card was successfully made.

CityGuard

The eNOTO equipment that is being installed in Szolnok as part of development plans is a practice proven technology to monitor the roads entering and leaving a settlement. It can play a key role in improving public security and also the subjective sense of security of the residents. The eNOTO can be quickly installed, and its management does not require in-depth technical knowledge or dedicated staff. The equipment is used particularly efficiently by the national and local authorities responsible for public security or the civic organizations authorized by them. In 2015, the cover of Szolnok and Szolnok’s access route took place.

Shape the City of the Future!

In 2012 we released an app called “Alakítsd a jövő városát” As part of the initiative we selected 20 families to be involved in Magyar Telekom’s innovation processes. As a result of the project, these homes will be the first to receive for trial the latest services and products of Magyar Telekom, even ones still under development. We will consider their comments in the product development process. The project is especially important for Magyar Telekom because it may play a major role in the spread of digital competence.

In 2015 these families took part in many tests, including Mobile Wallet, City Card Module and TV GO, and some families were able to try the Smart Home service, too.
Magyar Telekom’s innovation laboratory, the Kitchen Budapest, has been inspiring local technological development since its establishment in 2007 with fresh and unique vision, while supporting Hungarian talents to make their projects successful internationally.

This is KIBU’s the main core value. The members of the Startup and Talent program, coming from versatile professional areas, often stay with the lab upon the expiry of their mentoring period. Now we have five artists, electric engineers and developers too. With their vivid cooperation and the intensive interaction of their disciplines they create truly forward-looking and interdisciplinary projects.

Such recent projects are developments built on brain sensors, like the Weight of Words, MindRack, MoodBalance and YouSpread. The Weight of Words installation, that made its debut in the Capa Center’s exhibition, presents the emotional side of communication between two persons in a spectacular, virtual reality model; and this was the basis of the idea building the thought controlled table soccer and the mood seesaw that help to understand the feelings and thoughts of the other person. The research of neuron networks has been intriguing the international scientific community since the 1800s and now our developers use the results of this research with IoT devices and software to create new developments.

2.4 PROTECTION OF OUR CHILDREN IN THE DIGITAL AGE

Child protection efforts of the Telekom Ok Riditálás Program (Telekom Smart Digital Program)

We would not like to leave our children alone in the digital world and would like them to seek help from their parents and teachers whenever they have problems in the cyberspace. That is why we extended the scope of our trainings - and transfer the necessary knowledge - adults, like parents, grandparents, teachers so that they can help our children in the digital world as partners.

Further information on Smart Digital Program is in 2.1 Closing the digital divide chapter.

Those who have not been contacted yet by the volunteers of the Ok Riditálás Program may access our e-learning material on safe use of content and internet tools on the www.okriditalas.hu website. The program’s Facebook page provides updated news, information and advice to our visitors: https://www.facebook.com/Okriditalas?pnref=thc

Child friendly customer service

Magyar Telekom recognized the importance of responsible corporate citizenship in the area of child protection and makes its best efforts to live up to the relevant expectations.

The child lock on TV, the free downloadable content software are good examples of these efforts.

There is much demand for the protection of young generations both from parents and teachers. Parallel to the rapid digitization of our world the number of exposures also increase and an increasing number of dangers are lurking through various communication channels. This is why we think it is important to empower the customer service with skills and competences to protect children.

Our objective is to contribute to the digital maturity of Hungary and our children’s safe and conscious use of the internet.

Magyar Telekom, as a company listed in the stock exchange, complies with all requirements of the Hungarian law and actively participates in the industry’s self regulation efforts and the work of NGOs.
3. SUPPLIERS

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Anti-corruption and ethical conduct are important cornerstones for Magyar Telekom, consequently the company requires its suppliers to adopt Telekom’s Anti-corruption statement and the company’s Code of Conduct the provisions of which are part of the contracts concluded with our suppliers. Besides, each and every supplier must know and approve the Social Charter of the Group, which specifies the minimum social standards required in our working relationship and employment conditions. We also request our suppliers to accept the Coltan Policy of Magyar Telekom.

The main interface for supplier relations is the Procurement and Logistic 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 structured and documented processes, which is under continuous control by the Internal Control System (ICS) used jointly with Deutsche Telekom Group. Besides supplying 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.

The main interface for supplier relations is the interactive internet site of the Procurement Directorate (https://beszerzes.telekom.hu/beszerzes/portal_en/app/beszerzes?locale=en&language=english/main) where suppliers – upon registration – can directly reach the newsletter service, the supplier qualification system, the OneSource system where quotations are managed and may find useful information on our procurement processes.

The references, financial standing, quality assurance and sustainability capabilities of the suppliers are audited by our experts in a prequalification system which is also operated on the internet site of the Procurement Directorate. The company’s enhanced vendor prequalification system enables registered suppliers to complete the sustainability-focused questionnaire and also its evaluation. The 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 predominantly from prequalified suppliers. For mutual development, after filling out the questionnaire, we inform registered suppliers about their results in the vendor grading system. We procure more than 75% of the value of the orders from qualified external suppliers, through 1150 partners.

3.2 SUSTAINABILITY IN THE SUPPLY CHAIN

We would like to communicate our commitment to sustainability to the direction of our suppliers who are in actively involved in our everyday business. This cannot be achieved without new and ambitious goals, following the best practices and the involvement of all stakeholders. In response, we created the Magyar Telekom Sustainability questionnaire, which is a series of questions on environmental, social and business ethics topics. The final score is calculated with the weighting of the respective industry of the supplier. 15 companies participated directly in the survey in 2015, which corresponds to 10.86% of the purchase value. Respondents were informed about their results, where they have received topic-specific feedback on their performance. Magyar Telekom is proactively and transparently committed to make sustainability part of its identity and empower its partners to consciously participate in sustainable development. Therefore we do appreciate our cooperation where we have a better understanding about our partners’ sustainability features.

Therefore no sanctions were imposed and no contracts have been terminated within the framework of the sustainability process. Deutsche Telekom provides significant support through initiatives within the sector to transform supplier relations into sustainable ones, thanks to that audits are conducted worldwide for the selected suppliers. The integrated criteria of audits are promoting and securing compliance with the minimum social and environmental principles of suppliers, also in the case of common suppliers of different subsidiaries. Proving the compliance with the common group standards, in 2015 a total of 16 indirect Magyar Telekom suppliers were involved in Deutsche Telekom audits which is accounted for 16.32% of the overall procurement value; this value was 15.4% in 2012, 16.4% in 2013 and 20.10% in 2014. Deutsche Telekom’s cross-border initiative, the “Together for Sustainability” program was created in 2014, which is a supplier development program. Thanks to this action, three key ICT suppliers were invited for co-operation. The goal is to find common solutions to various problems whereas we create a win-win situation for everyone, which has positive results, such as employee loyalty, motivation, increased productivity and improved product quality. In 2015 further 7 suppliers have joined the program, as a result CO2 emissions due to fluctuations and recruitment decreased and productivity increased. In 2016 new suppliers are scheduled to join the initiative.

Independently from the sustainability process certain processes and remedial actions have been applied to legal and economic non-compliance cases detected by the procurement team. Non-compliance cases detected by the supplier relations team and non-compliance cases detected by the internal control are dealt separately. The analyses have not yet detected any significantly negative environmental, working conditions, human rights or social impact. Therefore no sanctions have been imposed and no contracts have been terminated within the framework of the sustainability process.

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 RFP and auction tool (OneSource), orders are also placed/confirmed through an internet-based electronic commerce solution (ICPE), managing transactions growing from year to year. These electronic solutions substantially reduce the processing time of
In the office stationary catalogue the supplier already marks “green” products, and we encourage our colleagues to order such items. 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, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimum inventory, thus minimizing transportation time. In an effort to raise cost efficiency and reduce transportation, we increase the percentage of stocks managed in 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 2015 reached 69% of all items ordered (in 2012: 59%, in 2013: 64%, in 2014: 66%). In 2015 we were in connection with 264 suppliers through electronic systems. The significant increase of this number is due to the effort that we try to manage more and more partners that only have a small number of transactions in our system.

In 2015 18 electronic catalogues, managed by the suppliers, were available in our internal ordering system. Orders thus placed are transferred to the supplier via fully electronic channels. The number of items ordered electronically fell back in 2015 to 26.7% due to the changes of our system (2012: 40.5%, in 2013: 43%, in 2014: 46%). In 2016 our aim is to reach better results than in 2014, and invite more suppliers to this system.

We ensure compliance with the statutory and corporate expectations by including sustainability/environmental clauses in the supplier contracts. 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, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimum inventory, thus minimizing transportation time. In an effort to raise cost efficiency and reduce transportation, we increase the percentage of stocks managed.
3.3 LOCAL PROCUREMENT

Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local suppliers. Within that it is important for us that small and medium sized companies should be given appropriate opportunities. In 2015 nearly 80% of our suppliers belonged to this category. By ordering products and services from local suppliers we significantly contribute to the retention of jobs.

<table>
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<th>MEMBER COMPANIES</th>
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4.1 CUSTOMER SATISFACTION

Magyar Telekom conducts complex customer satisfaction measurements on a quarterly basis that include ongoing, detailed monitoring of the general satisfaction of customers as well as the perception of service elements that impact satisfaction (e.g., network quality, product choice, customer service etc.). The measurements can be related in terms of both their methodology and results separately to Magyar Telekom’s fixed line and mobile customers, and also can be broken down to further, more targeted customer segments, when requested.

These surveys produce a composite index reflecting customer satisfaction that enables tracing and easy interpretation of 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 the customers’ judgment, too, and the fields where actions are needed to improve quality against earlier own performance or even against the standard of competitors.

The survey is conducted by eliciting answers via telephone and personally, in the form of standard interviews, encompassing samples of a justifiable size, composition and weights. The content of the survey questions substantially remains the same from year to year, to ensure tracing changes over time, but the methodology and the structure of the sample is reviewed and updated from time to time, due to the changing expectations of the customer.

Residential customers

Based on the customers’ perception Telekom’s performance in 2015 is in line with the industry’s European benchmark. Satisfaction with the operators is very balanced in the mobile market and there is no significant difference between the service providers, however, in general, the satisfaction rate of postpaid customers is slightly better than that of prepaid customers.

Looking at the individual elements of the service one may see that Telekom’s main strengths are the general network elements and coverage, new product propositions, emotional attachment to the brand and the loyalty program. Telekom’s further strength in comparison to its competitors is the result of the fixed portfolio and the handset upgrade options. Compared to 2014 Telekom had a better perception in the area of billing.

The satisfaction figures of the mobile and the fixed services approximated and equaled in 2013 whereas in 2014/2015 the perception of fixed services was slightly better than that of the mobile market. The results of the fixed market have shown a slight growth in recent years.

Similarly to the mobile market certain operators’ results are close to each other in this field too and they generally provide high quality services.

In 2015 Telekom’s average annual performance was close to the top 10% of the European benchmark.

The principal strengths of Telekom include the entirety of the product and service portfolio and their permanently renewing choice, as well as wide network coverage. Further strengths include the information of customers, the expertise of the staff and the perception of the company’s website. Similarly to the mobile market there is a very strong commitment and emotional attachment to the brand and the perception of the loyalty program is very strong too.

Business customers

The market of mobile services to businesses was stable in 2015 and the perception of the individual operators is almost identical. Telekom’s main strengths are related to the network and coverage, mobile internet as well as the perception of existing and new product offers. The information of customers and the perception of the website – similarly to the residential market – as well as the customers’ emotional attachment to Telekom is very strong too.

In the case of fixed line services in 2015 Telekom preserved and even improved its favorable operator perception, compared to both itself and its competitors too.

Similarly to the residential market the customers of the business mobile market also trust the company and look at Telekom as a reliable partner while there is a strong emotional commitment to the brand.

Our customers can contact us through numerous channels and for us the most important thing is to give quality customer experience through our services, wherever we are. This can be facilitated through online and sustainable communication channels that are very popular among young generations. It is our common interest to direct the majority of our transactions into these channels through internal and external education because this way our customers can contact us comfortably, from their homes, without queuing in shops. We devote significant resources to automate simple processes that do not require human intervention and to provide detailed information to our customers on their use. Several of our efforts prove our commitment, such as digital document management and the increasing proportion of teleworking. When selecting our partners we take into account whether their sustainability values fit into that of Telekom.

The key of quality services lies in becoming an online company and this is proved by the popularity of the chat service that develops exponentially. The same applies to our Facebook site which is already an organic part of our customer services. The entire range of potential questions appear here and our answers are read by tens of thousands of users.

The most important thing that may serve as a competitive edge in the long run is quality customer services through all channels. We cannot emphasize enough that quality is the key to the long-term success of our company, therefore we are committed to sustainable development at customer service level as well.
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 our customer service and self-service channels. The research is transaction based as we poll our customers within 24–48 hours of their customer care event. The research extends to the residential and business customer base as well.

Channels involved in the research:
- shop network
- connection and fault clearance of home services
- telephone helpdesk service for residential customers
- telephone helpdesk service for business customers

Besides general satisfaction another important indicator of the survey is the CES (Customer Effort Score), Based on the Stop Trying to Delight Your Customers study, published in the Harvard Business Review, in the case of transaction-based questions the loyalty of customers was very closely related to the degree of personal effort that they had to make when solving a problem. The CES can be measured on a five-grade scale by a single question: “How much effort does it take to solve the problem?”

Both the overall satisfaction and the CES indicators are measured in a scale from -200 to +200. The overall customer satisfaction, the CES indicator and the free text responses are continuously analyzed in their context thereby continuously analyzed in their context thereby.

The annual satisfaction research 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 service department or the T-Systems Service Desk with fault reports or complaints.

Enterprise customer support unit (VÜK)

We measure our customers’ satisfaction with the activities of the business customer support area on a monthly basis. Within the frame of the survey, 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.

<table>
<thead>
<tr>
<th>ICQA TARGET VALUE IN 2015</th>
<th>ICQA RESULTS IN 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC: 115</td>
<td>CC: 117.4</td>
</tr>
<tr>
<td>Dedicated: 145</td>
<td>Dedicated: 168.02</td>
</tr>
<tr>
<td>Field-visit staff: 165</td>
<td>Field-visit staff: 192.63</td>
</tr>
<tr>
<td>Aggregated result: 141.6 points</td>
<td></td>
</tr>
</tbody>
</table>

In 2015 the formerly very complex customer satisfaction measurement methods (project, top200, top2000) were replaced by the contact person satisfaction survey.

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.

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.

At Cignal Telekom we measure customer satisfaction with the TRI*M and the NGICCA methods.

1) TRI*M T-Com and TRI*M for T-Mobile are measured quarterly, in the form of phone interviews. The telephone interviews and the processing of data are performed by an independent research agency both in the case of mid- and long-term measurements.

The annual average composite index of the residential segment (comprised from the proportionately weighted fixed line and mobile indices) was reduced from 70 to 64.5 on a yearly basis.

Measurement of customer satisfaction with the management of fault reports

The emails sent by 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.

It is our prime objective to provide unimpaired 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. We believe that besides fulfilling our objectives it is also very important to provide customer experience that is unparalleled by other operators.
hello holnap! mobile application

The application made its debut on the Sustainability Day in 2014 and by the end of 2015 it was downloaded almost 7,500 times. Based on the ratings of various software stores the hello holnap! application is rated as one of the best Telekom apps.

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

The first donation period of the hello holnap! application was closed on April 22, 2015. Users collected a total of 6135 points and donated 1132 points, i.e. 113,200 HUF to the beneficiaries. The donation period was restarted on June 12 with the involvement of new NGOs.

Vivicittá

The 30th jubilee run was extended into a 2-day event. The Vivicittá attracts tens of thousands of people as all family members may find a challenge corresponding to their actual level of fitness: Vivicittá (10 km), Midicittá (7 km), Minicittá and walking (2.5 km), 3-member relay (3x2 km), Family Run (700 m) and half-marathon (21 km) that requires serious training and preparation. At the two-day running event Telekom welcomed children with a smart digital playground where, together with their parents, they could try the latest smart devices of the company, solve digital challenges, familiarize with skill development applications and play with various logic games.

The Sustainability Media Club (FMK) also joined the initiative and several members of the editorial panel completed various distances to call attention to the importance of preserving the physical and mental health of our children while popularizing running as a sport.

4.2 INVOLVEMENT OF OUR CUSTOMERS

Digital bridge

Within the frame of the Digital Bridge in Small Settlements program almost 5000 persons attended Magyar Telekom volunteers’ lectures in 198 small settlements accompanied by famous Hungarian media personalities, like József Nádor, Lovette Harsányi or Péter Galambos.

Further information on Digital Bridge in Small Settlements program is in 2.1. Closing the digital divide chapter.

Earth Hour

The Earth Hour worldwide voluntary community event was organized on March 26, 2016, from 08.30 pm to 09.30 pm. In 162 countries around the world, including Hungary, many people joined the initiative – which was simply to turn off the lights for an hour. In Hungary 10 Telekom shops took part in the effort and used candles instead of electric energy for lighting and projected Earth Hour material on displays in the company’s shops.

The Telekom Vivicittá Run for the City event visited two more Hungarian cities, Nyíregyháza and Pécs, where runners could complete a 2.8 km long course in the nicest parts of the two cities.

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

Both the cheering spectators and runners could collect 5 hello holnap! points at the event, while participants of the special Subway run could collect 5 extra points if supported the runners of the civilian organizations.

The biggest community garden of the capital was opened in Telekom’s property

The biggest community garden of Budapest was opened on May 27 by Katalin Szomolányi, head of the Corporate Sustainability Center, Sándor Finta, Chief Architect of Budapest and Monica Kerestes, trustee of the Contemporary Architecture Center (KEK). The 2600 square meters, formerly unused Telekom property is located in the corner of Szendrősi and Határ street in Budapest. Local residents may grow vegetables, fruits, herbs, spices in the fields with the professional support of KEK. There are approximately 100 fields in the Kerthátr Community Garden out of which 60 was already occupied at the time of the opening, thus several families, approximately 150 people, could start growing their own vegetables here.

Besides the Kerthátr Community Garden two more Telekom properties give home to other community gardens in the Csendes Garden and the Kekváros Community Garden.

The biggest community garden of Budapest

In 2015, the year of the 30th event, we built our efforts on a 360 degree communication campaign. As part of the campaign runners could buy 20 types of smart accessories (smartwatch, cell phone ambiant, sport earphone, etc.) for 30 days at 30% discount with which they could measure their performance and make sports and even more pleasant experience. We set up Vivicittá corners in 7 Telekom shops across the country where customers could try all these products. After several years of suspension we again organized the event in the countryside too: there were several thousands of runners in Nyíregyháza and Pécs. We held Street Digital playgrounds in the start area where we educated participants on the safe and conscious use of the internet, familiarized parents with content filtering software and presented skill development applications. The members of the Sustainability Media Club helped us to promote internet security by calling their readers’ attention to this topic in their articles, reports published in connection with the Telekom Vivicittá run. We further developed and built new functions into our own “Running Mate” application which is the only Hungarian language application that helps to prepare exercise plans and register runners’ results. Users can collect hello holnap! points with the application that can be donated to any of the NGOs listed in the Running Mate app. We encouraged runners to train for the event through our social media sites with motivation videos, posts of Hungarian sportmen while we followed a family with three children how they prepare for the event. As a result of our internal communication efforts almost 1500 employees and their family members took part in the run. We managed to significantly increase nationwide awareness on the Telekom Vivicittá run and researches prove that this efforts has a positive impact on the Telekom brand as well.

The greatest experience for me is to use the excited faces waiting for the start of the race, lining up hundreds of meters long, cheering, encouraging each other – or themselves. No matter if one goes for the half-marathon, the 7 km or 10 km distance, we have a common goal to overcome the distance and prove the strength of willpower. My objective, as a runner, is the same and somehow I always manage to perform better among several thousands of other runners at the Telekom Vivicittá. Running is joy and I’m proud to take part in the organization of the Telekom Vivicittá run. 
Sustainability panel discussion and DELFIN Award

In 2015 any Hungarian enterprise could apply for the DELFIN Award (Award for a Committed, Sustainable and Innovative Generation), established in 2008, with already implemented projects or operating programs. Further information on DELFIN Award and Sustainability panel discussion is in Stakeholders chapter.

The Sustainability Day 8’s earth ball was exhibited in Sopron and Velence!

Festivalgoers of the VOLT and EFFOTT festivals were given some insight into the Sustainability Day’s atmosphere. Simon Szabó, screenwriter and film director “threw” the earth ball into the partying crowd that was enthusiastically holding up planet “Earth” in their caring hands.

MAGENTAXI - success story in Kapolcs

The 25th Kapolcs Festival offered outstanding programs to visitors who are open to new cultural impulses. One could “recharge his batteries” by visiting the programs organized in Kapolcs, Találódórd and Vigàntpetend: there were concerts, theatrical performances, discussions, films, tale telling, yoga, handicraft sessions and many other programs. Telekom supported the event with network coverage which was quite a challenge in the undulating terrain.

There were not only technological challenges, as it was not easy to travel to and from the three villages. The traffic was so heavy that it was quite a challenge even to cross the road on foot and the cars were recognizably polluting the air. This is where Telekom came into the picture: between July 30 to August 2 the company offered free electric car rides to the visitors of the festival between the villages. In return of the lift the company only requested passengers to tell their ideas on sustainability to an actor from the Momentán theatre.

Telekom’s green cars were a tremendous success. During the entire festival the cars were used at full capacity and everybody was enthusiastic about the noiselessly rolling vehicles. When talking with the festivalgoers about sustainability it turned out that they are much aware of the topic and some of them consciously lead a sustainable lifestyle.

Electronic customer service with e-signature!

Printed documents are now replaced by electronic docs: customers may electronically sign documents in Telekom shops. Shops manage almost half million transactions per month and print almost 3 million pages. In order to reduce costs and simplify processes the company reorganized the shops’ operation. By the end of 2016 Telekom transformed 100% of its customer service activities into electronic processes, the first step of which was the implementation of e-signature on tablets. The objective is to reduce the amount of printed documents as well as printing, archiving and storage costs to a minimum thereby accelerating and automating document management and administration processes.

Closer to paperless operation - Telekom implemented the electronic General Contract Conditions (GCC)!

Upon the implementation of electronic signature, at the beginning of November, the company started to deliver the e-GCC tablets to its shops to replace the printed version of the General Contract Conditions. Upon changes of the document the tablets are automatically updated and thanks to the online operation almost one ton of paper and printing costs can be saved per year, also, the document is now accessible for people with physical disabilities too.
The intelligent lighting pole has a modular structure, thus further system components can also be integrated into the device.

Carbon neutrality
Magyar Telekom Group (including foreign subsidiaries, Makedonski Telekom and Crnogorski Telekom) is the first Hungarian company, and is among the first European leading telecommunication operators that has become entirely carbon neutral.

One of the biggest challenges of our age is climate change which is mainly attributable to 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 the Sustainability Strategy and implementing innovative solutions the company continuously decreased its energy consumption and increased its energy efficiency.

By modernizing the network and data centers and increasing the proportion of hybrid and electric cars in its vehicle pool the company applies more and more efficient tools and solutions. Several telecom infrastructures are supplied with wind and/or solar energy sources and the company gives priority to purchasing sustainable info-communication products and services.

4.3 INFORMING OUR CUSTOMERS

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.

You can read more about the services and tariff packages of Magyar Telekom Plc.’s business units on the below websites:

https://www.telekom.hu/lakossag/english
https://www.telekom.hu/lakossag/english/plans/mobile
http://www.telekom.hu/uzeti/main

Information about the services of our most important member companies is available here:

- T-Systems: http://www.t-systems.hu/home-page
- KalászNet: http://www.kalasznet.hu/
- Makedonski Telekom: https://www.telekom.mk/
- Crnogorski Telekom: http://www.telekom.me/private-users.aspx

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 free of charge from Telekom’s Hungarian mobile network at 1430 or the 1777 (Domino center) number in case they hold top-up card.

We have made Telekom website more user-friendly, among others through highlighting search keywords and developing the webshop service to enable quick, simple purchase. The services are available on the following website: https://www.telekom.hu/lakossag/english/plans.

The integrated servicing of T-Systems customers is provided through the 1400 telephone number and the TS_Ugyfélkapcsolat@t-systems.hu e-mail address.

Magyar Telekom considers it top priority to communicate its advertisements to the existing and prospective consumers in compliance with the relevant regulations. We do everything to ensure that our advertisements carry 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. We convey our proposals to everyone by using the greatest efforts to simplify our propositions as much as possible and to make them available to the widest possible scope of customers.

I started my career at Telekom at the beginning of 2013. First I worked as the member of the General incoming call center team and I took calls wearing a headset. After that came the Video Call Center project where I experienced truly interactive discussions with customers because in this position we talked face to face through a webcam. From this position I was transferred to my current workplace, to the Online channels team, where we communicate with customers through chat. Based on our customers’ feedback it works great!

In the meantime I saw an internal opportunity to apply for a Mobile Scientist blogger position. I instantly submitted my application together with my first draft articles that have been followed by many more by now. It is an interesting work, mainly for me, and it feels as if it was Christmas every day because we are the first to test the latest devices and applications. I could even try HTC’s Vive VR helmet and could look around in the virtual world. While I’m writing this I’m preparing for the Smart Mobile 2016 conference. We share our insight in Telekom’s Facebook and Twitter sites where we already have our own reader community with whom we are in continuous contact. I do love this work because while quenching my thirst for new technologies I also develop professionally. Thanks to our blog posts Telekom’s customers do not only receive dry technical data on their phones but also receive detailed explanation on their features too.
5. EMPLOYEES

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5.1 HUMAN RIGHTS, EQUAL OPPORTUNITIES


Non-discrimination and equal workplace opportunities are primary objectives of Magyar Telekom Group. Since 2008 the company has been one of the first players in the business sector to adopt Equal Opportunity Plans in cooperation with the collective bargaining partners. The Plan was effective for two-year periods, but now, in line with the Equal Opportunity Plan, the new Plan was designed for three years.

In the “Tell me!” ethics line provided by Magyar Telekom Group and operated by the Compliance department one may report cases of discrimination experienced on behalf of the employer or the breach of human rights issues where employees may report the cases directly – did not initiate proceedings against Magyar Telekom Plc. in 2015 for the breach of discrimination experienced on behalf of the employer or the breach of human rights of discrimination experienced on behalf of employees.

Integrom program

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Opportunity Plan, the new Plan was designed in cooperation with the collective bargaining partners. The Plan was effective for two-year periods, but now, in line with the Equal Opportunity Plan, the new Plan was designed for three years.

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Magyar Telekom Group rejects all forms of discrimina-
tion at the workplace and expressly facilitates equal opportunities and diversity among its employees while observing the relevant cultural and legal environment. (Social Charter, Section 5)

Most Roma employment programs try to reach undereducated, permanently unemployed, unskilled people and help them finding low-paying jobs. As opposed to this the Integrom program’s objective is to find quality jobs at big enterprises for young, educated Roma people. In 2015 one full-time and two intern positions were successfully filled with the help of the Integrom program. Telekom contributes to the success of the program with donation as well.

For further details of the Integrom program, please read the Y2014 Sustainability Report.

In 2015 the Group took part again in supporting the ROMASTER talent management program, launched by HBLF in 2008. The program assists young talented Roma people, learning in secondary schools, to continue their studies in tertiary technical, business or legal education institutions. Magyar Telekom’s mentor supported one of the mentees of the program so that he can complete his practical training.

To ensure equal opportunities for employees with reduced capacity to work or disability (since 2010) applicants with disabilities using Magyar Telekom’s electronic recruitment interface (http://www.telekom.hu/rolunk/karrier) can, on a voluntary basis, register their disability and request appropriate help in the selection process.

I took part in the Integrom Fund’s training in 2014 and they helped me to get through the process of being admitted to a job interview at Magyar Telekom. On that very day they informed me that I will be offered a job/gym contract. It all came true and now I work as an administrator in a call center. I was very happy and excited about my future.

The training started at the beginning of March, 2015 and after a month I could take calls in the call center. The environment and the people around me are very different from what I was used to because I grew up in the countryside, raised my two kids alone and we moved to the capital in the blink of an eye. This was hard at the beginning. However, I was pleasantly surprised many times. I had never seen so many helping hands reaching out to me before and my colleagues and managers helped me a lot. This support greatly contributed to my development. I am very grateful to the company and those people. It motivates me every day and I would like to show them that their efforts were not in vain. After a year of work I can tell that I look at Telekom as my family and I feel at home in every moment that I spend here.

In 2015 saw the continuation of the highly successful ‘Have you ever tried it? …’ experience-based sensitization program, organized for Magyar Telekom employees. The aim of the events, often held with the involvement of external NGOs, foundations, is sensitization to promote an attitude of understanding the problems of handicapped people. As member of the Hungarian Business Leaders Forum (HBLF) Diversity HR work group, Magyar Telekom took part in the realization of the wheelchair basketball championship, also supported by HBLF, as a sponsor and competitor (2 teams). As it is customary wheelchair users and non-disabled colleagues competed with each other. This year the winner was one of the Telekom teams.

5.2 VOCATIONAL TRAINING PROGRAMS

In the Y2015 Telekom Health Week we organized a sensitization program for the staff whereby visually impaired masseurs were giving massage to Telekom employees in bigger company sites.

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 disabled persons with the involvement of NGOs to support autistic persons’ employment.

Telekom employees could follow Fanni Holzleiter’s (Mosolyka) inspiring talk in person and online. Fanni is a wheelchair user and presented a new interpretation of a full and happy life to the audience of the event.

Telekom - as confirmed by the relevant monitoring process - fulfilled its commitments undertaken for two years in the company’s application for the Disability-Friendly Workplace title. In 2015 the company won the title for the second year.

Through the support of non-typical employment the company helps families to find a healthy balance between their work and private life as parents/grandparents. It is strategically important for the company to make teleworking part of the company’s culture which is supported by various practices built into the daily operation, such as big space office design to help teleworking as well as the Future Work initiative. Since 2012, as a response to the monthly announced “Work from home” campaign, there has been a continuous increase in the number of employees who chose to work remotely on specific days.

In 2015 there were 646 colleagues who signed remote work contracts and worked 40,551 days from home. Colleagues without remote work contracts (1,726 persons) worked 13,791 days also from home.

It is a significant step in the application and promotion of teleworking that Telekom cooperates with the representatives of other companies within the frame of the Employer’s Equal Opportunities Forum Association (MEF).
MEF – where one of the founders is Telekom – submitted a concrete proposal to the lawmakers to ensure that the effective laws in Hungary better support the practical implementation of teleworking.

The submission was prepared by a workgroup set up from the members of the MEF and Telekom played an important role in the process. The starting point of the submission was that the current legal environment fails to support the spread of teleworking and is not aligned to the existing practices of companies or to the requirements of employees while imposing such strict limitations on those who would like to work remotely that is almost impossible to meet. With more favorable regulations the number of teleworkers could significantly increase in the SME sector as well. This could be beneficial for both employers and employees. Being endorsed by 100% of the MEF members the document was sent to the responsible ministry that initiated discussions with MEF to address the issue.

Each year the MEF organizes a conference on corporate equal opportunities topics. The conference in 2015 was organized to discuss issues on teleworking. Among the guest speakers of the conference there were Telekom experts and managers who shared their experience and best practices on teleworking.

You may further find information on the Work from home campaign and the Future Work project in our Y2014 Sustainability Report.

In 2015, in support to employees on maternity leave (young parents on child care allowance/child care benefit /maternity leave), the “Young Mother” program supported the company and young parents (on long-term leave) to stay in contact with each other, among others with organizing club meetings and Mother Parties. The free, monthly Young Mothers’ Career Club events, organized by Telekom’s contracted outplacement partner, Job Evolution Ltd., are regularly promoted for Telekom employees who raise their children at home and sometimes we combine these with the Mother Party events. Telekom continuously informs inactive colleagues by way of newsletters, the Young Mother website, the regularly updated Young Mother informative, dedicated email accessibility and a closed Telekom community site called “I have family”.

In order to ensure a proper balance between work and private life it is necessary to share the workload within families. The “Daddy, it begins!” program tries to raise awareness on the importance of the father’s role within the family. The internal communication portal of the company has been publishing an informative article for fathers since 2010 that summarizes some essential information for young fathers. Fathers of newborn children are congratulated by the company via email and are informed on the extra newborn care holiday option. After 2015 Telekom and T-Systems jointly and successfully applied for the Family Friendly Company 2015 award and the Three Princes and Three Principles Movement gave a special award to the companies as an acknowledgement of their family-friendly initiatives and efforts. The award is deemed as a recognition of the company’s accomplishments in being a family-friendly workplace.

Dimentio Mutual Insurance and Self-help Association’s Family Support initiative helps Telekom employees’ families with daycare services and school holiday programs. Parents may choose from daycare, kindergarten and school holiday camp options.

The six child-friendly offices continued their operation in 2015. These offices offer solutions – i.e. provide child-friendly workstations and office space - in situations where the employee has to take care of a child for a couple of hours or days during one of the short school holidays or when the child recuperates from an illness.

The number of employees whose employment was continued upon returning from long-term leave increased with 1% in comparison to 2014.

The anonymous internal company program, Abigél, running since 2008, helps to resolve private life issues through its support (employee assistance) program. The person with problems may keep contact with Abigél via e-mails, who answers all relevant questions. Abigél’s identity is unknown and works under the effect of a nondisclosure agreement.

The company employs various generations of employees simultaneously thus personal fulfillment and the realization of the full potential of our colleagues is an important goal for Telekom.

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

The family-friendly atmosphere of the company helps young employees through various channels and ways to raise their families and to be parents. Teleworking is not just attractive for single persons but for those with young children as well so that they can organize their lives more freely and independently.

The majority of the mid-aged, experienced expert pool has a slightly narrower career path potential and may obtain marketable knowledge that is most useful in horizontal career paths. 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 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. The given employee can be reactivated from the standby pool if the continued employment creates mutual benefit for both parties.

The company established a project to develop the effective and harmonious cooperation between generations. The project elaborated a strategic concept to support this effort. Telekom, as a bronze level sponsor, participated in the biannually organized Chance Conference and successfully applied for the Multi-generation TOP 10 Organization title. Within the frame of the application the applicants first have to fill in a survey sheet then through a focus group discussion the
organization monitors the applicant company’s practices on how it helps the cooperation of various generations and how it reflects on their special needs.

Magyar Telekom supported female employees in managerial positions to enhance equal opportunities with a training series, organized on the basis of the target group’s actual needs. The focus of the program was to find a healthy balance between work and private life and to ease problems arising from these special roles, e.g. management of gender-based specialties of communication. In 2015 Telekom offered the opportunity to take part in the public Lean in Club (organized by the Coaching Team).

Several female managers from Telekom joined the IBM Windows Opening initiative and participated in the events.

In 2015 Magyar Telekom continued its role in the “Girls’ Day” international initiative. Within the frame of the program various information programs were offered for girls from several secondary schools at the Telekom and T-Sys systems headquarters.

The “Girls’ Day” is an interactive, open day, organized on the same day within the EU, where 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.

The T-Systems office building is accessible for wheelchair users, several floors are equipped with accessible toilets and parking places in the garage. At the beginning of 2014 the company hired 1 wheelchair user as a project assistant who is still an employee of the company.

T-Systems Hungary Plc. employs 203 persons above the age of 50, out of which 2 persons work for the company after retirement.

Crnogorski Telekom actively promotes equal opportunities and applies this principle in each and every phase of the employment life cycle. Equal opportunities are fully supported by the following Company regulations: Company Directive on Recruitment and Selection, Code of Conduct, Company Directive on Employee Relation, etc.

Visible examples of that approach can be seen at the public media (job advertisements/vacant positions) and company website, where we clearly emphasize Crnogorski Telekom as an equal opportunity employer.

Having in mind that Crnogorski Telekom is perceived among the young population as the most attractive employer, we have 15% of older population among our workforce, from the age structure above 50 which is slightly less comparing with 2014 when it was 18%.

Official records about possible disabilities in case of existing or new employees are not required by Company regulations neither by local labor legislation.

Crnogorski Telekom regularly (annually) updates and communicates Company Directive on Employee Relations. In 2015 new version has been approved by EMB. Information for employees on prohibition of mobbing becomes integral part of this Directive.

This Directive is also used as the tool for validation of the principles defined by Social Charter of Deutsche Telekom AG and valid for the entire Group.

At Telekom New Média Plc. there is a process analysis under way to explore new ways of facilitating the employment of disabled people (captioning). Telekom New Média Plc. established a work environment which is accessible for people with physical disabilities.

Child labor

As a socially responsible company Telekom is committed to eliminate child labor. Since 2010 we regularly monitor the headcount under the age of 18. Based on our database Magyar Telekom Plc. did not employ any employee under the age of 18 in 2015.

Magyar Telekom Group has acknowledged the freedom of association and the right for collective bargaining in its Social Charter.

Magyar Telekom strives to maintain a dialogue and cooperation with employee representation bodies in the spirit of openness and trust. The Social Charter and the long-standing relationship between Magyar Telekom’s management and the employee representation bodies are the guarantee that the relevant rights are observed. Some 100% of the Group’s employees in Hungary, 95% in Macedonia and 100% in Montenegro come under the scope of collective bargaining agreement. Additionally, all employees in Macedonia are governed by a general collective agreement of the private sector, so with these employees the ratio of employees covered by collective agreement is 100% in Macedonia.

Forced and compulsory labor

Employment at Magyar Telekom Group is compliant with the principles laid down in international treaties against forced and compulsory labor. Magyar Telekom Group member companies comply with the respective country’s laws and other regulations on the prohibition of forced labor. Magyar Telekom Group member companies process and control the employees’ identification documents in line with the respective country’s data protection laws–solely to the extent and period necessary for the employment and determination of the employees’ benefits.

In 2015 no complaints were filed with the relevant authorities against Magyar Telekom Group’s affiliates in the context of forced labor, and no proceedings or investigations were launched against the Company in this regard.

Freedom of association and collective bargaining

Table: BASE WAGE COMPARISON BY JOB GRADES AND GENDER

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</tbody>
</table>

Table: PROPORTION OF BASE WAGES OF FEMALE EMPLOYEES COMPARED TO THE BASE WAGES OF MALE EMPLOYEES (100%) BROKEN DOWN BY JOB CATEGORIES

<table>
<thead>
<tr>
<th>Job Category</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVES/ TOP MANAGEMENT</td>
<td>120.00</td>
<td>120.00</td>
</tr>
<tr>
<td>First Line Management/ Supervisors</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Middle</td>
<td>80.00</td>
<td>80.00</td>
</tr>
<tr>
<td>Specialist Group</td>
<td>60.00</td>
<td>60.00</td>
</tr>
</tbody>
</table>

Table: RATIO OF WOMEN IN MEMBER COMPANIES

<table>
<thead>
<tr>
<th>Company</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magyar Telekom</td>
<td>50%</td>
</tr>
<tr>
<td>T-Systems Hungary</td>
<td>30%</td>
</tr>
<tr>
<td>Makedonski Telekom</td>
<td>70%</td>
</tr>
<tr>
<td>Origo</td>
<td>40%</td>
</tr>
</tbody>
</table>

Table: GENDER MIX OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES BY ORIGIN IN 2015

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Management Committee</th>
<th>Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>40%</td>
<td>Men</td>
</tr>
</tbody>
</table>

Table: BREAKDOWN BY ORIGIN OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2015

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Management Committee</th>
<th>Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>80%</td>
<td>Foreign</td>
</tr>
</tbody>
</table>

Table: AGE BREAKDOWN OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2015

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Management Committee</th>
<th>Supervisory Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-40</td>
<td>40%</td>
<td>51-60</td>
</tr>
</tbody>
</table>
It is one of Magyar Telekom’s key objectives to make the concept of sustainability understandable and accessible to everyone. In order to achieve this objective, we organize hello holnap! forums where we discuss social, economic, and environment protection topics and present them through everyday examples. The event is organized on a monthly basis with the exception of the summer months and is available both for employees and external attendees alike.

In the first month of spring we organized the hello holnap! Club under the title of “It is a human right to love” with the participation of Rita Béres-Deák, LMBTQ activist, Tamás Dombos, chairman of the Background Association and the Hungarian LMBTQ Association, Judit Takács, sociologist, scientific advisor of the Hungarian Academy of Sciences. During the panel discussion we touched upon the topic of homosexuality and homophobia, the evolution, definition and use of hetero-normativity as well as the acceptance of differences.

In November the company announced that it is a human right to love with the participation of Rita Béres-Deák, LMBTQ activist, Tamás Dombos, chairman of the Background Association and the Hungarian LMBTQ Association, Judit Takács, sociologist, scientific advisor of the Hungarian Academy of Sciences. During the panel discussion we touched upon the topic of homosexuality and homophobia, the evolution, definition and use of hetero-normativity as well as the acceptance of differences.

Magyar Telekom won the “Biker Friendly Workplace” title for the third time

In 2014-2015 a total of 2416 employees took part in the activities and collected 5495 points. The most active participants were awarded. Gyula Bereznai was placed third with 44 points, the second was Attila Szabó with 48 points and the most active hello holnap! member in 2015 was Attila József Májoros who collected 90 points. The prizes, that were Csepel bicycle vouchers, were given to the awardees by the members of the Management Committee on May 5.

Purchase sustainable devices with 20% discount!

In May 2015 the employees of the company could purchase telecommunication equipment with 20% discount if they selected a sustainable device. The selected device had to have advanced environment protection (recycled components, e.g. aluminum casing) or social (e.g. hearing aid compatibility) features.

Invisible jobs exhibition at Telekom

The objective of the ART&ME Gallery application for funds is to call attention to people who work invisibly for the community, i.e. people who take care of children, elderly, ill or disabled members of the family or pursue activities in NGOs and local communities as volunteers. The works of art submitted as applications were evaluated by a professional jury and were exhibited between June 15 and 21 at various places, including Telekom’s headquarters.

The objectives of the award is to acknowledge the efforts of employers and settlements to promote the use of bicycles by way of building the necessary infrastructure and taking the necessary measures. Magyar Telekom does not only pay increased attention to the needs and comfort of colleagues who travel by bike but also launched its own company bike rental system, that was launched in 2013. The TeleBike fleet helps employees to travel between six sites in Budapest swiftly and without any environmental load.

As a result of the effort to popularize cycling Magyar Telekom won the “Biker Friendly Workplace” award for the third time in a row (2013, 2014 and 2015).

Disabled Friendly Workplace

The 2015 Disabled Friendly Workplace awards were distributed at the Gala Event organized on the International Day of Persons with Disabilities under the name of “The world is better with us”. Now 50 Hungarian organizations have received the award, among them Magyar Telekom. As the proud winner of the award the company is entitled to use the Disabled Friendly Workplace logo for another two years.

The winners of the Disabled Friendly award were selected by the Salva Vita Fund to support the connection of job seeking disabled people and employers open to their employment. Those employers can apply for the award that undertake to continuously develop their practice in relation to the recruitment, employment and retention of people with disabilities.

Magyar Telekom has been treating the integration of disabled people with high priority. The series of targeted services and sensitization programs are the proof of these efforts and achievements. However, the award was not given to Telekom for the achievements in the past but based on its current practice and future plans. The jury awarded the company’s sensitization programs: preparation for the conscious management of disabilities and the acceptance of disabled persons.
Move Telekom!

A day full of sports and fun for our colleagues and their family members. In 2015 the organizers combined the playful world of Children’s Days with the momentum of Telekom Olympic Games and organized the Move Telekom! day. All employees were invited to the June 6 Move Telekom! sports day where everybody could try special and extreme sports while children were entertained by classical children’s day programs. The event attracted almost 2800 Telekom employees.

Sustainability survey among employees

Our employees are surveyed for the fifth year on sustainability issues. The survey is performed in November each year and this year 61.3% of the respondents answered that Telekom is a leading company in the field of sustainability. The awareness on sustainability is currently at a level of 79% within the company.

It is good to give! cookie campaign

Within the frame of the “It is good to give!” cookie campaign, as part of the Voluntary World Day initiative, the employees of the company and the members of the Sustainability Media Club were selling homemade cookies in the office buildings.

Several thousands of employees purchased cookies from 222 colleagues and donated to the charity. A total of HUF 1.7 million was raised in 15 venues for the fund that was supplemented by the company to a total of 4,686,600,- HUF.

Further information on the It is good to give! cookie campaign is in 6.2 Community investments chapter.

We increased the sense of social responsibility of our employees with the organization of volunteer programs; 2% of team building activities contained charitable elements. In 2015 10 such programs were organized and at these occasions altogether 649 Magyar Telekom volunteers participated in 4412 hours.

With these programs we provided 21.8 million HUF worth of theoretical contribution to the society.

T-Systems’ KIR program – to improve the employees’ awareness of environment protection – included the following activities in 2015:

- Writing Green blogposts to make environment protection and sustainable growth more personal, to call the attention of our colleagues to programs and to show what we, as private persons, can do to protect our environment. In 2015 a total of 26 blog posts were created.

- On the Careless Day our colleagues could test drive electric cars.

- On the World Earth Day (October 21) we prepared information material to be played on screens in company buildings.

In 2015, Crnogorski Telekom supported the involvement of the employees in the following Company’s CSR activities:

- The company has been organizing voluntary blood donations in collaboration with the Centre for Transfusion for four years. During the four years around 130 colleagues have been registered as voluntary blood donors.

- In 2015 we organized two humanitarian actions to help those in need. On the International Anti-Poverty Day (October 17) our employees collected food and clothes for poor people. The donations were given to the Red Cross organization in Podgorica for further distribution.

- In December 2015 our colleagues participated in the New Year fundraising event for families in need and children with special educational needs. The gifts that were collected in the fundraising were distributed between Montenegrin people by three nonprofit organizations.

- The Guiding Principles Day in 2015 has been organized with the best participation rate ever.
6. CORPORATE CITIZENSHIP

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6.2  Community investments............................................. 48
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6.1 SPONSORING

The goals of the Company Group’s sponsoring activities are the creation of experience and value for customers and business partners. The Group, as a major sponsor of Hungarian culture as well as musical and social life, is devoted to support high profile events, performers and productions that represent top quality in their area or genre. In its sponsoring activity the Company plays a role in the implementation of social initiatives in a manner and to an extent worthy of its economic significance.

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 success as a sponsor. Part of its support was its sponsorship of the Hungarian team and the Hungarian Olympic Committee (HOC) in the 1998 Olympic Games in Atlanta, and later in Sydney, Athens, Beijing and in Atlanta, and later in Sydney, Athens, Beijing.

As the most loyal sponsor of the MVM Veszprém handball team the company has been sponsoring the club for 18 years thereby contributing to the success of the world-wide club, like playing in the Champion’s League finals or winning the SEHA league. In November 2015 we extended the term of our cooperation agreement with the MVM Veszprém handball team. Magyar Telekom believes that such world-class achievements and accomplishments significantly help promoting sports and a healthy lifestyle among young people.

As another important element of the sport sponsoring strategy Magyar Telekom is the main sponsor of Ferencvárosi Torna Club’s football team, one of the most prestigious and main sponsor of Ferencvárosi Torna Club’s sponsoring strategy Magyar Telekom is the main sponsor of Ferencvárosi Torna Club’s football team, one of the most prestigious and internationally successful Hungarian teams, but also supports the development of the Hungarian football player succession program. Magyar Telekom is also a sponsor of big summer festivals in Hungary, like the VOLT in Sopron, the Balaton Sound, the Sziget festival, the Campus and the EFOTT. In relation to sponsoring festivals we revised some of our BTL activities and realized them together with the organizers in order to reduce our energy consumption both in terms of human resources (i.e. traveling and number of hostesses) and assets. As a result we mainly support the events with our info-communi-
cation devices and services while observing sustainability considerations. We called all our partners’ attention that it is essential to perform their work in accordance with all three pillars of sustainability.

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) was released in a digital form. Almost 80% of the furniture that we used in festivals were recycled items: they were built from old palettes and used interior-design elements of Telekom shops.

At Makedonski Telekom in 2015, music, sports and culture were our focus when it comes to sponsorship. With its support, Makedonski Telekom continued the cooperation with the best handball and football club of Macedonia Vardar, and became the general sponsor of the Business league in football - now called Telekom Business League. Furthermore, it traditionally supported the Ohrid Swimming Marathon, which has grown into a top sport event, and it was also part of the Macedonian Distance Swimming Cup.

Besides sports, the Macedonian company also supports their most popular musicians as well as the most recognized music events. For many years they are partners with the one and only Skopje Jazz Festival and in 2015 we started our partnership with Karolina, Elena and Adrijan Gakhra – famous Macedonian music stars. In 2015, the company also supported the most important cultural events: Ohrid summer festival, Struga Poetry Evenings, Novel of the Year, Buskerfest, Skopje Street Festival, the children film festival ‘Giffoni’ and many others.

Within Crnogorski Telekom’s sponsorship strategy, sports have a special place since this is an important area for developing a healthy, modern and advanced society. The company is the golden sponsor of the Montenegrin national football team and a general sponsor of the Telekom Montenegrin Football First League. Additionally, in 2015 Telekom supported and sponsored Budu nog Basketball Club.

Music is one of the main areas within Crnogorski Telekom’s sponsorship strategy since music is considered to be the universal language for all generations. It sponsored numerous musical events and activities in 2015. The company partnered with organisations across Montenegro and supported the Southern Soul Festival in Ulcinj, Sea Dance in Budva and After Beach Parties along the Montenegrin coast. In September 2015, with the support of Deutsche Telekom, Crnogorski Telekom organised Electronic Beats, a festival of electronic music in Podgorica.

In the field of culture, Crnogorski Telekom was sponsor of FIAT, the festival of alternative theatre in Podgorica.

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 transport of brand tools to festivals without unnecessary trips, thereby we managed to reduce carbon dioxide emission.

As the committed sponsor of the Hungarian Swimming Association, Magyar Telekom supported Hungary’s successful application for the organization of the 2017 FINA world championship in Budapest.

Until 2016 Telekom, throwing in a broad array of its telecommunication services, promotes the attainment of the goals of the HOC and the preparation of Hungarian athletes for the Rio de Janeiro Olympic Games as platinum sponsor and supported the HOC’s logo design contest for the bid for the organization of the Olympic Games in 2024 in Budapest.
6.2 COMMUNITY INVESTMENTS

Development of communities, consciousness forming

Telekom Smart Digital Program: digital education for children and adults

We do believe that as a responsible large corporation we do not only have to provide services but also help their use and bridge the digital gap between certain areas of Hungary. A way of fulfilling this mission is education: we convey our knowledge on the digital world by giving free lectures to children, adults, parents and teachers.

Within the frame of our Smart Digital Program 52 Telekom volunteers gave 485 lessons in more than 300 schools across Hungary. Only last year 12,576 children attended our interactive presentations on the safe use of the internet and mobile communication.

Further information on Smart Digital Program is in 2.1 Closing the digital divide chapter.

Become an IT expert! – career guidance program

Currently more than 20,000 IT experts are missing from the Hungarian labor market and the lack of professionals has a serious impact on the performance of the national economy - generating a loss of several hundreds of billions of HUF per year - and at the same time we experience that not enough young career entrants see perspective in this profession.

Magyar Telekom’s Become an IT expert! program wishes to turnaround this trend and within the frame of the initiative IT experts working at the company volunteer to meet young people and present them the advantages of an IT career. The most important objective of the Become an IT expert! Program is to bring down stereotypes and obstacles and make parents and children more open to the IT profession. An integral part of the Become an IT expert! program wishes to turn around this trend and within the frame of the initiative IT experts working at the company volunteer to meet young people and present them the advantages of an IT career. The most important objective of the Become an IT expert! Program is to bring down stereotypes and obstacles and make parents and children more open to the IT profession. An integral part of the Become an IT expert! program wishes to turn around this trend and make parents and children more open to the IT profession. An integral part of the Become an IT expert! program wishes to turn around this trend and make parents and children more open to the IT profession. An integral part of the Become an IT expert! program wishes to turn around this trend and make parents and children more open to the IT profession.

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Chris Mattheisen, Magyar Telekom’s CEO at the Become an IT expert! training

ATTILA SZABÓ
TECHNICAL SERVICES SENIOR SPECIALIST, MAGYAR TELEKOM

Corporate volunteer work is an integral part of the company’s social strategy and the CSR as well. The term of CSR - Corporate Social Responsibility - means that companies voluntarily incorporate social and environmental considerations into their business activities and their relations with business partners. Within Telekom there are several voluntary programs out of which the professional knowledge based voluntary program was closest to me and this is where I wanted to test my skills. Within the frame of the program I can convey my knowledge and expertise to children. I find it important to teach this generation how to connect to the online world or safe and consciously. I would like to call their attention to risky areas of the internet and teach young people how to properly communicate through online channels. This generation was raised in the online world and they might work in positions in the future that do not yet exist so they have to be careful about creating their own image in the online space. During the training sessions I try to call their attention to spend their online time useful and in a creative way and not just to “hang out” on the internet. If we show them what the web is good for they will spend less time on browsing harmful content. They need to consciously build their online personality and I would like to give them all the help that I can.

The voluntary program for me is a dream that came true as I always wanted to be a teacher.

Volunteers of the Smart Digital Program

Secondary school students at the Become an IT expert! program
Recognition of the Montenegrin “Za svako dobro” (“All the best”) donation project

In 2015 we organized the It is good to give! cookie campaign for the fifth time on the international volunteer day, together with the members of the Sustainability Media Club. The beneficiary of the initiative this year was the Autistic Art – Smile Fund that supports special homes for autistic young people and organizes art therapy sessions to help young autistic people, who mainly suffer from impaired social and communication skills, to express their thoughts and feelings through drawing, painting and visual arts. Within the frame of the event, organized in multiple company sites, the Fund raised almost 1.7 million HUF from selling homemade cookies and the company gave another 3 million HUF donation to supplement the proceeds.

Telekom employees, representatives from the NGO area, media and the local UNDP office participated in the selection of the winning projects.

These are winning projects:

1. “Website Star” – development of website for elderly people
2. “Accessibility and Montenegro” – accessibility of public institutions for people with disabilities
3. “We want to socialize” – project supporting inclusion of children and youth with special needs
4. “Calendar of child development” – online application of calendar of child development from birth until 15 years old
5. “Robotic laboratory for talented children and youth” – laboratory for talented children and youth to practice robotics
6. “This is my responsibility too” – project supporting arise of awareness of environmental protection

At traditional Annual Award Ceremony for Philanthropy, Iskra, in December 2015, Telekom received recognition for our donation project “Za svako dobro”, which is supporting socially vulnerable groups or promoting good causes for our society.

Besides the donation contest Za svako dobro, in 2015 Crnogorski Telekom supported a number of initiatives dealing with problems of socially vulnerable groups as well as supporting the sustainable operation of the facility.

Goals of the Montenegrin “Za svako dobro” project are support of socially responsible projects that are contributing to the community welfare, engagement of important stakeholders and gaining their trust, and increase of transparency in the company’s social engagement. In order to ensure transparency and the selection of the best projects, beside the social and development center in Kastély, Metropol – who also put their heart and soul – and a lot of goodies - in the effort.

We had a professional food stylist and photographer to help us prepare e-postcards and with the sending of these postcards 100 HUF donation to Hungarian Interchurch Aid with 5 million HUF can be donated to the Fund.

In 2015 T-Systems supported numerous organizations that fit into Magyar Telekom Group’s sustainable strategy. The fulfillment of the objectives of these programs gives us an opportunity to build a renewing society and environment. The company supported the Hungarian Interchurch Aid with 5 million HUF to purchase a new “Life Changing” house for elderly people and children and also donated another 5 million HUF to modernize the heating system in a transitional home built for families in Szolnok thereby supporting the sustainable operation of the facility.

In 2015 Crnogorski Telekom organized donation contest “Za svako dobro”, which is supporting socially responsible projects of special importance for the community, for the second year in a row. Total amount of funding for this year’s contest was 35,000 euros, which is an increase of 67% compared to the previous year. The contest was open to all non-governmental organisations from Montenegro that could apply their projects in the fields of education, arts and culture, environmental protection and the creation of equal opportunities for inclusion in digital society. From 50 NGOs that applied for grants, six projects were selected and awarded funds for implementation.

In 2015 Makedonski Telekom donated medical equipment to the Institute for Respiratory Diseases in Children in Kocle. The equipment is essential for faster and more effective diagnosis, as well as the treatment of children with respiratory diseases. The Institute for Respiratory Diseases in Children in Kocle treats 38,000 children per year, of which 4,000 are hospitalized and 35,000 are treated in the outpatient’s ward.

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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.

6.3 OUR EMPLOYEES AND SOCIAL RESPONSIBILITY

In 2015, the e-Engagement educational caravan project ended with the closing conference at the Telekom Innovation Center, an event organized by the NGO Youth Union with the support of the Foundation e-Macedonia, set up by Makedonski Telekom. The aim of the project was to encourage young people to use digital tools for self-improvement and creating positive changes in society.

During 2015, 12 one-day workshops were organized in 12 cities. In the two years of its existence, the educational caravan visited 16 cities around the country and over 1,500 young people were actively engaged. Through these workshops young people were encouraged to become leaders and creators of the future, both in the civil society and in youth cooperation, creating positive social change by applying the knowledge, skills and technological benefits generated.

The closing conference on December 12, which was attended by 15 lecturers and the most motivated and active young people, produced many useful conclusions and recommendations about how the young people’s needs are being met. The conference was attended by 15 lecturers and those with whom the conference was attended are strongly committed and involved in the support of disadvantaged children and those who live with Down syndrome.

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 2015 we provided discount priced fixed line telephone and internet services to 35 organizations for 12 months in the value of 3.5 million HUF.

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.

In 2015, 10 such programs were organized and upon these occasions altogether 649 Magyar Telekom volunteers participated in 4412 hours. With these programs we provided 21.8 million HUF worth of theoretical contribution to the society.

In 2015 two humanitarian actions of employees were organized in order to support people in need. Employees collected food and wardrobe on the occasion of the International Day for the Eradication of Poverty (October 17). Collected goods were given to the Red Cross in Podgorica, which distributed it to families in need. Also, in December 2015 employees participated in collection of candies, toys, children’s books, school items, then packed New Year’s gifts for children from families in need or children with special needs. 230 New Year’s gifts were donated to three NGOs supporting children with special needs and children from families in need, across Montenegro.

Guiding Principles Day in 2015 has been organized with the best participation rate ever.
7. CORPORATE GOVERNANCE

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The professional sphere and the investors require public companies listed on the stock exchange to state clearly what governance model they use and how this is applied in practice. Being a company listed on the Budapest Stock Exchange it is highly important for the Company to meet the relevant statutory and stock exchange requirements.

To ensure transparency of the Company’s management information about Magyar Telekom’s corporate governance is available on the following website: http://www.telekom.hu/about_us/investor_relations/corporate_governance. Information on annual general meetings and the resolutions adopted at them is available on the following website: http://www.telekom.hu/investor_relations/corporate_governance/meetings.

### 7.1 SUSTAINABILITY COORDINATION

The group-level governance of sustainability activities in 2015 is shown on the diagram below. The Group-level coordination is continued to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). In the operation of the GSCC the strategy development and strategy management are separated, thus the method of implementing sustainability activities has two levels:

1. **Strategy development and strategy management**
   - Strategic concepts are being developed, and the implementation of the strategy, the relevant communication with the national and international organizations are managed under the auspices of the GSCC.

2. **Operative implementation level**
   - The operative activities, tasks, data provision etc. are performed in the relevant organizations of the governance areas and business units.

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.

The top management of Magyar Telekom Group, the Management Committee receives at least once a year a report on the implementation of the tasks of the Group Sustainability Strategy and other ongoing significant sustainability activities, results, potential exposures and opportunities.

Telekom Group’s sustainability operation and the responsibilities and competence of stakeholders.

The MC is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The MC keeps contact with the stakeholders (e.g. General Meeting) through the GSCC. Incoming inquiries are received by the respective professional areas and critical comments regarding sustainability are transferred to the responsible staff members by the GSCC members. According to the relevant group directives the strategic tasks are allocated to the respective Chief Officers. 50% of the bonuses of Chief Officers depend on the performance of collective objectives.

Communication is based upon the results of the above activities and one of the most important elements of communication is the annually released Sustainability Report which is supervised by the Chief Human Resources Officer while the professional management of the report is performed by the Corporate Sustainability Center.

In 2015 the tasks and the competencies of the non-core business directorate were transferred to the Product House directorate.

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.

The Group Sustainability Coordination Council (GSCC) is supervised by the Chief Human Resources Officer (CHRO), member of the MC.

Responsibilities: At the decision making level, the GSCC member is the leader of the HR-VFK, ensuring the necessary framework and supervision of the operations, ensuring the coordination for the performance of tasks.

Competence: The GSCC manager is responsible for the GSCC and the implementation of the tasks of the management area/organization/company, information, participation in meetings, data supply, implementation of operative tasks.

The Management Committee (MC) is responsible for the operative implementation level.

Responsibilities: The Management Committee (MC) is responsible for the operative implementation level.

Competence: determination of main directions, decision on key issues ensuring the necessary framework and supervision of the activities making the decisions and resolutions necessary for the operation, ensuring the coordination for the performance of tasks professional management; harmonized implementation of group level tasks; participation in the Hungarian and international professional activities implementation of tasks of the management area/organization/member company, information, participation in meetings, data supply, implementation of operative tasks.

The Supervisory Board is responsible for the relevant group directive the strategic tasks are transferred to the responsible staff members of the GSCC.

Responsibilities: At the decision making level, the Supervisory Board member is responsible for the GSCC and the implementation of the tasks of the management area/organization/company, information, participation in meetings, data supply, implementation of operative tasks.

Competence: Group Sustainability Coordination Council (GSCC)
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 by roundtable discussions and at various sustainability forums, email messages, survey results, etc.). The continuously updated strategy then served as a basis of our tasks and objectives.

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

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:

### 7.2 Regulatory 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 we 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.

In order to ensure compliance with the sector-specific regulations we operate the so-called Compliance Coordination Forum to help the share of information within the company and the preparation of the necessary changes (the activities of the Forum are regulated by Magyar Telekom through internal policies).

Magyar Telekom can comment and propose the modification of industry-specific policies, strategic material and draft legislation through the telecommunication interest representation organizations, e.g. Communications Reconciliation Council (CRC). The permanent professional consultation partner of the Hungarian Government regarding the implementation of the Digital Welfare Program (DWP) is the CRC (chaired by Magyar Telekom’s manager since 2014). Thanks to this opportunity the communication industry’s stakeholders may continuously represent their interests and share their opinion and comments with the representatives of the state through the CRC.

The achievements of this consultation partner role include the promulgation of the first legislation package with bureaucracy reducing measures and their entry into force that support the broadband network infrastructure building efforts (e.g. acceleration of the authority permit procedures) within the Broadband Internet Project, implemented under the auspices of the DIP.

The centerpoint of the Compliance Program is the Code of Conduct that summarizes the relevant requirements and the applicable ethical norms. Employees may ask compliance related questions through the Ask me! portal. The Company verified the cases of unethical conduct reported during the year, and launched appropriate investigations if it was considered necessary. In the cases where the action of fraud was verified, the necessary remedial actions were duly taken. Complaints and comments related to issues and violations of internal and external regulations can be submitted to Magyar Telekom Group’s Tell me! portal.
## KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP

| KPI INFORMATION ON MOBILE SERVICES IN HUNGARY, MACEDONIA AND MONTENEGRO |
|-----------------|-----------------|-----------------|
|                  | 2014            | 2015            | 2015/2014     |
| **HUNGARY**     | 31 December     | 31 December     | (%) change    |
| Number of mobile broadband subscriptions | 2 016 230 | 2 211 204 | 2.8          |
| Population-based outdoor 3G coverage (%) | 83.0 | 83.0 | n.a.         |
| Population-based outdoor 4G coverage (%) | 78.3 | 97.3 | n.a.         |
| **MACEDONIA**   |                 |                 |               |
| Penetration (%) | 106.7           | 103.7           | n.a.         |
| Total number of subscribers | 1 197 242 | 1 229 655 | 2.7          |
| SIM market share (%) | 46.8 | 47.3 | n.a.         |
| **MONTENEGRO**  |                 |                 |               |
| Penetration (%) | 163.4           | 162.6           | n.a.         |
| Total number of subscribers | 345 863 | 329 844 | (4.6)        |
| SIM market share (%) | 34.1 | 32.7 | n.a.         |

## KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT

| MOBILE SERVICES |
|-----------------|-----------------|-----------------|-----------------|
|                  | 2014            | 2015            | 2015/2014     |
| **MOBILE SERVICES** | 31 December     | 31 December     | (%) change    |
| Number of customers (RPC) | 4 964 255 | 4 949 674 | (0.3)         |
| Post-paid share in the customer base (%) | 50.0 | 51.5 | n.a.         |
| Monthly minutes of use (outgoing) | 171 | 186 | 8.8          |
| Post-paid average monthly revenue per user | 5 760 | 5 575 | (3.2)        |
| Pre-paid average monthly revenue per user | 1 292 | 1 160 | (10.2)       |
| Average monthly revenue per user (HUF) | 3 489 | 3 405 | (2.4)        |
| Post-paid (%) | 11.2           | 11.1           | n.a.         |
| Pre-paid (%) | 25.2           | 25.3           | n.a.         |
| Overall churn rate (%) | 18.3 | 18.1 | n.a.         |
| Ratio of non-voice revenues in average monthly revenue per user (%) | 26.8 | 30.6 | n.a.         |
| Average acquisition cost (SAC) per gross add (HUF) | 5 722 | 6 129 | 7.1          |
| Number of mobile broadband subscriptions | 2 016 230 | 2 211 204 | 9.7          |
### Key Operating Statistical Figures of Telekom Hungary Segment

#### Fixed-Line Services

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2015/2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total voice access</td>
<td>1,418,207</td>
<td>1,398,220</td>
<td>-1.4</td>
</tr>
<tr>
<td>Total outgoing traffic (thousand minutes)</td>
<td>2,781,810</td>
<td>2,624,461</td>
<td>-5.7</td>
</tr>
<tr>
<td>Blended monthly minutes of use (outgoing)</td>
<td>164</td>
<td>156</td>
<td>-4.8</td>
</tr>
<tr>
<td>Blended average monthly revenue per user (HUF)</td>
<td>2,587</td>
<td>2,495</td>
<td>-3.6</td>
</tr>
</tbody>
</table>

#### Internet Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2014</th>
<th>2015</th>
<th>2015/2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of retail DSL customers</td>
<td>548,656</td>
<td>575,006</td>
<td>4.8</td>
</tr>
<tr>
<td>Number of cable broadband customers</td>
<td>314,592</td>
<td>340,883</td>
<td>8.4</td>
</tr>
<tr>
<td>Number of fiber optic connections</td>
<td>58,561</td>
<td>70,063</td>
<td>19.6</td>
</tr>
<tr>
<td>Total retail broadband customers</td>
<td>921,809</td>
<td>985,952</td>
<td>7</td>
</tr>
<tr>
<td>Broadband average monthly revenue per user (HUF)</td>
<td>3,429</td>
<td>3,503</td>
<td>2.2</td>
</tr>
</tbody>
</table>

#### TV Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2014</th>
<th>2015</th>
<th>2015/2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of IPTV customers</td>
<td>445,044</td>
<td>497,662</td>
<td>11.8</td>
</tr>
<tr>
<td>Number of satellite TV customers</td>
<td>306,627</td>
<td>306,312</td>
<td>-0.1</td>
</tr>
<tr>
<td>Number of cable TV customers</td>
<td>172,957</td>
<td>156,118</td>
<td>-9.7</td>
</tr>
<tr>
<td>Total TV customers</td>
<td>924,628</td>
<td>960,932</td>
<td>3.8</td>
</tr>
<tr>
<td>Blended TV average monthly revenue per user (HUF)</td>
<td>3,111</td>
<td>3,290</td>
<td>5.8</td>
</tr>
</tbody>
</table>

#### Energy Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2014</th>
<th>2015</th>
<th>2015/2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity points of delivery</td>
<td>104,831</td>
<td>106,564</td>
<td>1.7</td>
</tr>
<tr>
<td>Gas points of delivery</td>
<td>67,087</td>
<td>7,427</td>
<td>-88.9</td>
</tr>
</tbody>
</table>

---

### Key Operating Statistical Figures of T-Sytems Hungary Segment

#### Mobile Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2014</th>
<th>2015</th>
<th>2015/2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of customers (RPC)</td>
<td>514,085</td>
<td>554,090</td>
<td>7.8</td>
</tr>
<tr>
<td>Average monthly revenue per user (HUF)</td>
<td>3,891</td>
<td>3,578</td>
<td>-8.1</td>
</tr>
<tr>
<td>Overall churn rate (%)</td>
<td>12.4</td>
<td>8.1</td>
<td>n.a.</td>
</tr>
<tr>
<td>Ratio of non-voice revenues in average monthly revenue per user (%)</td>
<td>40.4</td>
<td>44.8</td>
<td>n.a.</td>
</tr>
<tr>
<td>Average acquisition cost (SAC) per gross add (HUF)</td>
<td>3,883</td>
<td>2,358</td>
<td>-39.3</td>
</tr>
<tr>
<td>Number of mobile broadband internet subscriptions</td>
<td>134,812</td>
<td>148,595</td>
<td>10.2</td>
</tr>
</tbody>
</table>

#### Fixed-Line Services

<table>
<thead>
<tr>
<th>Service</th>
<th>2014</th>
<th>2015</th>
<th>2015/2014 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total voice access</td>
<td>65,098</td>
<td>62,542</td>
<td>-3.9</td>
</tr>
<tr>
<td>Total outgoing traffic (thousand minutes)</td>
<td>259,821</td>
<td>217,354</td>
<td>-16.3</td>
</tr>
<tr>
<td>Monthly minutes of use (outgoing)</td>
<td>322</td>
<td>284</td>
<td>-11.8</td>
</tr>
<tr>
<td>Average monthly revenue per user (HUF)</td>
<td>8,434</td>
<td>7,761</td>
<td>-8.0</td>
</tr>
</tbody>
</table>

---

(1) Including PSTN, VoIP and VoCable
### Key Operating Statistical Figures of Macedonia Segment

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2014</th>
<th>2015</th>
<th>2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of customers (RPC)</td>
<td>1,197,242</td>
<td>1,229,655</td>
<td>2.7%</td>
</tr>
<tr>
<td>Post-paid share in the customer base (%)</td>
<td>35.4%</td>
<td>37.3%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Monthly minutes of use (outgoing)</td>
<td>205</td>
<td>213</td>
<td>3.9%</td>
</tr>
<tr>
<td>Average monthly revenue per user (HUF)</td>
<td>1,855</td>
<td>1,697</td>
<td>(8.5)%</td>
</tr>
<tr>
<td><strong>Fixed-Line Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-line penetration (%)</td>
<td>12.1%</td>
<td>11%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Retail DSL market share (estimated, %)</td>
<td>82.4%</td>
<td>82.4%</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Voice Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total voice access</td>
<td>226,912</td>
<td>224,802</td>
<td>(5.1)%</td>
</tr>
<tr>
<td>Total outgoing traffic (thousand minutes)</td>
<td>293,487</td>
<td>218,379</td>
<td>(25.6)%</td>
</tr>
<tr>
<td><strong>Internet Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of retail DSL customers</td>
<td>165,052</td>
<td>165,497</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>TV Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of IPTV customers</td>
<td>98,216</td>
<td>103,422</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

### Key Operating Statistical Figures of Montenegro Segment

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2014</th>
<th>2015</th>
<th>2015/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mobile Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of customers (RPC)</td>
<td>345,863</td>
<td>329,844</td>
<td>(4.6)%</td>
</tr>
<tr>
<td>Post-paid share in the customer base (%)</td>
<td>42.9%</td>
<td>47.0%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Monthly minutes of use (outgoing)</td>
<td>178</td>
<td>181</td>
<td>1.1%</td>
</tr>
<tr>
<td>Average monthly revenue per user (HUF)</td>
<td>2,790</td>
<td>2,810</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Fixed-Line Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-line penetration (%)</td>
<td>23%</td>
<td>22%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Retail DSL market share (estimated, %)</td>
<td>85.8%</td>
<td>85.1%</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Voice Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total voice access</td>
<td>148,551</td>
<td>144,466</td>
<td>(2.7)%</td>
</tr>
<tr>
<td>Total outgoing traffic (thousand minutes)</td>
<td>224,995</td>
<td>193,445</td>
<td>(14.0)%</td>
</tr>
<tr>
<td><strong>Internet Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of DSL access</td>
<td>91,972</td>
<td>90,371</td>
<td>(1.7)%</td>
</tr>
<tr>
<td><strong>TV Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of IPTV customers</td>
<td>61,127</td>
<td>60,812</td>
<td>(0.5)%</td>
</tr>
</tbody>
</table>
ASSURANCE STATEMENT

INDEPENDENT ASSURANCE REPORT

To the Management of Magyar Telekom N.V.,

This report is produced in accordance with the terms of our Contract dated 18th May 2016 for the purpose of reporting to Magyar Telekom N.V. (the “Company”) in connection with the 2015 Sustainability Report.

Management’s Responsibility

The Management of Magyar Telekom N.V. (“Responsible party”) is responsible for the preparation of the Sustainability Report (Subject matter) in accordance with the G4 guidelines “Comprehensive option” as set out in Sustainability Reporting Guidelines of Global Reporting Initiative (G4 version) (“G4 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 is prepared in accordance with the G4 criteria. The report is prepared by the Management of Magyar Telekom N.V. in line with the G4 criteria.

Our responsibility

Our responsibility is to report on the selected information and data in the 2015 Sustainability Report based on our work performed.

We conducted our engagement in accordance with the International Standards on Assurance Engagements 2000 “Assurance Engagements other than Audits or Reviews of Financial 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 2015 Sustainability Report has been prepared in all material respects, in accordance with the G4 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 requirements 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.

Summary of the work performed

Within the scope of our work we performed, among others, the following procedures:

- Examination of the selected information and data marked with the check symbol (”) in the Sustainability Report for materiality.
- Examination of the information and data marked with the check symbol (”) and ensuring that the material information and data included in the previous period.
- Performing sample testing for the accuracy of the information and data marked with the check symbol (”).

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 2015 Sustainability Report has not been prepared in all material respects, in accordance with the G4 criteria.

Budapest, 15 July 2016

Angéla Balsoms
Partner, registered auditor
License number: 71915
Pracaennyi Guesthouse Egyetemiugumbaj 11th
1055 Budapest, Hungary-Zrínyi utca 46.
Registration number: 0114764

Report can be verified at the address: “Comprehensive option” – as part of Sustainable Reporting Guidelines of Global Reporting Initiative 4th edition (G4 criteria) on the website of Magyar Telekom N.V.

The Management of Magyar Telekom N.V. is responsible for the website and we do not accept responsibility for any content contained on the website.

Our report has been prepared in Hungarian and in English. All matters of interpretation of information, views or opinions, the presentation of our report relate predominantly on the Hungarian version.
MAGYAR TELEKOM - SUSTAINABILITY REPORT 2015 - GRI G4 CONTENT INDEX - TELECOMMUNICATION SECTOR SPECIFIC DISCLOSURES

Chapter in Sustainability Report 2015 | Page Number | Website | Direct Answer | Omission | External Assurance
--- | --- | --- | --- | --- | ---
**GENERAL STANDARD DISCLOSURES**
| G4-1 | Letter from the CEO | 3-4 | http://www.telekom.hu/lakossagi/english | [x] | [x] |
| G4-2 | Our approach (Sustainability strategy) | 6 | http://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/owners | [x] | [x] |
**ORGANIZATIONAL PROFILE**
| G4-3 |  |  | http://www.telekom.hu/uzleti/main/hip_structure | [x] | [x] |
| G4-4 |  |  | http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group | [x] | [x] |
| G4-5 |  |  | http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group | [x] | [x] |
| G4-6 |  |  | http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group | [x] | [x] |
| G4-7 |  |  | http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group | [x] | [x] |
| G4-8 |  |  | http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group | [x] | [x] |

**OWNERSHIP STRUCTURE OF MAGYAR TELEKOM**

<table>
<thead>
<tr>
<th>Owner</th>
<th>Ownership interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deutsche Telekom Europe B.V. (9)</td>
<td>59.21%</td>
</tr>
<tr>
<td>Other foreign institutions</td>
<td>20.73%</td>
</tr>
<tr>
<td>Nominees</td>
<td>6.56%</td>
</tr>
<tr>
<td>Government institutions</td>
<td>5.59%</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>2.24%</td>
</tr>
<tr>
<td>Other</td>
<td>8.63%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Based on the company’s share register as of March 31, 2016. Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. Magyar Telekom’s shares were introduced at the Budapest and international stock exchanges in 1997. The majority shareholder of Magyar Telekom (59.21%) is Deutsche Telekom Europe B.V., which is owned exclusively by Deutsche Telekom AG.
Number of employees of Magyar Telekom Group: 10,357 persons (as of December 31, 2015)
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

GA-17
The report covers Hungary, Macedonia and Montenegro and all activities of the Group are included. Telekom uses its best efforts to ensure completeness of the report and therefore includes all member companies that are of key importance from a sustainability point of view. The data disclosed in the report are comparable to the changes of the composition of the Group which is supported by the table in the direct answers in the GA-13 indicator.

GA-18
GA-19
Our approach (Materiality)
Our approach (Materiality)
Stakeholders
7
7
9-14
9-14

GA-20
Based on the analysis, Telekom believes that all topics have significance both inside and outside the company.

GA-21
Stakeholders
9-14

GA-22
In 2015, the Company continued its sustainability operations based on the 2011-2015 Sustainability Strategy. Thus there are no significant professional changes in respect of the content of the report in comparison to previous years.

GA-23
Although the content did not change there were minor changes to the structure of the report. The structure of the report follows the priorities of the materiality analysis: high and medium priority topics are presented in detail whereas information on low priority topics is primarily provided in the GRI indicator table 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.

STAKEHOLDER ENGAGEMENT

GA-24
The report is an information source for all stakeholders, however, the entirety of the report is primarily prepared for Telekom’s shareholders and investors, and among them, for the responsible investors and sustainability analysts in the first place. Nevertheless, the Company uses its best efforts to involve all stakeholders and to provide them with information.

GA-25

GA-26
Stakeholders
Stakeholders
2.1 Closing the digital divide
2.4 Protection of our children in the digital age
3. Suppliers
4.2 Involvement of our customers
5.2 Involvement of our employees
6.3 Our employees as corporate citizens
9-14
9-14
25-27
29
30-33
37-39
44-45
50

GA-27
Stakeholders
9-14

REPORT PROFILE

GA-28
Based on the analysis, Telekom believes that all topics have significance both inside and outside the company.

GA-29
http://www.telekom.hu/about_us/society_and_environment/sustainability_reports

GA-30
http://www.telekom.hu/about_us/society_and_environment/sustainability_reports

GA-31
Stakeholders
9-14

GA-32
Assurance statement
GRI content index
57
58-77

GA-33
Assurance statement
57

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 completeness, authenticity, comprehensiveness, structural integrity, justifiability and verifiability of the Sustainability Report. The report has been audited by PricewaterhouseCoopers Kinyvészeti Ügynökség, 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 2014 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.
7.1 Sustainability coordination

http://www.telekom.hu/about_us/investor_relations/corporate_governance

The Board of Directors is responsible for the management of the Company, which has the power to act on behalf of the Company vis-à-vis third persons, and represent it in court. The competences of the Board of Directors include decisions on all issues with regard to the management and business activities of the Company that do not fall into the exclusive scope of authority of the General Meeting or any other corporate body pursuant to the Articles or the relevant laws.

In accordance with the Company’s Articles of Association and the rules of procedure of the Board of Directors, in 2000 the Board of Directors established the Management Committee (MC) with powers to pursue its activities in compliance with the annual business plan. The Supervisory Board (SB) supervises the management of the Company in order to protect its interests. In this role it supervises the governance, management of the company, its finances and controls compliance with the regulations and the Company’s Articles of Association. The Audit Committee is a permanent committee, established by the General Meeting from the independent members of the Supervisory Board. The objective of the Committee is to assist the Supervisory Board (SB) in supervising the financial report regime, (2) in selecting the statutory auditor (3) in working with the statutory auditors. The Committee acts within its competence as defined in the Hungarian Civil Code, the Articles of Association and the Supervisory Board’s Rules of Procedure.

Mágaz Telekom Telecommunications Public Company’s Board of Directors established the Remuneration and Nomination Committee with the objective to support the Company’s Board of Directors in matters related to the remuneration of corporate bodies and to manage issues as an in certain nomination issues. The reason of merging remuneration and certain nomination tasks into a single committee was to make the Board’s personnel decision making process more effective thus ensuring the complex management of the relevant matters.


G4-35 7.1 Sustainability coordination 52-53

G4-36 7.1 Sustainability coordination 52-53

Stakeholders

3. Suppliers 30-33

4.2 Involvement of our customers 37-39

5.1 Human rights, equal opportunities 41-43

G4-37

7.1 Sustainability coordination 52-53


Members of the Remuneration and Nomination Committee on December 31, 2015: Frank Odzuck, Chief Executive Officer, Zwack Unicum Plc., Dr. Ralph Rentschler, Finance Europe, Financial Director Europe, Deutsche Telekom AG, Thilo Kusch, Chief Financial Officer, T-Systems International GmbH.

On December 31, 2015 the Board of Directors had eight members, nine executive and seven non-executive members. 3 members were considered independent and 7 members were not considered independent. Members of the Board of Directors:

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<tr>
<td>G4-39</td>
<td>52-53</td>
<td><a href="https://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents">Website</a></td>
<td>The Chief Executive Officer does not fill the position of the Chairman of the Board of Directors.</td>
<td>✔️</td>
<td></td>
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<tr>
<td>G4-40</td>
<td>52-53</td>
<td><a href="https://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents">Website</a></td>
<td>The current job-grading system is transparent and the structure reflects the real-valued job positions rather than hierarchy. Each employee is placed in the respective job position on the basis of the responsibility, professional knowledge required by the given position where the employee works. The individual positions are therefore comparable and the entire system is transparent and clear.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>G4-41</td>
<td>52-53</td>
<td><a href="https://www.telekom.hu/static-it/se/file/20160224_eng.pdf">Website</a></td>
<td>Deutsche Telekom Group and Magyar Telekom Group trust that the interests of their employees do not conflict with the interests of the Company. Other employment means the performance of work at a place other than the primary place of employment, in the course of which the employee submits his working capacity to a third party, regardless of the fact whether or not he receives a remuneration for it. An own enterprise is also to be considered other employment. You may not enter such other legal relationship, which conflicts with the interests of Deutsche Telekom Group and Magyar Telekom Group, especially if such relationship is prohibited by causes of competition. Deutsche Telekom Group and Magyar Telekom Group are not interested in holding such ownership share in its business partners or competitors that enables it to exercise business influence on them. The use of company property for private purposes is generally not permitted except if the given person is expressly entitled to such use, if the Collective Agreement allows it, or if the operating processes and regulations permit.</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>G4-42</td>
<td>52-53</td>
<td>7.1 Sustainability coordination</td>
<td>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, 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 incentives, 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. In order to fulfill the sustainability objectives the responsible middle managers and experts are incentivized directly through the TM system.</td>
<td>✔️</td>
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<td>G4-43</td>
<td>52-53</td>
<td>7.1 Sustainability coordination</td>
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<td>G4-44</td>
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<td>7.1 Sustainability coordination</td>
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<td>G4-49</td>
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<td>G4-50</td>
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<td>7.1 Sustainability coordination</td>
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</tbody>
</table>
The information on the fee of the members of the Board of Directors, the Supervisory Board, the Audit Committee as well as the management (members of the Management Committee of the Company) are disclosed in the Corporate Governance Report, prepared in accordance with the provisions of the Hungarian Civil Code and the Corporate Governance Recommendations (CGR) of the Budapest Stock Exchange Plc. (“BET”).

The Annual General Meeting, held on April 15, 2015, adopted the amendment of the Remuneration Guidelines. The shareholders could express their opinion on the decision at the General Meeting.

The information on the fee of the members of the Board of Directors, the Supervisory Board, the Audit Committee as well as the management (members of the Management Committee of the Company) are disclosed in the Corporate Governance Report, prepared in accordance with the provisions of the Hungarian Civil Code and the Corporate Governance Recommendations (CGR) of the Budapest Stock Exchange Plc. (“BET”).

The information is confidential – Partial disclosure.

**ETHICS AND INTEGRITY**

**G4-56**

5.1 Human rights, equal opportunities

Outersite

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 is also the basis 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.

G4-57

Suppliers

Outersite

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.

G4-58

Suppliers

Outersite

Complaints and comments related to issues and violations of regulations can be submitted to Magyar Telekom’s external portal.

G4-59

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### Creating Value for Our Stakeholders

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<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tr>
<td>Profit before income tax</td>
<td>HUF</td>
<td>million</td>
<td>HUF</td>
<td>million</td>
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<td>Profit before income tax</td>
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<td>226</td>
<td>814</td>
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<tr>
<td>Profit before income tax</td>
<td>463</td>
<td>528</td>
<td>1006</td>
<td>1054</td>
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### Creating economic value

- **G4-EC2**: Our approach (Management systems)
- **G4-EC3**: 1. Climate and environmental protection
- **G4-EC4**: 7.1 Sustainability protection


<table>
<thead>
<tr>
<th>Substantial financial support from the state</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tr>
<td>Fence and gate subsidies</td>
<td>HUF</td>
<td>million</td>
<td>HUF</td>
<td>million</td>
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<tr>
<td>Fence and gate subsidies</td>
<td>209</td>
<td>209</td>
<td>209</td>
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</tbody>
</table>

**NOTES:**
2. There is no significant state financial aid (donation, R+D or tax discount, etc.) in other countries above Hungary, that we report in Hungary.

**GRI CONTENT INDEX**

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- [G4-EC2](#)
- [G4-EC3](#)
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<tr>
<td>G4-01A</td>
<td>5, 7-8</td>
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<tr>
<td>G4-01S</td>
<td>5.1</td>
<td>41-43</td>
<td>Telekom always pays 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. The pay brackets are determined on the basis of the actual market benchmark.</td>
<td></td>
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<tr>
<td>G4-01C</td>
<td>5.1</td>
<td>41-43</td>
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<tr>
<td><strong>ASPECT: INDIRECT ECONOMIC IMPACTS</strong></td>
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<td>5.1</td>
<td>41-43</td>
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<tr>
<td><strong>ASPECT: PROCUREMENT PRACTICES</strong></td>
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<td>G4-01A</td>
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<tr>
<td>G4-01C</td>
<td>3. Suppliers</td>
<td>30-33</td>
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<td><strong>CATEGORY: ENVIRONMENTAL</strong></td>
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<tr>
<td><strong>ASPECT: MATERIALS</strong></td>
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<tr>
<td>G4-04C</td>
<td>12.2 Paper consumption</td>
<td>20-21</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
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<td>G4-04D</td>
<td>12.3 Effects of transport and logistics</td>
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<tr>
<td><strong>ASPECT: ENERGY</strong></td>
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<td>G4-05A</td>
<td>6, 8</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees">http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees</a></td>
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<td>G4-06A</td>
<td>12.2 Fleet management, fuel consumption</td>
<td>18-19</td>
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<td>12.2 Ressources management</td>
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<td>12.2 Energy efficiency</td>
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<td>G4-07B</td>
<td>12.6 Biodiversity (Water consumption)</td>
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G4-EN9 | 1.2.6 Biodiversity (Water consumption) | 21 | | |
G4-EN10 | 1.2.6 Biodiversity (Water consumption) | 21 | | |

### ASPECT: BIODIVERSITY

G4-EN11 | 1.2.6 Biodiversity (Water consumption) | 21 | http://www.telekom.hu/about_us/society_and_environment | Note: 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. |
G4-EN12 | 1.2.6 Biodiversity (Water consumption) | 21 | http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees | Telekom does not perform water recycling activities. |

#### External Assurance

- ✓
- ✓

### ASPECT: EMISSIONS

G4-EN13 | 1.2.6 Biodiversity (Water consumption) | 21 | | Whenever possible the Company avoids construction projects in protected or Natura 2000 areas. |
G4-EN14 | 1.2.6 Biodiversity (Water consumption) | 21 | | Not relevant. |

#### External Assurance

- ✓
- ✓

### ASPECT: EFFLUENTS AND WASTE

G4-EN15 | 1.2.6 Biodiversity (Water consumption) | 21 | | 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. |
G4-EN16 | 1.2.6 Biodiversity (Water consumption) | 21 | | | |

#### External Assurance

- ✓
- ✓

### ASPECT: PRODUCTS AND SERVICES

G4-EN17 | 1.2.6 Biodiversity (Water consumption) | 21 | | | |
G4-EN18 | 1.2.6 Biodiversity (Water consumption) | 21 | | | |

#### External Assurance

- ✓
- ✓

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<td><a href="http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management">http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management</a>; <a href="https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&amp;page=english/vendors/information/main">https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&amp;page=english/vendors/information/main</a></td>
<td>Magyar Telekom Plc.'s intermediary partner for batteries is ReLEM (<a href="http://www.relem.hu">http://www.relem.hu</a>).</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>G4-DRM1 Our approach (Environmental policy, Management systems) G4-EN29 1.4 Environmental objectives, costs and compliance</td>
<td>23</td>
<td><a href="https://www.telekom.hu/about_us/society_and_environment">https://www.telekom.hu/about_us/society_and_environment</a></td>
<td>The company has not been sanctioned by the environment protection authorities.</td>
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<td>G4-DRM1 Our approach (Environmental policy) G4-EN30 1.2 Resources management</td>
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<td>G4-DRMA Our approach (Sustainability strategy) G4-EN35 1.4 Environmental objectives, costs and compliance</td>
<td>8</td>
<td><a href="https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&amp;page=english/main">https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&amp;page=english/main</a></td>
<td>Telekom has not terminated any agreement with any of its Suppliers with reference to sustainability/environment protection reasons.</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>G4-EN31 1.4 Environmental objectives, costs and compliance</td>
<td>23</td>
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</tbody>
</table>

**FLUCTUATION AT MAGYAR TELEKOM GROUP**

(28) There are no data available broken down to age and other indicators. The number of employment terminations, with the exception of the 2012 data, are compared to the previous year’s closing headcount, due to the employment of the part-time workforce, in 2012 we calculated with an annual average headcount. This change does not impact the comparability of the data.
### FLUCTUATION AT MAGYAR TELEKOM GROUP IN 2015

<table>
<thead>
<tr>
<th>Member company</th>
<th>Magyar Telekom Group</th>
<th>Magyar Telekom Plc.</th>
<th>T-Systems Origo</th>
<th>Makedonski Telekom</th>
<th>Crnogorski Telekom</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Total fluctuation</td>
<td>13.7%</td>
<td>15.0%</td>
<td>10.0%</td>
<td>22.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Termination initiated by the employee</td>
<td>6.9%</td>
<td>5.5%</td>
<td>6.0%</td>
<td>18.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

### NUMBER OF NEW HIRES AT MAGYAR TELEKOM GROUP IN 2015

<table>
<thead>
<tr>
<th>Member company</th>
<th>Magyar Telekom Group</th>
<th>Magyar Telekom Plc.</th>
<th>T-Systems Origo</th>
<th>Makedonski Telekom</th>
<th>Crnogorski Telekom</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Head</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>935</td>
<td>652</td>
<td>135</td>
<td>40</td>
<td>34</td>
</tr>
</tbody>
</table>

**Our approach (Human resources strategy)**

5.1 Human rights, equal opportunities

The remuneration elements are determined by the position level (job grade) of the given position (base wage, benefits, cafeteria, etc.).

**ASPECT: LABOR/MANAGEMENT RELATIONS**

G4-La2: Our approach (Human resources strategy) 7 41-43

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.

G4-La3: Our approach (Human resources strategy) 7 41-43

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.

**ASPECT: OCCUPATIONAL HEALTH AND SAFETY**

G4-ema: Our approach (Human resources strategy) 7

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 (Magyar Telekom’s work, i.e. as a result of the year 2015 audit the Company successfully renewed the MISBR certification).

G4-LA5: a. 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.

b. M: 0.01% (81 persons), T-Systems: 0.07% (23 persons)

(29) There are no data available broken down to age and other indicators.
In 2015 there was no occupational disease or fatal accident. Most frequent injuries are bruising and dislocation of limbs. Magyar Telekom Plc.: 52 injuries (10 female, 42 male): 20 cases with more than 3 lost workdays, 27 cases that did not involve loss of workdays, 5 unsubstantiated accidents, i.e. a total of 1031 lost workdays. Injury types: 39 technical and 13 office. T-Systems: There was no accident. Makedonski Telekom: 3 injuries with 62 lost workdays. Crnogorski Telekom: 7 injuries with 399 lost workdays. Telekom does not keep records on injuries at suppliers.

Prevention and screening examinations are important part of Magyar Telekom’s prevention system. Within the frame of the system the Company requires the vaccination of employees who are exposed to thick bites. It is also important that within aptitude tests Telecom performs hearing and eye examinations. The company pays special attention to locomotor screening examinations too. Independently from the activities performed Telecom provides opportunities for heart and cardiovascular examinations as well. 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.

Besides determining the tasks and responsibilities of occupational safety representatives in the Occupational Safety Rules and Regulations, the competences of the Central Works Council also includes participation in measures to provide healthy and safe workplaces and to avoid accidents and occupational diseases. 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 286001 MEBIR safety standards.
Magyar Telekom Group lays much emphasis on constant training, development of its employees and supports the use of the acquired knowledge. Magyar Telekom Group is a decisive organization of Hungary’s ICT sector. In this industry it is imperative to know and apply new trends, research results both at employee and managerial levels. The development plans are based on the alignment of the company’s strategic objectives and the individuals’ development targets.

RATIO OF DISTANCE LEARNING AT MAGYAR TELEKOM GROUP

ANNUAL AVERAGE TRAINING HOURS PER CAPITA, BROKEN DOWN TO EMPLOYEE CATEGORIES AT MAGYAR TELEKOM GROUP IN 2015
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. 2015 was an outstanding year in terms of trainings and education because the management of the company increased the annual training budget with 50%, i.e. the management would like to offer even more opportunities to employees to have access to the latest developments of their professional fields. Besides, Telekom also 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 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 2015, Magyar Telekom concluded a total of 106 study contracts. Out of them 14 covered school training, the others were related to training courses or agreements containing mutual commitments. 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.

In 2015 almost 100% of Magyar Telekom Plc. employees participated in the centrally operated performance management system (TM). The majority of the member companies apply the same TM/KMR system as the parent company does, or run their own performance assessment system to assess the employees' performance. In the career management (KMR) system not only the employees' professional performance, but also their personal competences and the performance potential are assessed and the areas of future development are also planned jointly by the relevant manager and the employee. The system does not store information on the gender of employees therefore it is not possible to assess the male-female ratio of the evaluated staff.

ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-DMA
Our approach (Human resources strategy) 7 41-43
G4-DMA2
5.1 Human rights, equal opportunities 41-43

ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN

G4-DMX
Our approach (Human resources strategy) 7 41-43
G4-DMX2
5.1 Human rights, equal opportunities 41-43

ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES

G4-DMA
Our approach (Sustainability strategy) 6 30-33
G4-DMA2
3. Suppliers 30-33
G4-DMA4
3. Suppliers 30-33
G4-DMA5
3. Suppliers 30-33
## ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS

<table>
<thead>
<tr>
<th>G4-DMAA</th>
<th>Our approach (human resources strategy)</th>
<th>7</th>
<th>40-45</th>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-DMAH</td>
<td>On January 1, 2015 there were 16 pending labor law litigations. In 2015 three more cases were launched and 11 cases were postponed/carrying over to 2016.</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

## SUB-CATEGORY: HUMAN RIGHTS

### ASPECT: INVESTMENT

<table>
<thead>
<tr>
<th>G4-OMA</th>
<th>Our approach (sustainability strategy)</th>
<th>6</th>
<th>30-33</th>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-HR1</td>
<td>Suppliers</td>
<td>30-33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-HR2</td>
<td>Human rights, equal opportunities</td>
<td>41-43</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In 2010 an external, independent party audited the Compliance program and they issued a certificate on Telekom’s compliance with the external expectations and the system itself. In 2013 the Company reviewed the program, involving other areas, like the procurement, internal audit, H.R. sales area. This audit did not only focus on the system at various areas but also measured the operational effectiveness of the control system as well. We again met the requirements that is certified by Ernst & Young, as an independent external auditor. In 2012 every employee of Magyar Telekom Group had to update their knowledge and accept the Code of Conduct after an online training. In addition, the Company launched online training courses at group level on anti-corruption and employee conflict of interest for employee target groups selected through risk analysis. The Company provides training appropriate for their position for the new entrants on an ongoing basis. In 2015 a total of 2264 persons were given remote training and 84% successfully completed them. Since 2008 Magyar Telekom Group employees have completed a total of 61,179 remote-learning compliance courses.

### ASPECT: NON-DISCRIMINATION

<table>
<thead>
<tr>
<th>G4-DMA</th>
<th>Our approach (human resources strategy)</th>
<th>7</th>
<th>40-45</th>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
</table>

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 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.

### ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

<table>
<thead>
<tr>
<th>G4-OMA</th>
<th>Our approach (human resources strategy)</th>
<th>7</th>
<th>30-33</th>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-HR4</td>
<td>Suppliers</td>
<td>30-33</td>
<td>41-43</td>
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</tbody>
</table>

In 2010 a total of 6 complaints were made – and the relevant procedures were launched - against the Company by the Equal Opportunity Authority for discriminative practices.

### ASPECT: CHILD LABOR

<table>
<thead>
<tr>
<th>G4-DMA</th>
<th>Suppliers</th>
<th>30-33</th>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
</table>

| G4-HR5 | Suppliers | 30-33 | 41-43 | | | |

| G4-HR6 | Suppliers | 30-33 | 41-43 | | | |

| G4-HR7 | Suppliers | 30-33 | 41-43 | | | |

### ASPECT: FORCED OR COMPULSORY LABOR

<table>
<thead>
<tr>
<th>G4-DMA</th>
<th>Suppliers</th>
<th>30-33</th>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
</table>

| G4-HR5 | Suppliers | 30-33 | 41-43 | | | |

| G4-HR6 | Suppliers | 30-33 | 41-43 | | | |

### ASPECT: SECURITY PRACTICES

| G4-OMA | The aspect is not material | | | | | |

| G4-HR7 | The aspect is not material | | | | | |

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<th>External Assurance</th>
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<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-HR8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>ASPECT: ASSESSMENT</strong></td>
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<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
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<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-HR10</td>
<td>30-33</td>
<td><a href="https://keszeszes.telekom.hu/keszeszes/portal_en?appid=keszeszes&amp;language=english&amp;main">https://keszeszes.telekom.hu/keszeszes/portal_en?appid=keszeszes&amp;language=english&amp;main</a> vm</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-HR10</td>
<td>30-33</td>
<td><a href="https://keszeszes.telekom.hu/keszeszes/portal_en?appid=keszeszes&amp;language=english&amp;main">https://keszeszes.telekom.hu/keszeszes/portal_en?appid=keszeszes&amp;language=english&amp;main</a> vm</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-HR11</td>
<td>30-33</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

### SUB-CATEGORY: SOCIETY

| **ASPECT: LOCAL COMMUNITIES**        |             |         |               |          |                   |
| G4-DMA                               |             |         |               |          | ✓                 |
| G4-SO1                               | 25-27       | facebook.com/okosdigitals |               |          |                   |
| G4-SO1                               | 37-39       | facebook.com/digitalishid |               |          |                   |
| G4-SO2                               | 44-45       |         |               |          |                   |

In 2015 there was no such case.

### ASPECT: ANTI-CORRUPTION

| G4-DMA                               |             |         |               |          | ✓                 |
| G4-SO1                               |             |         |               |          |                   |
| G4-SO2                               |             |         |               |          |                   |

In 2012 every employee of Magyar Telekom Group had to update their knowledge and accept the Code of Conduct after an online training. In addition, the Company launched online training courses at group level on anti-corruption and employee conflict of interest for employee target groups selected through risk analysis. The Company provides training appropriate for their position for the new entrants on an ongoing basis.

In addition to the above, both the parent company and the Hungarian and international subsidiaries have given personal coaching to employees working in areas exposed to compliance and fraud related risks about anti-corruption attitude, screening of the contracted partners and gift regulations.

In 2015, similarly to earlier years, the organizational units and the subsidiaries of Magyar Telekom Plc. took part in the process of risk analysis. On the basis of the result of the analysis a comprehensive audit was conducted about the potential compliance and fraud related risks, the findings of which were submitted to the Company’s Audit Committee.

Our yearly Compliance Risk Assessment (CRA) addresses active and passive corruption separately. It always includes Magyar Telekom, T-Systems, Makedonski Telekom and Crngorski Telekom. Other subsidiaries may be included on an ad-hoc basis based on inputs coming from compliance investigations. The CRA covers the above-mentioned companies entirely (100%).
<table>
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<tr>
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<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-SO4</td>
<td></td>
<td></td>
<td>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: 7 persons</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>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</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>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</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>d. number and proportion of management organizations that were trained on anticorruption, broken down to regions: 100%, all regions, Magyar Telekom: 7 persons</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>e. number and proportion of employees who were trained on anticorruption, broken down to employee category and region: Magyar Telekom Plc.: 2,264 persons, in 2015 84% of new entrants completed the course successfully</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-SO5</td>
<td></td>
<td></td>
<td>a. number of confirmed corruption incidents: 0</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>b. number of cases as a result employees have been dismissed or were subject to disciplinary measures due to corruption: 0</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>c. number of incidents as a result contracts were terminated or were not prolonged with business partners due to corruption: 0</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>d. public legal action initiated in the reporting period against organizations or employees due to corruption: 0</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
<td>Magyar Telekom Group is involved in shaping public policies 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 ministry. 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.</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-SO6</td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees">http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees</a></td>
<td></td>
<td>The Company has no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2015, which is in full compliance with the detailed stipulations set forth in the Code of Conduct - Paragraph [3.1.1 and 3.1.4].</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
<td>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.</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-SO8</td>
<td></td>
<td></td>
<td>In 2015 no fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes. In 2015 there was one Competition Office proceeding initiated against Telekom, which is still pending.</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
<td>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.</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-SO8</td>
<td></td>
<td></td>
<td>In 2015 the National Media and Info-Communications Authority conducted several individual complaint and general/overall market supervision proceedings against our company. Within the frame of general market supervision proceedings the authority imposed HUF 180 million HUF whereas in the case of subscriber complaints a total of 334 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2015 the total amount of fines were HUF 43.8 million.</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>G4-DMA</td>
<td></td>
<td></td>
<td>Our approach (Sustainability strategy) 3. Suppliers</td>
<td>30-33</td>
<td>✓</td>
</tr>
<tr>
<td>G4-SO8</td>
<td></td>
<td></td>
<td>3. Suppliers</td>
<td>30-33</td>
<td>✓</td>
</tr>
</tbody>
</table>
### ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY

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<tbody>
<tr>
<td>G4-DM1X</td>
<td></td>
<td></td>
<td>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 mitigate conflicts - besides harmonizing processes and 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.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>G4-DM11</td>
<td></td>
<td></td>
<td>In 2015 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 HUF 180 million HUF whereas in the case of subscriber complaints a total of 354 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2015 the total amount of fines were HUF 43.8 million.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

### SUB-CATEGORY: PRODUCT RESPONSIBILITY

### ASPECT: CUSTOMER HEALTH AND SAFETY

<table>
<thead>
<tr>
<th>Chapter in Sustainability Report 2015</th>
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</tr>
</thead>
<tbody>
<tr>
<td>G4-DM1A</td>
<td>29</td>
<td></td>
<td>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 and involvement in research. Magyar Telekom applies the relevant Deutsche Telekom recommendation as mandatory regulation since 2004, T-Mobile Macedonia since March, 2011, and the Management Committee of Crnogorski Telekom adopted the company’s EMF regulations aligned to the DT regulations on October 27, 2011. To support preventive action both Magyar Telekom and T-Mobile Macedonia set up dedicated workgroups, which meet quarterly and monitor EMF-related national and international developments and respond to the EMF-related queries of the authorities, residents or employees.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>G4-PR1</td>
<td></td>
<td></td>
<td>Magyar Telekom did not identify such impacts.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

### ASPECT: PRODUCT AND SERVICE LABELING

<table>
<thead>
<tr>
<th>Chapter in Sustainability Report 2015</th>
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<th>Direct Answer</th>
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</tr>
</thead>
<tbody>
<tr>
<td>G4-DM1A</td>
<td>2.4 Protection of our children in the digital age</td>
<td>29</td>
<td>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.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

### ASPECT: MARKETING COMMUNICATIONS

<table>
<thead>
<tr>
<th>Chapter in Sustainability Report 2015</th>
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<th>Omission</th>
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</tr>
</thead>
<tbody>
<tr>
<td>G4-PR6</td>
<td></td>
<td></td>
<td>In 2015 a consumer protection - e.g. marketing communication - proceeding was initiated against Telekom due to the alleged breach of the relevant rules before the Competition Office which is still pending and no fine has been imposed.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

### ASPECT: CUSTOMER PRIVACY

<table>
<thead>
<tr>
<th>Chapter in Sustainability Report 2015</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4-DM1A</td>
<td></td>
<td></td>
<td>Within the frame of the development and provision of services Magyar Telekom pays increased attention to the protection of its customers’ and business partners’ personal data. Magyar Telekom controls personal data in accordance with the provisions of the effective Hungarian laws, the recommendations of the Hungarian National Authority for Data Protection and Freedom of Information as well as the European Union’s data protection guidelines. The company guarantees the safety of personal data with high-priority security, IT, technical and organizational measures. The company joined those Deutsche Telekom Group member companies that adopted Deutsche Telekom Group’s Binding Corporate Rules Privacy as a binding policy.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>G4-PR8</td>
<td></td>
<td></td>
<td>In 2013 Magyar Telekom received requests and complaints from the Hungarian National Authority for Data Protection and Freedom of Information or directly from the customers, which were duly investigated by the Data Protection Group of Magyar Telekom, and the findings were reported both to the complaining customer and the Hungarian National Authority for Data Protection and Freedom of Information. In 2013 Telekom received 36 requests to investigate personal data management complaints and only 4 of those were found to have a ground. Based on the results of the investigation, the Company reviews the processes and makes the necessary adjustments.</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

#### Details

- **G4-DM1A**: Protection of our children in the digital age
- **G4-PR1**: Magyar Telekom did not identify such impacts.
- **G4-PR2**: 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

#### Additional Links

- [https://www.telekom.hu/about_us/data_protection](https://www.telekom.hu/about_us/data_protection)
### Chapter in Sustainability Report 2015

<table>
<thead>
<tr>
<th>Direct Answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASPECT: COMPLIANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G4-PR9</td>
<td>In 2015 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 HUF 180 million HUF whereas in the case of subscriber complaints a total of HUF 354 million HUF penalty. The Hungarian Consumer Protection Authority completed severals investigations against Magyar Telekom, in 2015 the total amount of fines were HUF 43.8 million.</td>
<td></td>
</tr>
</tbody>
</table>

### TELECOMMUNICATION SECTOR SPECIFIC INDICATORS

#### CATEGORY: INTERNAL OPERATIONS

#### ASPECT: INVESTMENT

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<tbody>
<tr>
<td>IO 1</td>
<td>Letter from the CEO</td>
<td>3-4</td>
<td>21</td>
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<tr>
<td>IO 2</td>
<td>Closing the digital divide</td>
<td>25-27</td>
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</tr>
</tbody>
</table>

#### ASPECT: HEALTH AND SAFETY

<table>
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<tr>
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<th>Title</th>
<th>Number</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>IO 3</td>
<td></td>
<td></td>
<td><a href="http://www.emf-portal.hu/portal/">http://www.emf-portal.hu/portal/</a></td>
</tr>
<tr>
<td>IO 4</td>
<td></td>
<td></td>
<td><a href="http://www.emf-portal.hu/portal/">http://www.emf-portal.hu/portal/</a></td>
</tr>
<tr>
<td>IO 5</td>
<td></td>
<td></td>
<td><a href="http://www.emf-portal.hu/portal/">http://www.emf-portal.hu/portal/</a></td>
</tr>
<tr>
<td>IO 6</td>
<td></td>
<td></td>
<td><a href="http://www.emf-portal.hu/portal/">http://www.emf-portal.hu/portal/</a></td>
</tr>
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</table>

### ASPECT: INFRASTRUCTURE

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<tbody>
<tr>
<td>IO 7</td>
<td>1.2.6 Biodiversity</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>IO 8</td>
<td>1.2.6 Biodiversity</td>
<td>21</td>
<td></td>
</tr>
</tbody>
</table>
## CATEGORY: PROVIDING ACCESS

### ASPECT: ACCESS TO TELECOMMUNICATION PRODUCTS AND SERVICES: BRIDGING THE DIGITAL DIVIDE

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</thead>
<tbody>
<tr>
<td>PA 1.</td>
<td>2.1 Closing the digital divide</td>
<td>25-27</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>PA 2.</td>
<td>2.1 Closing the digital divide</td>
<td>25-27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA 3.</td>
<td>2.4 Protection of our children in the digital age</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA 4.</td>
<td>2.1 Closing the digital divide (Partnership for Digital Hungary)</td>
<td>26-27</td>
<td></td>
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</tr>
<tr>
<td>PA 5.</td>
<td>2.1 Closing the digital divide</td>
<td>25-27</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>PA 6.</td>
<td>Our approach (Management systems)</td>
<td>8</td>
<td></td>
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</tbody>
</table>

Magyar Telekom grants subscribers’ rights connected with service availability and fault repair on the basis of its General Contract Conditions, available on the internet and in the customer service points. In these the Company guarantees compliance with the published quality targets in the service provision process in its entire service area, whose compliance is controlled with tests, and the methods of measuring are made public. The Company also specifies here the quality target figures of services provided, and continuously measures their fulfilment and makes the readings publicly available annually. Faults are managed in the dedicated subscriber process, among others, in line with their rights laid down in the General Contract Conditions, after the detection and registration by the Company of the fault. Magyar Telekom strives to ensure continuous availability with regular technological upgrades and with the provision of spare devices, setting the target of improving customer experience.

### ASPECT: ACCESS TO CONTENT

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There is an effective service contract and a Code of Ethics in place between the content providers and Magyar Telekom that regulate the terms and conditions of providing services, however, it does not contain provisions on the content.

### ASPECT: CUSTOMER RELATIONS

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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.

<table>
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<tbody>
<tr>
<td>PA 10.</td>
<td>4.3 Informing our customers</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA 11.</td>
<td>1.1 Climate protection and energy efficiency</td>
<td>16-17</td>
<td><a href="https://www.telekom.hu/about_us/society_and_environment/environment/management_systems">https://www.telekom.hu/about_us/society_and_environment/environment/management_systems</a></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In 2015 Magyar Telekom, together with Digi, performed a point- and frequency micromonitoring and human exposure survey. All measurement results were significantly below the ICNIRP threshold limit. 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. Magyar Telekom, as a member of the GSM Association, continuously supports GSMAR research in every year through its membership fee. This makes Deutsche Telekom Group one of the biggest supporters of research on this subject.

### CATEGORY: PROVIDING ACCESS

### ASPECT: RESOURCE EFFICIENCY

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<th>Omission</th>
<th>External Assurance</th>
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<tbody>
<tr>
<td>TA 1.</td>
<td>1.1 Climate protection and energy efficiency</td>
<td>16-17</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>TA 2.</td>
<td>1.2 ICT for sustainability</td>
<td>27-28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA 3.</td>
<td>1.2 ICT for sustainability</td>
<td>27-28</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>TA 4.</td>
<td>1.2 ICT for sustainability</td>
<td>27-28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA 5.</td>
<td>1.2 ICT for sustainability</td>
<td>27-28</td>
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</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>GLOBAL COMPACT PRINCIPLES</th>
<th>CHAPTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Support and respect the protection of internationally proclaimed human rights</td>
<td>3, 5.1, 7.3</td>
</tr>
<tr>
<td>2. Make sure that they are not complicit in human rights abuses</td>
<td>3, 5.1, 7.3</td>
</tr>
<tr>
<td>3. The freedom of association and the effective recognition of the right to collective bargaining</td>
<td>3, 5.1, 7.3</td>
</tr>
<tr>
<td>4. The elimination of all forms of forced and compulsory labour</td>
<td>3, 5.1</td>
</tr>
<tr>
<td>5. The effective abolition of child labour</td>
<td>3, 5.1</td>
</tr>
<tr>
<td>6. The elimination of discrimination in respect of employment and occupation</td>
<td>Our Approach, 3, 5.1</td>
</tr>
<tr>
<td>7. Support a precautionary approach to environmental challenges</td>
<td>Our Approach, 1, 3</td>
</tr>
<tr>
<td>8. Undertake initiatives to promote greater environmental responsibility</td>
<td>Our Approach, Stakeholders, 1, 2, 3, 3, 4.2, 5.2, 6.2, 6.3, 6.4</td>
</tr>
<tr>
<td>9. Encourage the development and diffusion of environmentally friendly technologies</td>
<td>Our Approach 1, 2.2</td>
</tr>
<tr>
<td>10. Work against corruption in all its forms, including extortion and bribery</td>
<td>3, 7.3</td>
</tr>
</tbody>
</table>
## LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full name</th>
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<tbody>
<tr>
<td>AD</td>
<td>akcionarsko dionicarska (private company limited by shares)</td>
</tr>
<tr>
<td>ADSL</td>
<td>asymmetric digital subscriber line</td>
</tr>
<tr>
<td>ADG</td>
<td>Aktiengesellschaft (Company limited by shares)</td>
</tr>
<tr>
<td>AOSZ</td>
<td>National Association of autism</td>
</tr>
<tr>
<td>BB</td>
<td>broadband</td>
</tr>
<tr>
<td>BCM</td>
<td>Business Continuity Management System</td>
</tr>
<tr>
<td>SME</td>
<td>Budapest University of Technology and Economics</td>
</tr>
<tr>
<td>BTL</td>
<td>Below the line</td>
</tr>
<tr>
<td>CC</td>
<td>call center</td>
</tr>
<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
</tr>
<tr>
<td>CEERIUS</td>
<td>Central and Eastern European Responsible Investment Universe</td>
</tr>
<tr>
<td>CEMP</td>
<td>Central European Media and Publishing</td>
</tr>
<tr>
<td>CEO</td>
<td>chief executive officer</td>
</tr>
<tr>
<td>CER</td>
<td>Certified Emission Reduction</td>
</tr>
<tr>
<td>CEX</td>
<td>customer experience score</td>
</tr>
<tr>
<td>CHRO</td>
<td>Chief Human Resources Officer</td>
</tr>
<tr>
<td>CNE</td>
<td>Customer Network Experience</td>
</tr>
<tr>
<td>Co.</td>
<td>company</td>
</tr>
<tr>
<td>CO2</td>
<td>carbon dioxide</td>
</tr>
<tr>
<td>CPE</td>
<td>Customer Premise Equipment</td>
</tr>
<tr>
<td>CPEx</td>
<td>direct electronic procurement transactions</td>
</tr>
<tr>
<td>CRA</td>
<td>Corporate Risk Analysis</td>
</tr>
<tr>
<td>CRM</td>
<td>Customer Relationship Management</td>
</tr>
<tr>
<td>CRT</td>
<td>Cathode Ray Tube</td>
</tr>
<tr>
<td>CT</td>
<td>Croatian Telekom</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DNPP</td>
<td>Digital National Development Program</td>
</tr>
<tr>
<td>DSL</td>
<td>digital subscriber line</td>
</tr>
<tr>
<td>DT</td>
<td>Deutsche Telekom</td>
</tr>
<tr>
<td>DTAG</td>
<td>Deutsche Telekom Aktiengesellschaft (Company limited by shares)</td>
</tr>
<tr>
<td>EWP</td>
<td>Economic Welfare Program</td>
</tr>
<tr>
<td>EC</td>
<td>Environmental Performance Indicators</td>
</tr>
<tr>
<td>eDM</td>
<td>electronic direct marketing</td>
</tr>
<tr>
<td>EPFOESZ</td>
<td>Hungarian Association for Persons with Intellectual Disability</td>
</tr>
<tr>
<td>EPOTT</td>
<td>University and college students’ national tourist meeting</td>
</tr>
<tr>
<td>EHF</td>
<td>Electromagnetic Fields</td>
</tr>
<tr>
<td>EN</td>
<td>Environmental Performance Indicators</td>
</tr>
<tr>
<td>ETNO</td>
<td>European Telecommunications Network Operators’ Association</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FGGM</td>
<td>Fixed Global System for Mobile Communications</td>
</tr>
<tr>
<td>FINA</td>
<td>International Swimming Federation</td>
</tr>
<tr>
<td>FN</td>
<td>Sustainability Day</td>
</tr>
<tr>
<td>FTC</td>
<td>Ferencvárosi Torna Club (football club)</td>
</tr>
<tr>
<td>FTSE4GOOD</td>
<td>Financial Times Stock Exchange sustainability index</td>
</tr>
<tr>
<td>GBI</td>
<td>giga (1 000 000 000 bits)</td>
</tr>
<tr>
<td>GC</td>
<td>Global Compact</td>
</tr>
<tr>
<td>GeSI</td>
<td>Global e-Sustainability Initiative</td>
</tr>
<tr>
<td>GHG</td>
<td>Green House Gases</td>
</tr>
<tr>
<td>GmbH</td>
<td>Gesellschaft mit beschränkter Haftung (limited liability company)</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>GSCC</td>
<td>Group Sustainability Coordination Council</td>
</tr>
<tr>
<td>GSM</td>
<td>Global System for Mobile Communication</td>
</tr>
<tr>
<td>GSMIA</td>
<td>GSM Association</td>
</tr>
<tr>
<td>GWh</td>
<td>gigaWatt</td>
</tr>
<tr>
<td>HBLF</td>
<td>Hungarian Business Leaders Forum</td>
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<tr>
<td>HI</td>
<td>Hello Initiative</td>
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<tr>
<td>HOC</td>
<td>Hungarian Olympic Committee</td>
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<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>HUF</td>
<td>Hungarian Forint</td>
</tr>
<tr>
<td>ICCA</td>
<td>International Customer Contact Analysis</td>
</tr>
<tr>
<td>ICT</td>
<td>information and communication technology</td>
</tr>
<tr>
<td>ID</td>
<td>Internal Operations</td>
</tr>
<tr>
<td>IoT</td>
<td>internet of things</td>
</tr>
<tr>
<td>IP</td>
<td>Internet Protocol</td>
</tr>
<tr>
<td>IPTV</td>
<td>Internet Protocol TV</td>
</tr>
<tr>
<td>ISDN</td>
<td>Integrated Services Digital Network</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organization for Standardization</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>IVR</td>
<td>interactive voice response</td>
</tr>
<tr>
<td>IVSZ</td>
<td>ICT Association of Hungary</td>
</tr>
<tr>
<td>JAC</td>
<td>Joint Audit Cooperation</td>
</tr>
<tr>
<td>KEK</td>
<td>Kortárs Epítészeti Klubpont (NGO)</td>
</tr>
<tr>
<td>KFP</td>
<td>Central Physical Research Institute</td>
</tr>
<tr>
<td>Kft.</td>
<td>limited liability company</td>
</tr>
<tr>
<td>KIBU</td>
<td>Kitchen Budapest</td>
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<tr>
<td>KIR</td>
<td>Key Performance Indicators</td>
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<tr>
<td>KRI</td>
<td>Key Performance Indicators</td>
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<tr>
<td>kW</td>
<td>kilowatt</td>
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<tr>
<td>kWh</td>
<td>kilowatt-hour</td>
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<tr>
<td>LA</td>
<td>Labour Practices and Disent Work Performance Indicators</td>
</tr>
<tr>
<td>LED</td>
<td>Light Emitting diode</td>
</tr>
<tr>
<td>LGC</td>
<td>limited liability company</td>
</tr>
<tr>
<td>Ltd.</td>
<td>private company limited by shares</td>
</tr>
<tr>
<td>LTE</td>
<td>Long Term Evolution</td>
</tr>
<tr>
<td>MakTel</td>
<td>Macedonjski Telekomunikaci</td>
</tr>
<tr>
<td>Mbps</td>
<td>Megabit per second</td>
</tr>
<tr>
<td>MC</td>
<td>Management Committee</td>
</tr>
<tr>
<td>MEOESZ</td>
<td>National Federation of Disabled Persons’ Associations</td>
</tr>
<tr>
<td>MHz</td>
<td>Megahertz</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full name</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>MKT</td>
<td>Makedonski Telekom</td>
</tr>
<tr>
<td>NSAN</td>
<td>multi-service access node</td>
</tr>
<tr>
<td>MSZ</td>
<td>Hungarian Standard</td>
</tr>
<tr>
<td>AT</td>
<td>Magyar Telekom</td>
</tr>
<tr>
<td>MTA</td>
<td>Hungarian Academy of Sciences</td>
</tr>
<tr>
<td>MVGYOSZ</td>
<td>Hungarian Federation of the Blind and Partially Sighted</td>
</tr>
<tr>
<td>MVMI</td>
<td>Magyar Villamos Művek (Hungarian energy company)</td>
</tr>
<tr>
<td>MWh</td>
<td>megawatt hour</td>
</tr>
<tr>
<td>NatCo</td>
<td>National Company</td>
</tr>
<tr>
<td>NFC</td>
<td>Near Field Communication</td>
</tr>
<tr>
<td>NG</td>
<td>Next Generation</td>
</tr>
<tr>
<td>NGO</td>
<td>non-governmental organization</td>
</tr>
<tr>
<td>NOx</td>
<td>nitrogen oxide</td>
</tr>
<tr>
<td>OHSAS</td>
<td>Occupational Health and Safety Management System</td>
</tr>
<tr>
<td>PhD</td>
<td>philosophic doctor</td>
</tr>
<tr>
<td>Plc</td>
<td>public limited company</td>
</tr>
<tr>
<td>PR</td>
<td>Public relation</td>
</tr>
<tr>
<td>PR</td>
<td>Product Responsibility Performance Indicators</td>
</tr>
<tr>
<td>PSTN</td>
<td>public switched telephone network</td>
</tr>
<tr>
<td>PwC</td>
<td>PricewaterhouseCoopers</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RPC</td>
<td>number of subscribers</td>
</tr>
<tr>
<td>SAP</td>
<td>Systems, Analysis and Program Development</td>
</tr>
<tr>
<td>SKOSZ</td>
<td>Hungarian Association of the Deaf and Hard of Hearing</td>
</tr>
<tr>
<td>SME</td>
<td>small and medium enterprises</td>
</tr>
<tr>
<td>SMS</td>
<td>short message service</td>
</tr>
<tr>
<td>SO</td>
<td>Social Performance Indicators</td>
</tr>
<tr>
<td>SOx</td>
<td>sulfur oxides</td>
</tr>
<tr>
<td>SSC</td>
<td>Shared Service Center</td>
</tr>
<tr>
<td>TCG</td>
<td>Telecom Crne Gore/Crnogorski Telekom/Telekom Montenegro</td>
</tr>
<tr>
<td>TSM</td>
<td>TRI*M Index</td>
</tr>
<tr>
<td>TSM</td>
<td>a standardized indicator system to explore customer satisfaction and customer loyalty</td>
</tr>
<tr>
<td>TSM</td>
<td>T-Systems</td>
</tr>
<tr>
<td>UMTS</td>
<td>universal mobile telecommunications system</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations International Children’s Emergency Fund</td>
</tr>
<tr>
<td>USD</td>
<td>USA dollar</td>
</tr>
<tr>
<td>VFK</td>
<td>Corporate Sustainability Center</td>
</tr>
<tr>
<td>VÖK</td>
<td>Enterprise Customer Support Unit</td>
</tr>
<tr>
<td>WWF</td>
<td>World Wildlife Fund</td>
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</tbody>
</table>