



# SUSTAINABILITY REPORT

# 2016

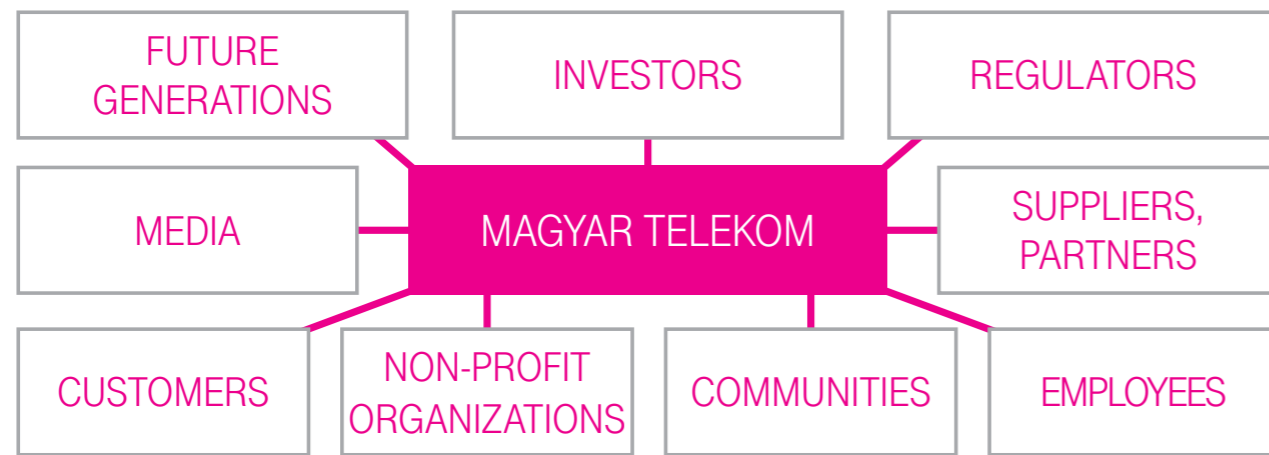


EGYÜTT. VELED

# 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, employees, communities, NGOs, suppliers, partners, the media and future generations.



In 2016, we organized the 17th Sustainability Roundtable, which aimed to host an open discussion platform in order to get a better insight about the expectations of different stakeholder groups towards Magyar Telekom Group. We also use this opportunity to carry out fruitful discussions about the problems raised, and also to provide an appropriate background for the presentation of our sustainability achievements and further goals. Organizers and participants have a free platform to share their thoughts and cooperate in building a sustainable future together.

Within the frame of the sustainability roundtable discussion corporate sustainability and equal opportunities came up for discussion by Éva Somorjai Chief HR Officer<sup>1</sup> as top executive in charge of sustainability, Katalin Szomolányi Head of the Corporate Sustainability Center, Diana Ürge-Vorsatz Vice Chair of WGIII of the IPCC and Attila Till film director and television presenter. The

participants could familiarize with the main objectives of the 4th sustainability strategy of Magyar Telekom (2016-2020).

The most important issues discussed with the stakeholders are contained in the memorandum of the Sustainability Roundtable (only HU):

<http://www.telekom.hu/rolunk/fenntarthatosag/esemenyek/2016/kerekasztal-beszelgetes>

## MATERIALITY EVALUATION BY STAKEHOLDERS

As part of the preparation process of Magyar Telekom's Corporate Sustainability Report we rely on our preliminary research

According to the answers received for the above questions in 2016 we can state that most of our stakeholders confirm the importance of the goals of our corporate Be Smarter (2016-2020) Sustainability Strategy. They found that apart from the continuing importance of reduction of our emissions our contribution to digitally enabled sustainability and to bridge the digital divide also plays a crucial role in contributing to our shared and sustainable future.

findings and regularly monitor the opinions of our stakeholders concerning the importance of our sustainability topics. We conduct an annual survey along which we wish to find out how different stakeholder groups evaluate the corporate sustainability practices of our company. Our questionnaire offers the rating of 37 topics on a 1-5 scale where 1 stands for the least important and 5 for the most important topic.

The analysis and evaluation of the answers plays a crucial role in the evaluation and materiality rating of our sustainability activities for this report. All of the topics are important contributing elements to the successful delivery of our strategic goals, nevertheless we pay particular attention to those that our stakeholders pointed to with high level and medium level importance.

Next to the rating of topics our stakeholder survey asks the following questions as well:

- suggestion of other relevant sustainability topics that are not listed
- examples of important scientific findings that would be important and worth for consideration for ICT companies.

- threats and opportunities for companies in relation to their sustainability approach

- the most commonly used communication platforms of Magyar Telekom from where its sustainability activities and approach is accessible.

In relation to the important scientific findings, several stakeholders mentioned factors of safe mobile phone use and electromagnetic fields, a topic which deserves a separate subchapter in our current report at 2.6. Safe use of mobile phones, electromagnetic fields.

According to our stakeholder feedbacks Magyar Telekom is in leading position when it comes to mapping key threats and opportunities of sustainable corporate operations, whereas they suggest the company should continue its joint work with the NGO community, it should put increased efforts in the increase of cyber safety education. Further suggestions were to synchronize innovations with measures to protect natural resources, which is also a crucial part of our corporate 2016-2020 sustainability strategy. Most of our stakeholders get information about our sustainability approach and activities through our corporate sustainability website, our dedicated social media channels and the public media.

### TOPICS EVALUATED BY THE STAKEHOLDER GROUPS AND THEIR IMPORTANCE

	NGO	Supplier, partner	Regulator	Employee	Media	Customer	Future generation	Investor	Local community
Customer satisfaction	3,42	3,32	4,00	3,33	3,36	2,94	2,76	2,73	2,49
Management of customer complaints	3,47	3,32	4,00	3,27	3,36	2,70	2,69	2,91	2,49
Corporate governance	3,53	3,46	4,00	3,23	3,36	2,80	2,57	2,58	2,44
Data protection	3,18	3,05	4,00	3,30	3,20	2,89	2,61	2,67	2,60
Protection of minors in the Digital Age	3,53	3,31	4,00	3,24	2,36	2,69	2,87	2,47	2,40
Informing our customers	3,18	3,16	3,00	3,21	3,04	2,80	2,70	2,55	2,37
Service availability	3,10	3,34	4,00	2,98	2,84	2,66	2,29	2,62	2,17
Occupational health and safety	3,20	3,01	3,00	3,20	3,16	2,77	2,63	2,51	2,46
Climate protection and energy efficiency	3,12	3,06	3,00	3,14	3,04	2,85	2,70	2,55	2,39
Sustainability in the supplier chain	3,28	3,00	4,00	2,95	2,72	2,55	2,56	2,42	2,17
Innovation for sustainability	3,23	3,19	3,00	3,05	3,20	2,60	2,55	2,47	2,21
Resource consumption	3,08	3,06	3,00	2,93	3,04	2,72	2,50	2,75	2,21
Supplier relations	3,02	2,99	4,00	2,95	2,68	2,49	2,30	2,47	2,10
Human rights, equal opportunities	3,05	3,11	2,00	3,14	3,36	2,64	2,81	2,47	2,35
Initiatives to eliminate the digital divide	3,07	3,05	3,00	2,81	2,84	2,60	2,57	2,35	2,24
Emissions	2,97	2,92	3,00	2,88	2,88	2,66	2,45	2,53	2,17
Safe use of mobile phones, electromagnetic fields	3,03	3,07	3,00	2,91	2,72	2,64	2,30	2,20	2,42
Risk management	2,87	2,88	4,00	2,91	2,16	2,56	2,23	2,49	2,13
Talent management	3,08	2,94	3,00	2,90	3,00	2,40	2,40	2,22	2,20
Addressing legal and ethical aspects of content service providing	2,83	3,08	3,00	2,81	3,04	2,47	2,23	2,33	2,28
Environmental targets, costs and compliance	3,10	3,16	3,00	2,84	2,88	2,50	2,23	2,15	2,15
Regulatory compliance	2,67	2,46	4,00	2,71	2,24	2,35	2,16	2,40	1,92
Involvement of our employees	2,90	3,14	2,00	2,85	2,56	2,56	2,37	2,35	2,12
Local procurement	3,03	3,20	1,00	2,89	2,88	2,55	2,60	2,27	2,34
Corporate compliance	2,67	2,58	4,00	2,76	2,04	2,32	2,21	2,27	1,90
ICT products for sustainability	2,92	2,66	3,00	2,80	2,20	2,33	2,37	2,02	1,93
Managing changes	2,85	2,87	2,00	2,68	2,32	2,29	2,10	2,35	1,94
Professional cooperation	2,83	2,75	2,00	2,81	2,32	2,24	2,23	2,24	1,95
Our employees as corporate citizens	3,23	2,61	2,00	2,70	2,52	2,18	2,26	1,89	1,91
Involvement of our customers	3,02	2,67	2,00	2,61	2,52	2,00	2,15	2,09	1,95
DELFIN Award for Responsible Companies	2,45	2,95	3,00	2,24	2,20	2,22	2,15	1,76	1,83
Cooperation in environmental and social issues	3,05	3,00	1,00	2,45	2,52	2,15	2,19	1,76	2,05
Donation	2,98	2,71	1,00	2,39	3,00	2,09	2,18	1,56	2,01
Sponsorship	3,13	2,53	2,00	2,15	3,00	1,76	1,86	1,58	1,79
Investor relations	2,57	2,47	2,00	2,50	2,20	2,08	1,97	2,36	1,64
Political presence	1,18	1,49	1,00	1,50	1,32	1,37	1,53	1,55	1,15

We wish to continue on joint 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](mailto:fenntarthatosag@telekom.hu) email address.

## STAKEHOLDER INVOLVEMENT

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:

- 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

## FREQUENCY OF THE INVOLVEMENT OF OUR STAKEHOLDERS AND KEY EVENTS IN 2016

### CUSTOMERS

On November 30, 2016 **T-Systems Hungary Symposium** was organized for the fifth time in the Budapest Congress Centre with almost 2000 registered guest. The Symposium, considered as the biggest whole-day professional event of the industry, presented how digitization can bring businesses and communities closer to their own success. In 2016 the motto of Symposium was “Technology for sustainable future”.

The presenters of the plenary morning session of the Symposium included Neil Jacobstein, Chair, Artificial Intelligence and Robotics Track, Singularity University, who gave a presentation on the Artificial Intelligence Revolution and Bernd Storck, Head of National team of Hungarian Football Federation. The presenters also included Adam Philpott, Director, EMEAR Security, Cisco and Tibor Szpisják Sales manager, HPE.

During the evening session of the Symposium the “**Partner Awards**” were distributed for the third time along with the “**Project of the Year**” Award. The nominees of the latter award were presented by Mihály Németh, T-Systems Hungary’s Chief Officer, and the participants could vote on the best project through the Symposium mobile application. This time the winner was The Coca-Cola Hellenic data center migration.

Beside the “**Project of the Year**” Award, Zoltán Kaszás, chief officer of T-Systems Hungary also handed over awards for partners in three categories. The transformation partner prize was awarded to ServiceNow, while the prize for the biggest growth went to Cisco System. This year as a new category – in line with the targets of T-Systems to promote innovation – and innovation partner prize was also awarded at the event. The prize was received by MOHAnet, the company that T-Systems cooperated with during the year, establishing and boosting the sales of mostly IoT type services.

The results of the **T-Systems Okosp@d** (Sm@artBench) brainstorming competition was also announced at the event. Zoltán Kaszás, chief officer of T-Systems Hungary welcomed the winner, Dániel Bendegúz Horváth, student at the Budapest Technical University.

Within the confines of Contact person satisfaction survey at the end of each quarter the T-Systems Hungary asked their customers who used T-Systems’ telephone or email based service deficiency reporting and administration processes. The T-Systems Hungary summarized results of the research quarterly. Based on these they made the 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. Four times a year we include questions on sustainability as well. We normally involve 1430 persons in the survey.



Tibor Rékasi giving his talk at T-Systems Symposium 2016.

### SHAREHOLDERS

The Chief Officer and the Chief Financial Officer presented quarterly results to the representatives of investors and professional financial journalists four times during 2016 (24/25 February 2016: Release of fourth quarter 2015 results; 3/4 May 2016: Release of first quarter 2016 results; 4/5 August 2016: Release of first half 2016 results; 9/10 November 2016: Release of third quarter 2016 results).

On 12 April 2016 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 2015, and decided on the use of the profit after tax earned in 2015.

In 2016 we participated at several investor conferences and roadshows around the world, the most significant were:

- 28 January 2016: Erste conference – London
- 3 March 2016: Concorde investor lunch – Budapest
- 17 March 2016: Citi European and EM Telecoms investor conference - London
- 6 April 2016: Concorde investor conference – Budapest
- 18-19 May 2016: US roadshow organized by Berenberg – New York, Boston
- 6-7 September 2016: HSBC EEMEA Investor Forum - London
- 11-13 October 2016: Erste Group CEE investor conference - Stegersbach
- 16-18 November 2016: Morgan Stanley TMT conference – Barcelona
- 30 November - 2 December 2016: Wood EMEA Investor Forum – Prague

Magyar Telekom’s top management and staff from the Investor Relations department spend 20–25 days abroad every year at various roadshows and conferences in the main centers of

the financial world, where the vast majority of fund managers and investors are active. Around 150–200 meetings take place annually with investors and analysts.

Magyar Telekom also gives space on its website to satisfy the information needs of interested parties. Up-to-date information can be found in the ‘For Investors’ section about the company’s financial situation (quarterly financial reports), general meetings, and dividend payments. The current listing of Magyar Telekom’s shares and all the information necessary to get in touch with the corporation are also available. The e-mail address and telephone number of the **Investor Relations** department can be found on the website, and members of the department respond to questions sent via e-mail as quickly as possible.

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 of the final results of the survey is prepared by the Investor Relations department, and presented to the members of the Management Committee.

Magyar Telekom continues to be assessed by responsible investor ratings. Responsible investors are those who consider each company’s environmental and social performance in addition to financial and risk analysis during their investor’s assessment processes.

Magyar Telekom has been listed among the **CEERIUS** (Central Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange that offer outstanding performance. In 2016 Magyar Telekom was listed immediately in the **FTSE4Good Emerging Index** from its inception. Due to its environmental and social performance Magyar Telekom was assessed by **Oekom Research**. Their responsible investors rating listed Magyar Telekom as Prime B category, recommended for investment. **Trucost** has also rated the company in 2016, and we have continued our participation in the **Carbon Disclosure Project (CDP)**, in the framework of which the largest companies report on their climate protection measures, the related risks and opportunities and their CO<sub>2</sub> emissions to the key investors.

## REGULATORS

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 authorities (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 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.

Next to the above Magyar Telekom keeps contact with market players and competitors too. Harmonization with interest representation forums (in particular with the: Communications Reconciliation Council [HÉT], IVSZ Alliance for the Digital Economy) where the company'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 (DNFP), launched as a result of the InternetKon national consultation that determined the future of the domestic internet market, and from December, 2015 the Digital Welfare Program (DJP). During the planning and implementation of the government decree, issued to ensure the implementation of the DJP, the HÉT represents the standpoint of the industry.

Magyar Telekom'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.

## A LIST OF THE MAIN MEMBERSHIPS OF MAGYAR TELEKOM GROUP OF INDUSTRIAL AND OTHER ASSOCIATIONS, NATIONAL OR INTERNATIONAL ADVOCACY ORGANIZATIONS

Name of Association	Strategic membership	Holding position in the governance body
<b>Magyar Telekom Nyrt.</b>		
European Telecommunications Network Operators Associations (ETNO)	✓	
GSMA Association	✓	
Joint Venture Association	✓	Curatorium membership
German-Hungarian Chamber of Industry and Commerce	✓	Curatorial membership
Telecommunications Advocacy Council	✓	Chairmanship
ICT Association of Hungary	✓	Chairman of multinational department, Zsófia Bánhegyi
Hungarian Association of International Companies		
<b>T-Systems Hungary</b>		
ICT Association of Hungary	✓	
American Chamber of Commerce in Hungary	✓	
Hungarian Outsourcing Association (HOA)		
Hungarian Hospital Association	✓	
Hungarian Water Utility Association	✓	
Hungarian Project Management Association	✓	Kiss Mihály-vice president
Scientific Association for Infocommunications		
Hungarian Librarian's Association	✓	
Lobby Club Association		
Hungarian Chamber of Engineers		

## A LIST OF THE MAIN MEMBERSHIPS OF MAGYAR TELEKOM GROUP OF INDUSTRIAL AND OTHER ASSOCIATIONS, NATIONAL OR INTERNATIONAL ADVOCACY ORGANIZATIONS

Name of Association	Strategic membership	Holding position in the governance body
Agro ICT Cluster	✓	Gombos Szilárd Agro ICT Cluster chairman
Buday Business Club		
Association of Health Technology Suppliers and Medical Device Manufacturers (ETOSZ)		Németh Mihály member of the board
itSMF		
Chamber of Bodyguards, Property Protection and Private Detectives		
<b>Crnogorski Telekom</b>		
Montenegrin Foreign Investors Council(MFIC)		CT is a member of the Council Mr Milija Zekovic, the CEO is the representative in the governing bodies of MFIC(Assembly and Board of Directors)
Chamber of Economy of Montenegro		Mr Milija Zekovic, the CEO of Crnogorski Telekom is a Board member
Montenegro Employers Federation		Mr Milija Zekovic,the CEO of Crnogorski Telekom is a Board member
AmCham Montenegro		CT is member, CT representative participate at AmCham Montenegro General Assembly meetings
<b>Makedonski Telekom</b>		
ITU	✓	
ETNO	✓	
RIPE		
GS1 Macedonia (bar code association)	✓	
Economic Chamber of Macedonia		MKT representative is BoD member
AmCham - USA		MKT representative,
Macedonian-German Business Association		
European Business Association		
MASIT/ (Macedonian IT Chamber)		MKT representative is BoD member
GSMA association	✓	
Chamber of authorised architects and engineers of Macedonia	✓	

## SUPPLIERS

Magyar Telekom has invited 17 suppliers in 2016 to fill out the EcoVadis assessment, which evaluates companies in terms of their economic, environmental, social and responsible procurement operations. Together, with the results of previous years we have received 40 responses from our direct and indirect suppliers.

Magyar Telekom Sustainability questionnaire is a series of questions on environmental, social and business ethics topics. 18 companies participated directly in the survey in 2016. 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 ICT** 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 2016 a total of 31 indirect Magyar Telekom suppliers were audited.

Deutsche Telekom's cross-border initiative 'Together for Strong Brands' (previously known as 'Together for Sustainability') was created in 2014. This is a supplier development program, and this cooperation expanded by four key ICT product suppliers to 11 members in 2016.

## EMPLOYEES

Social responsibility and a sustainability mindset are key elements of everyday life within the company. Individual commitment to these values is something that we pay attention to during our recruitment processes. Our employees engage in multiple events and activities that involve volunteer work, opportunities to donate and several other forms of taking part in corporate social giving. In 2016 Magyar Telekom supported the 31-year old Telekom Vivicitá city run as a naming sponsor. The event was simultaneously held in Budapest, Kecskemét and Pécs. More than 30 000 people from 1001 cities and 72 other countries came to participate in the big run. Our colleagues were encouraged to take part in the city run with preliminary internal campaigns and by an option of preferential admission. More than 1000 employees - together with their families - took part in the biggest sport event of springtime. Depending on the distance completed the participants were awarded with hello holnap! points and could collect one extra point only for cheering.

Several hundreds of employees took part in the Y2016 "It is good to give!" cookie campaign. The event was organized by 60 volunteers in 15 sites where 230 employees made cookies that were sold to several thousands of employees on December 5. On the day of the event almost 1.7 million HUF was raised for the Autistic Art - Smile Fund.

Within the frame of our Smart Digital Program 55 Telekom volunteers gave lessons in 64 schools in 24 cities across

Hungary. In 2016 2360 children attended our interactive presentations on the safe use of the internet and mobile communication.

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 Y2015 results and outlined the objectives and expectations for 2016. The participating colleagues received tree voucher for planting. The **hello holnap! pagony** (boscage) was debuted by this action.

Magyar Telekom organized a whole month border "Health Weeks" in 2016 too to preserve the health of employees. T-Systems also joined the program. The motto of 2016 was: We live SMART and work SMART ("Okosan élünk, okosan dolgozunk"). Within the frame of the program we provided mental health programs, presentations, trainings and free consultation to our employees at 18 sites in Budapest and throughout the country.

This was the third year that the Magenta team of **Makedonski Telekom** participated in the Skopje Marathon for a humanitarian cause. The runners in our team dedicated the race to increasing awareness of Wilson Disease. The team raised a total of 5,000 euros for the Citizen's Association for Support of People with the rare Wilson Disease Macedonia (CAWDM).

For more information about the community investments of Magyar Telekom Group please visit chapters **5.2 Involvement of employees** and **6.1 Community Investments**.



We have planted 571 trees so far in hello holnap! pagony virtual boscage.

## COMMUNITIES

Within the frame of our Smart Digital Program Telekom volunteers gave lectures for 2360 students about the safe use of the internet and mobile communication. **Magyar Telekom Digital Bridge** initiative is designed to bring the accomplishments and inherent opportunities of information and communication technologies to those areas where the digital gap is present and may widen to a dangerous extent within course of time. In 2016, we held 7 **Digital Daycare** events in Debrecen during the summer school holiday and we organized a **Digital Bridge for Small Settlements** event in Hajdúsámson.

The agreement fits into the Telekom general sponsorship objectives and aligns with the mother company's international support system: Hungary's leading telecommunication service provider supports the biggest and most successful clubs and their athletes - like the Hungarian Olympic Committee, MVM Veszprém, the Hungarian Swimming Association and FTC. On 31<sup>st</sup> August Magyar Telekom has signed a memorandum of understanding of cooperation with the Hungarian Paralympic Committee, pursuant to which the company is going to help the Hungarian team prepare during the next paralympic cycle



László Szabó, President of the Hungarian Paralympic Committee, Zsanett Adámi paralympic swimmer and Christopher Mattheisen CEO of Magyar Telekom.

Following almost 20 years of cooperation Magyar Telekom became naming sponsor of the Veszprém Handball Team. On 23<sup>rd</sup> May Telekom signed a sponsorship agreement being of imminent importance from the aspect of the future of the Veszprém handball team, according to which the cooperation between the leading ICT service provider of Hungary and the team reaches the highest possible level. According to the agreement, from the 2016/2017 championship season the teams operated by the Veszprém Handball Team Zrt. - from U10 to the adult team - will participate at all Hungarian and international tournaments under the name of Telekom Veszprém Handball Team.

Ferencvárosi Torna Club (FTC) and Magyar Telekom signed a long term, three-year sponsorship agreement in 2015. The company has been sponsoring the youth development of FTC and from November 28, 2015 supports the first division football team as its main sponsor thereby contributing to the club's success even more than before.

**Crnogorski Telekom** is the golden sponsor of the Montenegrin national football team and a general sponsor of the Telekom Montenegrin Football First League. Additionally, in 2016 Telekom supported and sponsored Buducnost Basketball Club.

**Makedonski Telekom's** Smart City project delivered in 2015 and still in effect in 2016, was performed in cooperation with the municipality of Skopje. With the Smart City project we enable smart transport as the main bloodpipe in the city, we inform citizens on latest technologies and innovative infocommunication solutions. The use of these technologies does not only make their lives easier but also contributes to them shaping a more sustainable and conscious lifestyle. Following the success of the first phase, the smart transport project was extended in all city busses, leaving paper tickets in the City's history and contributing towards the environment protection.

Makedonski Telekom started another environment-friendly project in the field of smart lighting. Our smart lighting systems, brings significant electricity saving and enables real-time monitoring and control of the city infrastructure. However, the key environmental impact comes from the lower energy consumption and decreased emission of CO<sub>2</sub>.

For the 14<sup>th</sup> year in succession, the Telekom for Macedonia Foundation organized a humanitarian New Year's Caravan for the most vulnerable groups of children in December, 2016. The caravan visited more than 2,000 children without parental care, children with special needs, impaired hearing and vision or other physical disabilities, and children from socially vulnerable families. A special New Year's play was staged and gift bags handed out to the children. The caravan was organized and managed by about 50 volunteers from Makedonski Telekom, who visited 45 institutions. 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.

Magenta Team of Makedonski Telekom participated third time in the Skopje Marathon in 2016. The runners in the team dedicated the race to increasing awareness of Wilson Disease. The Magenta team raised a total of 5,000 euros for the Citizen's Association for Support of People with the rare Wilson Disease Macedonia (CAWDM) to provide resources for genetic testing of Wilson Disease.

The Telekom for Macedonia Foundation and the Red Cross started a donation hotline and collected more than EUR 100,000 to support people affected by the floods in Skopje on 6 August, 2016. Our volunteers took away waste and debris that had been deposited by the flood waters. Alongside the volunteering work carried out by our employees, we also donated EUR 32,000 toward reconstruction of homes in the municipality Gazi Baba.

## NON-PROFIT ORGANIZATIONS

Everyone had the opportunity to exchange ideas and experience with NGOs at the annual **Sustainability Roundtable** discussions, in Budapest. In 2016 the panel discussion was organized on 10th June.

The **Sustainability Day** of Magyar Telekom has been organized for ninth time on the last Saturday of September. In 2016 there was a record number of visitors, 5000 people wanting to know more about the topics raised. They could visit more than 40 exhibiting stands at the event, and receive information about the work of non-profit organizations who were also present.

As a preparation for the year 2016 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 9th Sustainability Day and the winners of the Civil and Civil Net Application for Funds.



9<sup>th</sup> Sustainability Day

In the process of the preparation of the hello holnap! mobile application Magyar Telekom had non-profit organizations as

cooperation partners: the "Szatyor" consumer community, the 30km.hu and the Oszkár car sharing service, the Amnesty International, the Suhanj! Foundation, the Budapest Bike Mafia and the Hungarian Bird Science Association.

In 2016 the following organizations became beneficiaries: Autonómia Foundation, Budapest Bike Maffia, "Heti Betevő" (Weekly Meal), BirdLife Hungary (MME) and the Suhanj! Foundation.

Magyar Telekom launched its Civil Tariff Package service for NGOs in March, 2004 with beneficial rates and service package. In 2016 the Company invited applications on one occasion and provided discount schemes to 21 organizations in an overall value of 1.5 million HUF.

In 2016 **Crnogorski Telekom** organized its annual donation contest "Za svako dobro" ('For All Good'), which is supporting socially responsible projects of special importance for the community, for the third year in a row. Total amount of funding for this year's contest was EUR 30,000.

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

Among 33 NGOs that applied for grants, 6 projects were selected and awarded with funds for implementation. In November 2016, the Employee's Union of Montenegro awarded Crnogorski Telekom the Annual Award for Social Responsibility in 2016, in the area of community support, for the project "Za svako dobro".

The company also supported a number of initiatives dealing with the problems of socially vulnerable groups or promoting good causes for society, especially regarding the health system in Montenegro. The donation line was opened by Crnogorski Telekom in cooperation with Humanitarian Foundation „Budi human”, to provide support to citizens of Montenegro that need help in collection funds for medical treatments.

## FUTURE GENERATIONS

The objective of **Telekom's Smart Digital Program** is to support the development of Hungary's digital maturity and literacy. Our volunteer employees teach practical tips and tricks on the use of the internet, call children's attention to potential dangers on the web, show them useful browser settings and discuss the etiquette of communicating through electronic channels. In 2016 Telekom volunteers visited and educated 2360 children.

The interactive sessions are organized as 45 minute school lessons and considering the interests and special position of the age group they have discussed topics like password security, how to avoid dangerous web content and issues of cyber bullying.

On the **9<sup>th</sup> Sustainability Day** in 2016 – where the target group was young, educated city-dwellers within the age group of 18–35 – a record number of 5000 persons visited the event that was comprised of four panel discussions.

Music and festivals are among the main targets of Magyar Telekom's sponsoring efforts. The company has been supporting the VOLT, the Balaton Sound, the Campus, the EFOTT and the Sziget Festival. 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 almost 1 million young adults in 2016: 148,000 persons partied at the VOLT, 157,000 at the Balaton Sound, almost 200,000 at Campus Festival and EFOTT, and 496,000 at the Sziget Festival.

Deutsche Telekom's very popular and successful electronic music festival, **Telekom Electronic Beats** was organized again between November 3-5th, in Budapest. The main events were organized in the Aquarium club, but the program included several exciting daily events and some of the exhibitions, concerts and all night parties were organized by partners as Premier Kultcafe, Központ Bar, Omnivore Gallery and The Garden Studio. 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.

The **Become an IT expert!** career orientation 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 2016 the program reached 11,438 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.

Through its initiatives **Magyar Telekom Group** has also joined the **Digital Thematic Week** with two of its programs: Become an IT Expert! and the **Telekom Smart Digital** programs, in the framework of which close to 100 presentations were delivered in all over 60 schools all over the country. Magyar Telekom's programs reached over 4000 students. The Digital Thematic Week was held for the first time in 2016 from April 4 to 8, organized by the Ministry of Human Resources and coordinated by IVSZ.

**Makedonski Telekom** has been a partners of the one and only Skopje Jazz Festival and in 2016 we continued our partnership with Karolina, Elena and Adrijan Gaxha – famous Macedonian music stars. In 2016 we also supported the most important cultural events: Ohrid summer festival, Novel of the Year, Milingona e Arte and many others.

Makedonski Telekom in line with its strategy for connected life and work, supports projects for support and development of the digital society and promotion of the life and the education of young people. Thus the company donated computer equipment for the "Goce Delchev" Dormitory (State Dormitory "Skopje"). The computer equipment, TV sets, printers and telecommunication services are available for all students in the reading room in the renovated block "B". The value of the donated equipment is over 900,000 MKD. Moreover, 20 new desktop computers, two TV sets and two printers were installed and networked. Also, wireless internet equipment and packet services of Makedonski Telekom such as Telekom HotSpot, MaxTV packages and two Max Sport+ TV packages were provided.

## MEDIA

Magyar Telekom's sustainability center and the organization responsible for media relations organized two meetings for the members of the Sustainability Media Club. The participants, besides Magyar Telekom, were: CEMP-group, TV2, RTL Klub, Class FM1, Ringier AxelSpriger, Forbes, Origo-group, Metropol2, Médiaworks and Centrál Média. In early 2017 a new member joined to the Club, the WMN.hu.

In 2016 62 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 phenomenon. The awards were distributed among the winners on the ninth Sustainability Day.

## CHARTERS AND INITIATIVES OF COOPERATION ACCEPTED AND SIGNED BY MAGYAR TELEKOM GROUP

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, MGVYOSZ, MEOSZ, ÉFOÉSZ, 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 sci-

entific 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.

**OECD-Guidelines** – Magyar Telekom has been the first among the Hungarian companies to accept OECD Guidelines for Multinational Enterprises and set them up as mandatory guidelines for its operations.

**European Union's Diversity Charter** – has been signed by the company and considered as a mandatory guideline inherent in the corporate Human strategy.

**UN Global Compact** has been signed by the company and the current report also stands to report our achievements in the 10 principles

**UN Sustainable Development Goals** – Magyar Telekom has acknowledged the SDG and through incorporating them as guidelines in its 2016-2020 the company finds the contribution to the goals a mandatory element of its operations.

**Carbon Disclosure Project (CDP)** – Magyar Telekom has signed the global initiative and fulfills its annual reporting obligations

**ROMASTER** – Magyar Telekom is a member of the program together with other major players of the business sphere (IBM, Raiffeisen Bank, Holcim, Magyar Telekom, etc.). This is the first initiative aiming to join forces, without any state involvement, in order to address the urgent and sensitive social issue of roma people's integration and working closely together in improving or solving the situation.

In addition to these the company group has been involved in several environmental, social (e.g. **The Environmental Protection Committee of AmCham, National Human Policy Association**) and professional (e.g. **EURESCOM, ETSI, ITU-T**) initiatives and cooperation.

[https://www.telekom.hu/about\\_us/society\\_and\\_environment/cooperation](https://www.telekom.hu/about_us/society_and_environment/cooperation)

## SUSTAINABILITY DAY

The **Sustainability Day (FN9)** was organized on the ninth occasion on September 24th. The conference with the slogan "smartup – you could be smarter" was organized in a new location, the Aquarium club and a record number of 5000 visitors were interested in. It was opened by the quiz master, **István Vágó**, who presented the differences between clever, intelligent, educated and smart through his own experiences.



István Vágó giving his inspiration talk at the 9th Sustainability Day.

In the **environmental section** the experts discussed smart climate protection and environmental awareness issues as well as smart cities, smart farming and future impacts of renewable energy using and robotics. After the discussion of the environmental section the participants of the **economic section** discussed the justification of economy indices, the economic role of digitization, the impacts of robotization on the labor market and the effects of refugee crisis and migration. In the **social section** the topics of discussion were generation. During the discussion the participants highlighted the differences of X, Y and Z generation and how they relate to the smart solutions. The **+1 section** was organized around the individual in 2016. This time it was looking for the answer to the basic question of how smart devices have transformed our lives in the past five years.

The participants highlighted that the smart solutions interlinked with every moment of life today, for example waking up, keeping contacts, bill payment or working. They also talked about net addiction and opportunities in the field of accessibility which are provided by smart devices.

The attendees of the event could visit many of reputable organization who presented their sustainability activities. During the day more than 40 exhibitors waited visitors with interactive presentations, games and informational materials. The exhibitors informed people about sustainable transport, renewable energy

using, urban gardening, waste management and recycling, sustainable food and conscious consumption, equal opportunities and accessibility, but there were a lot of children's program for the little ones.

Several awards were distributed at the FN9 event. For example the winners of the "Nincs több nem tudom" ('No more I don't knows') 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 24.hu, **Bea Belicza** with his "Összefogásból ötös – abból főznek, ami van" ('A for Collaboration – they cook with what they have') report. In the Wide Angle category the members of the jury, delegated by Telekom and the Sustainability Media Club, gave the first prize to **András Nagy and Bálint Tóth** for the „Why not? / The false indigo” film while in the E-world category the first prize was given to **Mónika Pintér** from Origo.hu for her article series in the technology column.

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 **Meixner School**, the **SHARE – The charitable beer** and the **SUHANJ! Fund**.

The all-day event was closed by a huge party to the music of Blahoulisiana and the PASO soundsystem.

## THE HELLO HOLNAP! APPLICATION

Magyar Telekom concluded donation contracts with six non-profit organizations for years 2015–2016. The **Autonomy Fund**, the **Budapest Bike Mafia**, the **Heti Betevő**, the **Hungarian Bird and Environment Protection Association (MME)**, the **Hungarian Environment Protection Association** and the **SUHANJ! Fund** could collect donation until 31th December, 2016.

At the end of 2016 new tender was announced for the year 2017. 35 applications were received. In 2017 9 organizations can collect donation from the hello holnap! application: **ArtMan Association**, **Autistic Art Foundation**, **Budapest Bike Mafia**, **Heroes of Responsible Dining**, **Humusz Szövetség**, **Hungarian Food Bank Association**, **Hungarian Environment Protection Association**, **SUHANJ! Fund**, and **WWF Hungary**.

The hello holnap! application is available for iOS, Android and Windows phone. This is one of the most popular Magyar Telekom application and has been downloaded more than 7500 times.

## DELFIN AWARD

In 2008 our company established the DELFIN Award: The award stands in Hungarian for a Committed, Sustainable, Inovative Generation. 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.

Any Hungarian enterprise could apply for the DELFIN award in 2016 – with implemented and running programs in 4 categories.

- sustainable innovation category,
- equal opportunity category,
- climate protection category,
- awareness category

Members of the professional jury:

- Péter Bodó – founder of the Route4U wheelchair navigation application
- Bence György – chief editor of origo.hu, delegate of Sustainability Media Club
- Dr. György Pataki – dean of the Corvinus University of Budapest
- Katalin Szomolányi – head of Magyar Telekom's sustainability center

The eighth award ceremony was held on June 10, 2016 at the 17th Sustainability Roundtable discussion. The roundtable discussion and the DELFIN Award ceremony was organized in the headquarters of Telekom. The professional jury of the event rewarded exemplary sustainability solutions and performance among the competing companies.

Winners of the DELFIN Award in 2016:

- In the Sustainable Innovation category the **Házikó Farm Kft.** won with activities which make a bridge between rural and urban.
- In the Awareness category the winner was **Naplopó Kft.** with many years effort in the awareness.
- The **RS Bt.** also won in the Sustainable Innovation category with the innovative grain drying project called **Videokontroll**

The application materials can be found on the following website (only HU):

<http://www.telekom.hu/rolunk/fenntarthatosag/esemenyek/2016/kerekasztal-beszelgetes>

## PROFESSIONAL COOPERATION

Upon the initiative and by funding of T-Labs (Telekom Innovation Laboratories, Berlin) the faculty Data Science and Engineering began to operate at Eötvös Loránd University from September 2016. The objective of the initiative was to create a researcher network of EU Labs, of which Hungary shall be the first pillar. The inauguration of the faculty took place on September 6th, 2016, on the day of innovation at ELTE. The role of Magyar Telekom will be manifested in the support of education (apprenticeship positions, knowledge transfer, an external consultant role) and research (R&D funding) activities. In 2016 the MT's R&D Committee has already approved two R&D themes fitting to the competencies of the faculty.

An additional data mining activity is the Big Data Hackaton, held on December 9th, 2016, where 100 candidates started, organized in 25 teams. The Big Data Hackaton was realized jointly organized by the new ELTE Faculty and KIBU. The idea of one of the winner groups will be implemented by MT in a live production environment in 2017. <http://bigdata.kibu.hu/>

In recent years the international cooperation between DT companies has come to the forefront to exploit synergy opportunities within the group. We are playing an important role in the international program started for transformation of the parent company's operating model. Its objective is the development of an infrastructure and a range of services to support future operations, contributing to DT Group's being Europe's leading service provider, and to that the optimization of network infrastructures and resources takes place at group level.

For this, we took and still take part in a number of international projects:

1. In harmony and sync with the company's strategy our special emphasis is on customer satisfaction and on how we can further improve it on the network side. In order to achieve this, we launched the CNE (Customer Experience Network) project jointly with DT, within the framework of which are starting several actions for to increase the satisfaction of our customers.

2. In the field of TV service development, international cooperation is of particular importance, since exploiting of the synergies between European member companies of the DT group allows greater efficiency both in quality and speed, and in price and in the management of our suppliers by magnitudes than what would be possible if those countries would deploy projects alone. The complete system software update of the so-called Mediaroom platform being technological basis for our IPTV service has taken place. Such a successful international project led by TVSC was completed in March 2016. The international project implemented in three countries - Macedonia, Montenegro and Hungary - during several months of work driven by domestic leadership affected more than 650,000 customers.

3. Our colleagues participate in the DT PANNET project in which the single infrastructure and the necessary operational model will be developed.

Within the framework of PSTN replacement project launched in 2014, our PSTN/ISDN clients have been migrated onto an IP network using a modern, long-term sustainable MSAN technology, by the end of 2016.

It is characteristic for MSAN that while the devices are operating on a cheaper and more energy-efficient IP network, the former services are available with unchanged quality and parameters for the customers.

In year 2016 the massive migration was completed and thanks to this we spared significant energies.

The exchanges were demolished environment consciously by assigned subcontractors, with the sustainability in mind. All "parts" of the exchanges have been recycled.

In March 2015 cooperation with Telenor Hungary started, in the scope of which we are going to build the LTE800's rural network together. In areas east of the Danube Telekom, in the western areas Telenor will design and build out the network. No common construction in Budapest is included in the collaboration.

Our main objective is to jointly achieve the coverage commitments towards NMIAH. With a joint construction we can make the currently most advanced mobile technology faster accessible to the countryside subscribers, while due to built-in process balances none of the companies will have to miss that developments important for it are realized, even if the partner would not prefer them.

Additionally, the 10-10 MHz band obtained by the two companies will be shared and thus both of us can build a 20 MHz bandwidth LTE, resulting in a double nominal speed. By the end of 2016 more than 2,200 stations have been put into operation within the frameworks of the joint project.

Overall, one may state that the winners of the cooperation are the subscribers of both companies. They are enabled to use the net faster, with a higher bandwidth, while doing it cost-effective because of the shared construction.