



SUSTAINABILITY REPORT

2016



EGYÜTT. VELED



4.

CUSTOMER RELATIONS

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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.). Concerning their methodology and results, the results of these measurements could be broken down to Magyar Telekom's fixed line and mobile customers, and also to residential and business customers (further divisions could be located for more precisely targeted customer segments, if requested).

These surveys produce a composite customer satisfaction index that allows the tracking and easy interpretation of changes over time. Detailed analysis of service elements enables the detection of particular perception factors that impact customer satisfaction. In other words, we can thus identify the areas where, according to the judgement of our customers, Magyar Telekom delivers outstanding performance, and also identify the fields where actions are needed to improve our performance in order to become better than we were earlier, or improve quality against earlier own performance or even against the standard of competitors.

The surveys are conducted via standardized personal or telephone interviews, encompassing samples of a justifiable size, composition and weight. The surveyed content topics remain consistent each 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 Company (group), as well as the changes of the product structure and the market.



Residential customers

According to the results of customer opinion survey in 2016, the overall performance of Magyar Telekom is in line with the European benchmark of the industry. The satisfaction figures of the mobile and the fixed services approximated and equaled in 2013 whereas in 2016 the perception of fixed services was slightly better than that of the mobile market. The results of the fixed market have shown a growing trend 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 2016 Telekom's average annual performance was close to the top 10% of the European benchmark. The principal strengths of Telekom include its overall evolving product and service portfolio, the customer information system and call center. Customers also value the customer loyalty and reward program of the company.

Business customers

The market of mobile services for businesses showed an increasing trend in 2016. In comparison with European results from the industry, Telekom had an average performance in 2016.

Telekom's main strengths are related to the network and coverage, mobile internet as well as the perception of existing and new product offers. Customer information system and the billing system also has a positive perception. In general our business customers have a strong and emotional attachment to the brand.

In 2016 Telekom managed to keep its favorable service provider status and maintained its stable position among market leaders. Telekom stands apart from its competitors mostly by its wide scope of product and service portfolio as well as their continuous renewal. Further strengths are the price-value ratio, billing, information of customers, and expertise of the customer service staff and the swift fulfillment of orders.

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.

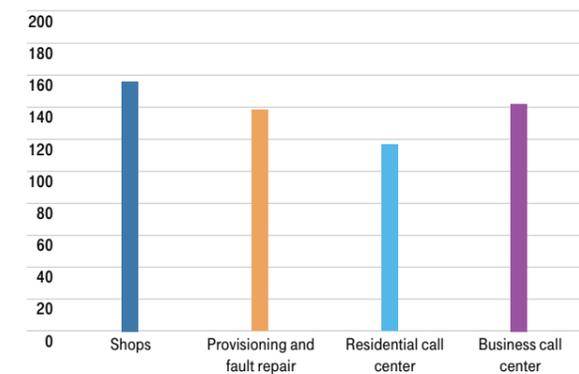
In addition to general satisfaction measurement, we also measure the satisfaction of our customers with the given customer service cases throughout the year in the framework of the Next Generation International Customer Contact Analysis (NG ICCA) research. The purpose of the survey is to monitor the 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.

The research is transaction based: we poll our customers within 2–48 hours of their customer care event. The research extends to the residential and business customer base as well.

TOP channels involved in the research:

- shops
- provisioning and fault repair of home services
- residential call center
- business call center

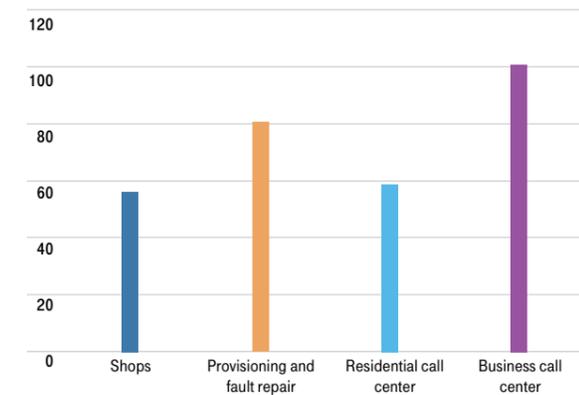
OVERALL SATISFACTION INDICATOR IN 2016, BROKEN DOWN TO CHANNELS ✓



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 creating even more value both for our customers and the company.

CES INDICATORS IN 2016, BY CHANNELS



T-Systems Hungary performs customer satisfaction measurements through multi-layer measurements.

Strategic satisfaction research

The annual satisfaction research is performed with the support of Magyar Telekom's Group Strategic Directorate and the involvement of an external partner. Within the survey we interview our customers' decision-makers.

Within the research we perform personal deep interviews and questionnaire based survey as well. In the questionnaire we ask questions based on patterns from the entire customer base whereas during the deep interviews we select our biggest customers - on a weighted basis - from the respective customer segments. Both in the case of questionnaires and deep interviews the decision makers can give anonymous answers.

The annual satisfaction survey includes industrial benchmark questions too. In order to make a truly independent customer satisfaction survey the measurement and the evaluation is performed by our market research partner.

The results are processed in respect to the entire T-Systems company, service areas and other areas and are presented to the representatives of the relevant professional areas.

Contact person satisfaction research

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.

With the support of the Magyar Telekom Group Strategy Directorate we are conducting the survey quarterly, involving an external partner. Along the survey we are reaching out to cc. 200 contacts through telephone. Their answers to our questions are being processed and evaluation is available after each quarterly closing. The annual evaluation of the contact person satisfaction survey is being finalized after Q4 closing and thus presented to the management.

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 measurement 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.

ICCA TARGET VALUE IN 2016	ICCA RESULTS IN 2016
CC: 115	CC: 116,1
Dedicated: 160	Dedicated: 174,6
Field-visit staff: 180	Field-visit staff: 191,1
Aggregated result: 136,1 points	

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.

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

For those customers who report an error related to the 6-level scale 3 or worse to any questions or write a negative review of the text, it will be automatically added to the complaint ticket and occasionally will be investigated for the reasons for the abnormally low ratings. If necessary, corrective measures can be made in order to regain and increase customer satisfaction.

Complaint ticket will be included in the support system even if the customer requests direct complaint intention.

At **T-Systems** we offer dedicated "one-gate" customer service for business clients and target groups selected by our Sales division who can access selected services free of charge. Our Premium on-site service, launched on 1st of April providing the following features: administration of subscriber and payer changes, handling of card and number replacements, copying from mobile devices, installation of applications, inspection of the device and management of repair, demos, trainings. On 1st of September we initiated a new telesales channel for the expansion of market outlets. Along our integrated billing complaints handling and collection service we have conducted successful campaigns for bad debts, and managed to collect assets in more than 594 million HUF. Other related services include integrated failure notifications handling, technical helpdesk for business services and devices, complaints handling, authority relations, modifications, change subscriber- and billing payer parties and Churn prevention.

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

With NG ICCA we introduced a more segmented approach in measuring customer satisfaction, by measuring it for different customer value segments. This approach is for all touch points where NG ICCA is introduced (Shops, CS, Self Service, Field Technicians). Also Web ICCA is used for surveying customer satisfaction on digital channels.

Starting from June 2016, we have changed our Call Centre platform with a new more open platform from Interactive Intelligence with aim to integrate more touch points through single platform. For now we have successfully integrated phone and e-mail channels, and are working on the integration of social media and chat channels.

We are constantly trying to improve our digital channels for communication with customers. This year we have exponential growth in number of transactions through digital channels.

At **Crnogorski Telekom** in relation to our customer satisfaction evaluation we have three values measured: TRI*M, NGICCA and Web ICCA.

1) TRI*M T-Com and TRI*M T-Mobile is measured quarterly via telephone interviews. The process of interviewing and data processing for short, medium and long waves is being carried out by an independent fieldwork agency.

The annual average composite index of the residential segment (comprised from the proportionately weighted fixed line and mobile indices) has further decreased from last year's 64.5 to 62.2 points.

In the case of the business segment on the other hand, the annual average index has increased from 56.8 points of last year to 58.4 in 2016.

The market satisfaction rate in the mobile segment (including competitors) decreased in general, which is mainly attributable to the general economic situation and the increased price sensitivity of the customer base. Last year's introduction of new Billing and CRM system at Crnogorski Telekom impacted Q4 2015 and Q1 2016 mobile and fixed-line results due to issues after post go-live period. Customer satisfaction rates measured among fixed-line customers, after the introduction of **Magenta 1** showed a stable increase of TRIM that led to +10pt YE result compared to beginning of the year.

2) The Next Generation ICCA program is being implemented across the national companies of the whole Deutsche Telekom Group with the aim of obtaining and more accurate and timely assessment of customer experience and customer satisfaction with the specific NatCo touch points (Customer Service, Sales, TCS, Self Service). Customers are surveyed once in 90 days. Services used for surveys are SMS and IVR.

The call back of dissatisfied customers was introduced as regular process for supervisors of CS, TCS, Shops and IVR in order to improve customer satisfaction with these channels. We have also introduced regular bi-weekly meetings with channel managers and supervisors in order to discuss results and plan improvements.

3) Web ICCA was introduced at the end of 2015 with the main goal to measure customer satisfaction with the sales and service part of our website. Customers can choose to fill in

questionnaire that pops-up during their website visit. After the questionnaire is filled the customer will no longer receive it in the forthcoming 90 days.

Website satisfaction increased by 20.1 ICCA points compared to 2015 baseline measurement.

Telekom New Media Zrt. signed an agreement with Magyar Telekom Plc. in the business year 2016, for the content servicing of TVGO and INFO SMS/MMS services. The determination of the circle of royalty-free contents and information is being agreed upon with the selected operation fields within Magyar Telekom Plc. Telekom New Media takes part in the processing and improvement of customer satisfaction results in relation to the TVGO service of Magyar Telekom. The methodology and the measurement process is coordinated by Magyar Telekom Plc.



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4.2 CUSTOMER COMPLAINT MANAGEMENT

The customer's voice and indication – any request, complaint and expression – in any case it is important for us to maintain the high quality of our services according to customers' expectations. The requests from Magyar Telekom are continually

help us at investigation stage of complaints and with processes or identifying gaps affecting other areas and finding ways of improving

At complaint handling we focus on our customers' satisfaction and ensuring enhanced customer experience which we raised ever higher levels in recent years. Our task is to provide qualitative and comforting solution for our customers during the investigation and handling of complaints. Along it is, we form again the continued use of the experience of Magyar Telekom services to the customer with customized solutions.

It is important for us to provide high quality services to our customers and quick solutions when dealing with complaints. In 2016 compared to the previous year there was 40.7% improvement in the average time of complaint management, while the number of complaints decreased by 25.7% ✓

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.

On October 20th, 2016 **Crnogorski Telekom** has adopted a Company Directive on resolving claims and complaints. We have started a project related to optimization process of customer complaints in February 2016, due to starting completely new One billing system, increased no. of complaints that is usual after implementation and launching large systems like this.

Processes of treating customer complaints:

1. Receiving customer complaints (through different channels – letter, mail, fax, web, social media)
2. Recording complaints in CRM systems (by different channels, shop, call center, web); archiving
3. Analyzing complaints in Claim team

4. Collection additional information from customer or among departments
5. Making decision and sending answers according to the Law legislative (within 8 days for written)
6. Second instance is Agency for Electronic Communication

In 2016th total number of complaints received from customers by **Makedonski Telekom** with fixed services are 9.331 which number compared to 2015 is decreased by 26% primarily due to lower number of service faults. In 2016 we have initiatives for improving the process of customer notifications for status of their complaints through SMS channel, for which changes requests are already submitted.

4.3 INVOLVEMENT OF OUR CUSTOMERS

Digital bridge

The program was designed for residents of small settlements and has been running since 2004, offering free internet literacy lectures by Telekom employee volunteers. Our colleagues provide detailed information on topics such as how to fight the distances and keep contact online, providing useful information on the possibilities of making our everyday lives easier by using secure online shopping and payment options, or how to protect our personal data in the digital world.

In 2016 we had one Digital Bridge event and organized 7 Digital Bridge Daycare events.

Within the frame of the Digital Bridge initiative enthusiastic Telekom volunteers organized a Digital Daycare event in Debrecen, in Bolyai János Elementary School, offering programs for children, like live coloring books, virtual tales or detective quests through the internet.

The volunteers gave some hints and showed tricks of safe internet use in a playful and entertaining way, like searching for images or popular Hungarian children's songs on the internet.

Within the frame of the Digital Bridge in Small Settlements program **almost 5000 people have attended our volunteer lectures in 200 small settlements** accompanied by famous Hungarian media personalities, like **Péter Novák, Levente Harsányi or Péter Galambos.**

Earth Hour

Earth Hour, the largest voluntary initiative to fight climate change joined communities around the globe on March 19, 2016, from 08.30 pm to 09.30 pm. In 172 countries around the world, including Hungary, many people joined the cause with a symbolic switch-off of lights for an hour, shining a light on climate action. 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.

As in previous years, in March 2016, **Crnogorski Telekom** participated in the Earth Hour global campaign with the aim of raising awareness about climate change issues. The company invited customers through mobile broadcast to support the campaign and raise awareness of importance of environmental protection. Crnogorski Telekom is constantly promoting usage of sustainable solutions among its customers and employees, e.g. promoting e-mail bills, online registration instead of fulfilling paper forms, etc.



Digital Bridge in Hajdúsámson



Digital Bridge Daycare in Debrecen



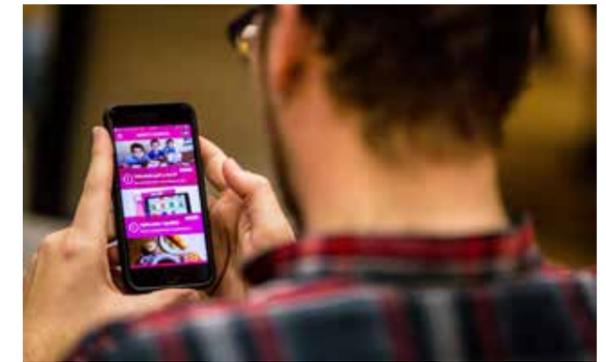
We joined to Earth Hour in 2016

hello holnap! mobile application

The application went online on Sustainability Day in 2014 and by the end of 2016 it was downloaded almost 10 000 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 second donation period of the hello holnap! application was closed on December 31, 2016. Users collected **thousands of points** and donated **400 000 HUF** to the beneficiaries. The donation period was re-opened on January 1 with the involvement of 9 NGOs.



hello holnap! mobile application

Telekom Vivicittá

The 31th city run was organized in Budapest, Kecskemét and Pécs in 2016. It was a two days event in Budapest. The Telekom Vivicittá attracted 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.



Telekom Vivicittá

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

The runners could collect 3 hello holnap! points and the cheering spectators could collect 1 hello holnap! point at the event, while participants of the special Suhanj! run could collect extra points if they supported the runners of the NGOs.

Telekom Community Gardens

Magyar Telekom and the Contemporary Architecture Center (KÉK) continued operation and maintenance of the community gardens. Gardening presentations and community building events were organized to diversify programs in the gardens which are operating on unused Telekom properties: **Csárdás Garden**, **Kékvirág Community Garden** and **Kerthatár Community Garden**. The three gardens offer an opportunity for urban gardening for more than 200 families in the city.



Kerthatár Community Garden

Sustainability panel discussion and DELFIN Award

The DELFIN Award ceremony took place in June, as part of the 17th Sustainability Roundtable Discussion Day. The professional jury awarded best practices and leading examples in sustainability solutions and sustainable performance of competing companies.

In 2016 any Hungarian enterprise could apply for the DELFIN Award (Award for a Committed, Sustainable and Innovative Generation). The prize was established in 2008 and is open for already implemented projects or operating programs. Winners of the DELFIN Award in 2016 were:



17th Sustainability panel discussion

- In the **Sustainable Innovation** category: the RS LTD for their sustainable agriculture innovation and the Házikó Farm LTD for their sustainable catering innovation

- In the **Awareness** category: the winner was Naplopó LTD for their many years in sustainability awareness raising education.



Winners of the DELFIN Award

As part of the roundtable discussions we introduced those non-profit organizations that joined our hello holnap! mobile application and are accepting donations from the hello holnap! point collectors. By using hello holnap! as a fun tool introducing sustainable choices and decisions for our everyday lives, it also enables donation to NGOs assisting the process of educating and sharing on a digital way. The participants of the Sustainability Roundtable could get to know our sustainability strategy and receive thorough information about our climate protection activities and services we provide for people living with disabilities.

The Sustainability Day 9's earth ball was exhibited in Debrecen!

The festival crowd of Campus Festivals got a chance to sense the vibe of the Sustainability Day by the help of Pannonia Allstars Ska Orchestra (PASO). Staying true to our traditions the band entertaining the community of Sustainability Day took the symbol of the Day - an earth shaped ball - to their biggest next concert gig before the September Sustainability Day. The band threw the ball to the crowd, who by keeping the ball above their heads throughout the concert, kept "held Earth up!" (The Hungarian word for 'sustain' is 'fenntart', also meaning 'holding something up/above'. Thus the symbolic act of keeping Earth up also stands for keeping Earth sustainable.) The visitors of the 9th Sustainability Day (FN9) could meet and party with the members of PASO band at the afterparty.



The earth ball

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)!

After the implementation of electronic signature, in 2016 the company finished 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 living with physical or sensory impairments.

The smart street lighting pole in Budapest

The first intelligent lighting pole combines five systems and functions. The smart electric car charger, based on the infrastructure of

ELMŰ Budapest Electricity Works' is able to provide 22 kW (3x32 A) energy and is compatible with the company group's e-kWh application. It is important to note that this is the first case when an electric car charger is installed in a public lighting pole in Hungary that can be used 24 hours a day. The device also offers free Wi-Fi connection that can serve 200 users simultaneously in a 180-meter radius. The pole is also equipped with a security camera and a panic button connected to the city surveillance camera system and the police to enhance the safety of passengers. The lighting is provided by modern and energy efficient LED light sources. The intelligent lighting pole has a modular structure thus further system components can also be integrated into the device.

As a result of the joint development project of ELMŰ-ÉMÁSZ and T-Systems Hungary the first smart public lighting pole has been installed in Budapest on November 12 2015. The pole worked with the listed features in 2016, integrating several IT devices and solutions as part of the Smart City concept.

Carbon neutrality

Magyar Telekom Group (including foreign subsidiaries, Macedonski Telekom and Crnogorski Telekom) has become entirely carbon neutral in 2016 too.

One of the biggest challenges of our age is climate change which is mainly attributable to human activity resulting in 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 our corporate Sustainability Strategy and by the implementation of innovative solutions the company has gradually decreased its energy consumption and increased its energy efficiency.

Along the modernization of the network and data centers and the increase of the proportion of hybrid and electric cars in its vehicle fleet the company applies more and more efficient tools and solutions. The energy needs of several telco infrastructures are supplied by wind and/or solar energy sources and the company gives priority to purchasing sustainable info-communication products and services. Two leading projects have contributed to the achievement of carbon neutral operation. Telekom Group purchases its electric energy consumption from 100% renewable energy sources and the company's emission from fossil energy has been neutralized with the support of green projects.



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