

# Magyar Telekom Telecommunications Public Limited Company

**Submission  
for Magyar Telekom Plc.'s General Meeting**

<b>Subject:</b>	Submission and resolution proposal: Approval of the Remuneration guidelines
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The Responsible Corporate Governance Recommendation issued by the Budapest Stock Exchange (BSE) includes, amongst others, remuneration recommendations. In order to ensure that the Company comply with the BSE recommendation, the Board of Directors has elaborated guidelines and rules regarding the remuneration and evaluation of the work performed by the Board of Directors (BoD), the Supervisory Board (SB), the Audit Committee (AC) and the management (Management Committee). The Supervisory Board has formulated its opinion about and acknowledged the Remuneration guidelines elaborated by the Board of Directors.

## **1. Remuneration guidelines**

### **1.1 Board of Directors**

- Members of the BoD are compensated by fee.
- The amount of the fee is determined by the GM.
- The amount of the fee is determined upon consideration of domestic market benchmark data.
- The fee may be revised upon initiative by the Remuneration Committee.
- Members elected from the management of the strategic investor waive their fees, and the members elected from the company's management donate their fees to charitable purposes.
- The BoD evaluates its activities along predefined aspects (strategy, business performance, compliance, efficiency, dividend policy, information flow...) annually.

As part of this evaluation, the BoD also reviews the self evaluation performed by individual BoD members along predefined aspects.

The total amount of fees paid to BoD members in the business year ending on December 31, 20yy is HUF xxx million.

### **1.2 Supervisory Board**

- Members of the SB are compensated by fee.
- The amount of the fee is determined by the GM.
- The amount of the fee is determined upon consideration of domestic market benchmark data.
- The fee may be revised upon initiative by the Remuneration Committee.
- Members elected from the management of the strategic investor waive their fees.
- On the basis of reviewing each tasks defined by its Rules of Procedures, the SB evaluates the work done in order to accomplish the specific tasks in course of the given year, and determines which activity (activities) need(s) to be improved.

As part of this evaluation, the SB evaluates the skills and experience of each SB member, which are relevant to performing their SB tasks.

The total amount of fees paid to SB members in the business year ending on December 31, 20yy is HUF xxx million.

### 1.3 Audit Committee

- Members of the AC are compensated by fee.
- The amount of the fee is determined by the GM.
- The amount of the fee is determined upon consideration of domestic market benchmark data.
- The fee may be revised upon initiative by the Remuneration Committee.
- On the basis of reviewing each tasks defined by its Rules of Procedures, the AC evaluates the work done in order to accomplish the specific tasks in course of the given year, and determines which activity (activities) need(s) to be improved.

The total amount of fees paid to AC members in the business year ending on December 31, 20yy is HUF xxx million.

### 1.4 Management

- The Remuneration Committee makes recommendations, upon consideration of domestic remuneration benchmark data, as to the size of specific elements in remuneration packages. Decision is made by Magyar Telekom's Board of Directors
- Remuneration packages are reviewed once a year.
- Remuneration packages consist of the following elements:

#### **Basic salary**

Fixed amounts of compensation determined for individuals varying according to the individual's position and performance, paid in equal monthly amounts.

#### **Variable pay**

The annual bonus is defined as a certain percentage of the basic salary payable pro rated to the achievement of the personalized bonus targets defined before the start of the business year, derived from Magyar Telekom Group's strategic targets. For each target, specific ranges from underachievement to overachievement are defined, along with the curve of payment on performance within the range.

Annual targets and the evaluation of their achievement are to be approved by the BoD on the basis of the submission by the Remuneration Committee.

#### **Fringe and social benefits**

Fringe benefits (e.g.: company car, mobile phone, managerial insurance etc.) are determined upon consideration of domestic benchmark data and the principles of cost efficiency.

Fringe and social benefits are granted in compliance with the relevant stipulations of Magyar Telekom's Collective Agreement and policies.

- The performance and potential of individual management members are evaluated annually along predefined aspects and procedures.

The total amount of remuneration paid to management members in the business year ending on December 31, 20yy is HUF xxx million.

### **Resolution proposal**

**The General Meeting approves Magyar Telekom's Remuneration guidelines, as stated in the submission, and authorizes the Remuneration Committee of the Board of Directors to implement the Remuneration guidelines.**

Annex: BSE Recommendation regarding remuneration guidelines

ANNEX

EXTRACT FROM THE CORPORATE GOVERNANCE RECOMMENDATIONS

**2.7.1. Evaluation and remuneration for the members of the Managing Body, the Supervisory Board and the Executive Management**

R	2.7.1. The Managing Body, as well as a committee set up from among the members of the Managing Body should establish guidelines and rules ("Remuneration Guidelines") concerning the performance and remuneration of the Managing Body, the Supervisory Board and the executive management. The remuneration guidelines formulated by the Managing Body should be assessed by the Supervisory Board, and the rules of remuneration (and any major changes therein) for the Managing Body and the Supervisory Board should be approved by the general meeting, as a separate item on the agenda. (2004/913/EC 4.1.)
E	It is essential that the performance of key individuals, who play a crucial role in company management and in the determination of company objectives in line with the best interest of shareholders and other stakeholders, be properly evaluated. When determining the remuneration of members of the Managing Body and the executive management, it is suggested that the responsibilities of the given members, the level of their responsibility, the extent to which the company has reached its goals and the company's economic, financial situation are considered.

R: recommendation

E: explanation