7. CORPORATE GOVERNANCE

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The Group-level governance of corporate sustainability operations is divided into the following levels:

1. Strategy development and strategy management level operated under the auspices of the Group Sustainability Coordination Council (GSCC). The Group sustainability strategy was determined in line with various 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.

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.

### 7.1 SUSTAINABILITY COORDINATION

The group-level governance of corporate sustainability operations 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). The levels of development and management of the corporate sustainability strategy are separated from the operative implementation level within the operation of the GSCC, thus the process of implementing sustainability activities is divided to the following levels:

1. Strategy development and strategy management level operated under the auspices of the GSCC:
   - development of strategic concepts
   - implementation of the strategy
   - relevant communication with national and international organizations

2. Operative implementation level managed by relevant organizations of the governance areas and business units
   - actual operative activities
   - task management
   - data provision etc.

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.

### COMPETENCE

- determination of main directions, decision on key issues
- 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
- ensuring the necessary framework and supervision of the activities

### RESPONSIBLE

- Management Committee (MC)
- Group Sustainability Coordination Council (GSCC)
- GSCC manager - leader of the HR-VFK
- responsible senior manager - Chief Human Resources Officer (CHRO) member of the MC
- GSCC members

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  - Legal compliance
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- CHIEF TECHNOLOGY/IT OFFICER’S GOVERNANCE AREA
  - Digital integration

- CHIEF COMMERCIAL OFFICER’S GOVERNANCE AREA ENTERPRISE
  - Energy and cost efficient business solutions

### 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.
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 DWP.

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 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.