



7.

CORPORATE GOVERNANCE

7.1.	Sustainability coordination.....	52
7.2.	Regulatory compliance.....	53
7.3.	Corporate compliance.....	53

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/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/about_us/investor_relations/corporate_governance/general_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

COMPETENCE	RESPONSIBLE
determination of main directions, decision on key issues	Management Committee (MC)
ensuring the necessary framework and supervision of the activities	responsible senior manager – Chief Human Resources Officer (CHRO), member of the MC
making the decisions and resolutions necessary for the operation, ensuring the coordination for the performance of tasks	Group Sustainability Coordination Council (GSCC)
professional management; harmonized implementation of group level tasks; participation in the Hungarian and international professional activities	GSCC manager - leader of the HR-VFK
implementation of tasks of the management area/organization/member company, information, participation in meetings, data supply, implementation of operative tasks	GSCC members

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.

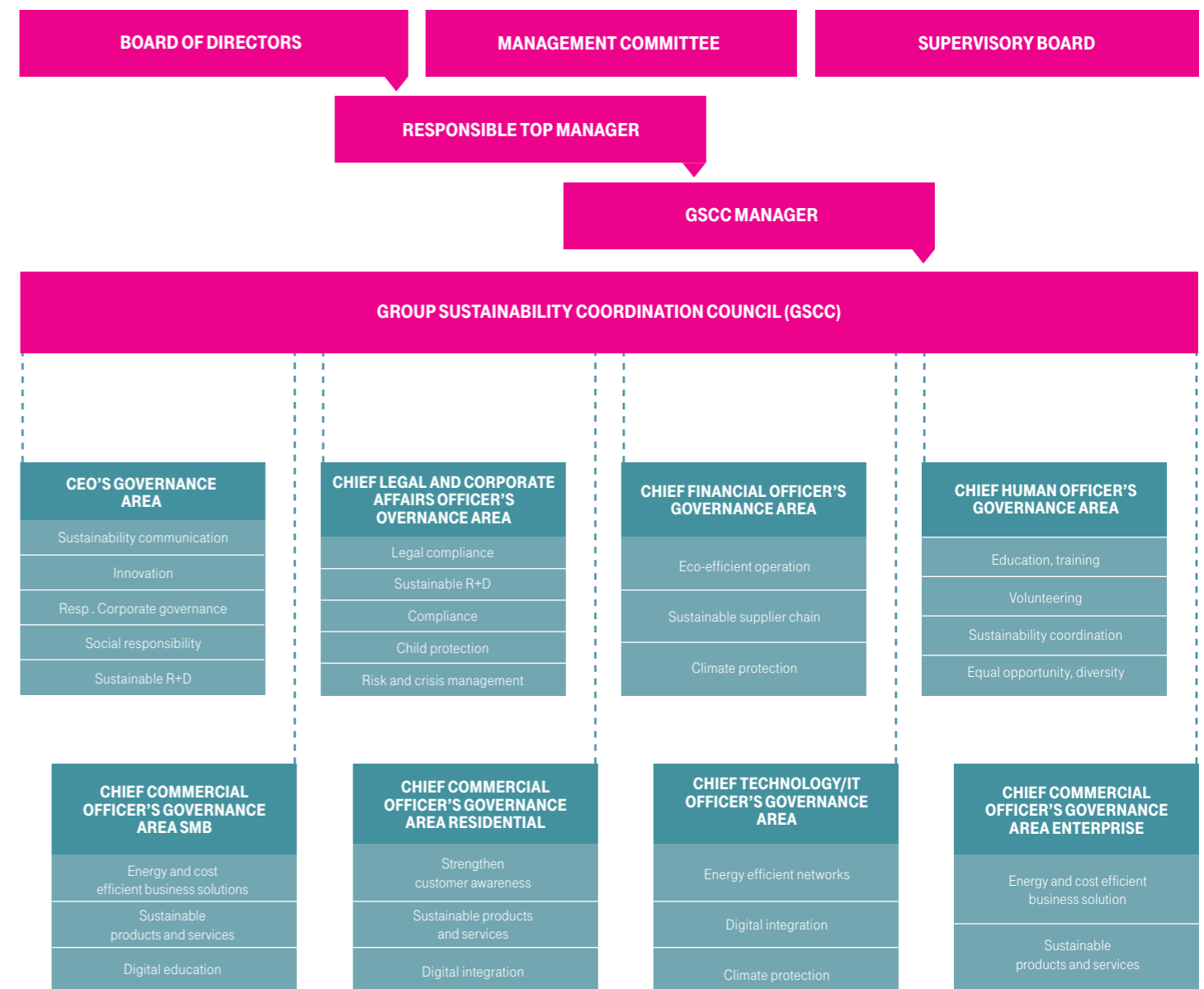
The MC is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The MC keeps contact with the stakeholders (e.g. General Meeting) through the GSCC. Incoming inquiries 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 directive 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 competences of the non-core business directorate were transferred to the Product House directorate.

MANAGEMENT OF MAGYAR TELEKOM IN 2015 FROM THE ASPECT OF SUSTAINABLE DEVELOPMENT



Hierarchy of the sustainability activities

The hierarchy of the sustainability activities of Magyar Telekom Group has not changed lately, only the structure of the Group changed that can be followed in the annual sustainability reports. The sustainability strategy was determined in line with various policies of the Group, Hungarian and international trends (climate protection, electromagnetic fields, responsible content services, etc.) and in consideration of the stakeholders' expectations (i.e. proposals made had roundtable discussions and at various sustainability forums, 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.



CHIEF COMMERCIAL OFFICER'S GOVERNANCE AREA ENTERPRISE



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-specification 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 DJP.

7.3 CORPORATE COMPLIANCE

Magyar Telekom Group's Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conducts its business with maximum consciousness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards. To this end we have issued directives addressing the potential compliance risks, operate the procedures contained by them and provide continuous training for our employees. Clear processes are in place for the whistle-blowing, investigation, monitoring and remedy of suspected cases of non-compliance.

The Corporate Compliance Program is supervised by the Group Compliance Manager. The Group Compliance Manager reports directly to the Audit Committee, and is in direct contact with the Board of Directors, the Supervisory Board and the management.

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.