



SUSTAINABILITY REPORT

2016



EGYÜTT. VELED



LETTER FROM THE CEO

DEAR READER,

The Sustainable Development Goals adopted by the United Nations' member states in September 2015 for the years through 2030 set forth the building blocks of our shared, sustainable future. Besides NGOs and governments, businesses also bear great responsibility when making the decisions relevant to their investments, business policies and growth strategies. In my capacity as CEO of Magyar Telekom Group, I am proud that having completed our second 100% carbon-neutral year of operation, we successfully address the above challenge, too.

Being a service provider to 8 million Hungarian customers and a large corporation of almost 10 000 employees, we are especially responsible for exploiting our state-of-the-art innovative solutions with the purpose to make their everyday lives connected, livable and easier, as well as to diminish the divide in space and time, between skills and societal disadvantages.

The successes we achieved in 2016 pursuant to our consistent, sustainable corporate governance policy proved again what has always been our conviction. i.e. that corporate sustainability translates into financially measurable profit for Magyar Telekom Group, and constitutes an organic part of our overall business success.

A total of 8% of our floated shares are held by responsible investors, who consider it a topmost priority when compiling their portfolios to invest into companies that are leaders in the area of sustainability. To name a few major responsible analysts, in addition to the Oekom Prime B rating, we were also included in the FTSE4Good Emerging Index, which measures the performance of companies that have efficient environmental protection, social and corporate governance systems in place.

We were recognized by Trucost, and have been part of the CEERIUS (Central and Eastern European Responsible Investment Universe) index from the beginning. Based on our commitment to sustainability, we report every year to the CDP (Carbon Disclosure Project) independent analyst organization, too, which is monitored by investors representing 100 trillion USD.

One of the greatest professional challenges we faced in 2016 was to elaborate and launch our fourth five-year Sustainability Strategy. We have set the goals set forth by the strategy along the principles laid down by the above-mentioned UN Sustainable Development Goals. The present document gives a summary of the first year's achievements in the 2016–2020 strategic period, as well as how we performed along the principles defined by the UN Global Compact.

The main objective of the fourth Sustainability Strategy launched in 2016 is to make sustainability an integral part of Telekom's business. On top of having completed our second 100% carbon-neutral year, we continue to decrease our pollutant emissions, to rationalize our energy consumption and to make our work processes more efficient by relying upon smart solutions. Volunteer work and creating value for the society form part of our corporate culture, which we firmly adhere to under any circumstances. In line with our commitment to eliminating the digital divide, we put in many volunteer hours to teach people about conscious internet use, cyber security and even the range of diverse opportunities offered by a career in IT. We helped students choose careers, and enabled the elderly to learn about and make use of the benefits offered by the digital world, as we firmly believe that we must contribute to digital equality not only by our services, but also by sharing knowledge.



ICT allows us to promote accessibility for our customers living with disabilities. In 2016, we added some new discount-rate features to the "hello holnap!" tariff packages designed specifically for them. We also established a partnership with Autistic Art Foundation, as well as adopted a letter of intent to cooperate with the Hungarian Paralympic Committee.

Our primary focus remains to be to retain our leading positions on the Hungarian fixed voice, broadband, pay-TV, mobile and ICT markets, as well as to improve our customer retention ability and to increase our base significantly. In 2016, we provided a 4G network quality outstanding in global comparison, and greatly increased the coverage of our HSI-capable fixed-line network, too.

The increasing platform-based competition we have experienced so far on the telecom market is further intensified by the Digital Hungary Program launched by the Government, which aims to cover all Hungarian households by high-speed internet (HSI > 30 Mbit/s) networks by the end of 2018. On top of digital coverage, it is also important that users be competent to use the internet and mobile technologies safely, as well as be aware of the features that can make their lives easier and simpler.

Our business strategy enables us to rely upon and expand our already extensive customer base, to significantly improve our efficiency and to seize the growth opportunities in IT and communication technologies, as well as the related industries. The purpose of our sustainable supplier chain management process is to make sustainability a part of the operations of our suppliers, too. We analyze their operations, the requirements they impose on their own suppliers and the portion of their energy consumption and pollutant emissions related to their business with Magyar Telekom in the context of our relevant principles.

We are prepared for and are looking forward to meeting the always changing customer demand, development of technology and emergence of new business models, while drawing on our capabilities, our main goal is to assume a leading role in providing digital services to the homes of our customers. We continue to explore and exploit new business opportunities in areas, among others, like e-health, IoT, cloud, financial and insurance services, which serve the purpose of retaining customers.

You can learn more about Magyar Telekom Group affiliates' year 2016 achievements in research-development, environmental protection and sustainability in our company's consolidated business report of 2016, which you can find starting on page 105 of Magyar Telekom Group's IFRS annual financial report by clicking on the following link: https://www.telekom.hu/static-tr/sw/file/IFRS_Csoport_2016.pdf.

It is my pleasure to take to opportunity, offered by my position of leading a really responsible and successful company committed to creating community value and to sustainability, to draw your attention to Magyar Telekom's Sustainability Report and the achievements described therein.

Christopher Mattheisen
Chief Executive Officer

Budapest, June 14, 2017