



**SUSTAINABILITY
REPORT
2020**



EGYÜTT. VELED



5.

STAKEHOLDERS

5 GENDER EQUALITY



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 a review of its management systems and benchmark studies and maintains 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 with respect to our sustainability activities.

6 CLEAN WATER AND SANITATION



8 DECENT WORK AND ECONOMIC GROWTH

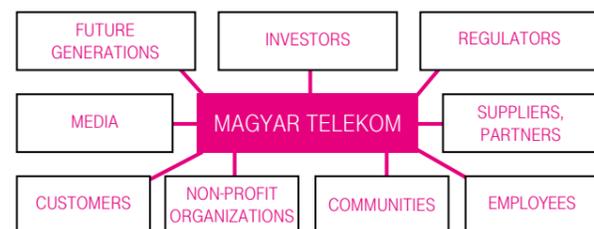


We have had the opportunity to meet with our stakeholders on several occasions at forums and surveys as well as in person where we could discuss our sustainability activities and challenges. Our most important stakeholders are considered to be the regulators, investors, employees, communities, NGOs, suppliers, partners, the media and future generations.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



STAKEHOLDER SURVEY

13 CLIMATE ACTION



As part of the preparation process of Magyar Telekom's Corporate Sustainability Report, we rely on our preliminary research findings and regularly monitor the opinions of our stakeholders concerning the importance of our sustainability topics. We conduct an annual survey aiming 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 play a crucial role in the evaluation and materiality rating of our sustainability activities for this report. All topics are important contributing elements to the successful delivery of our strategic goals, nevertheless, we pay particular attention to those that our stakeholders have denoted with medium-and high-level importance

14 LIFE BELOW WATER



15 LIFE ON LAND



17 PARTNERSHIPS FOR THE GOALS



Next to the rating of topics, our stakeholder survey poses 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 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 are accessible,
- which global Sustainable Development Goals (SDGs) Magyar Telekom should consider as priorities, based on its activities

The latest survey, conducted in December 2020, shows that most of our stakeholders protection of minors in the Digital Age, consider waste management and informing of customers to be the most important areas. In the areas of ICT-relevant scientific achievements, they underlined the importance of climate protection and innovation, which we address in our report in separate subchapters.

As to risks and opportunities, the responders mentioned climate protection, electromagnetic fields and circular economy. Our stakeholders found that Telekom can mainly contribute to the achievement of SDG4: Quality Education, SDG11: Sustainable cities and communities and SDG12: Responsible consumption and production.

TOPICS EVALUATED BY THE STAKEHOLDER GROUPS AND THEIR IMPORTANCE

	Regulator	NGO	Employees	Media	Customer	Future generation	Supplier, Partner	Investor	Local community	Average
Protection of minors in the Digital Age	4,25	4,09	4,44	4,05	3,72	3,38	4,18	3,46	3,27	3,87
Wastes	4,25	4,20	4,20	4,05	3,75	3,49	3,98	3,16	3,31	3,82
Informing of customers	4,05	4,20	4,22	3,88	3,69	3,41	4,12	3,39	3,13	3,79
Customer satisfaction	4,25	4,09	4,19	3,78	3,63	3,06	3,94	3,81	3,32	3,79
Climate protection and energy efficiency	3,75	4,10	4,40	4,13	3,84	3,52	3,92	3,34	2,90	3,77
Data protection	4,75	4,03	4,07	4,00	3,56	3,11	3,78	3,57	2,96	3,76
Environmental targets, costs and compliance	3,75	4,01	4,12	4,13	3,71	3,47	3,83	3,44	2,78	3,69
Local procurement	4,25	4,08	4,11	3,55	3,57	3,45	3,90	3,19	3,11	3,69
Sustainability in the supply chain	4,25	4,08	4,13	3,78	3,55	3,24	3,93	3,29	2,83	3,67
Innovation for sustainability	3,55	4,17	4,19	3,93	3,67	3,36	3,59	3,63	2,93	3,67
Corporate compliance	4,75	3,97	3,96	3,63	3,53	3,00	3,56	3,54	2,92	3,65
Resource consumption	3,75	4,04	3,88	3,43	3,61	3,43	3,88	3,53	3,17	3,63
Service availability	4,25	3,89	3,82	4,03	3,36	2,93	3,83	3,60	2,88	3,62
Sustainability coordination	4,55	4,08	3,80	3,95	3,47	3,15	3,62	3,11	2,83	3,62
Occupational health and safety	4,25	3,92	4,20	3,50	3,44	3,19	3,74	3,10	3,16	3,61
Emissions	3,75	4,02	4,07	3,50	3,70	3,41	3,86	3,43	2,71	3,60
Supplier relations	4,25	3,93	3,66	3,80	3,40	2,89	4,24	3,34	2,86	3,60
Cooperation in environmental and social issues	4,25	4,26	3,70	3,80	3,47	3,13	3,55	3,21	2,82	3,58
Human rights, equal opportunities	4,55	3,93	4,18	3,53	3,47	3,11	3,62	2,94	2,82	3,57
Safe use of mobile phones, electromagnetic fields	3,75	4,32	3,93	4,00	3,28	3,14	3,60	2,76	3,11	3,54
Regulatory compliance	4,75	3,76	3,79	3,55	3,42	2,89	3,59	3,31	2,81	3,54
Involvement of employees	3,55	4,01	4,02	3,60	3,51	3,55	3,72	3,17	2,86	3,53
Suppliers' Award	4,25	3,57	3,87	3,33	3,31	3,05	3,75	3,44	2,67	3,47
Risk management	4,75	3,69	3,75	3,45	3,27	2,89	3,38	3,14	2,77	3,45
ICT for sustainability	4,25	3,92	3,83	3,35	3,28	2,96	3,45	3,03	2,74	3,42
Addressing legal and ethical aspects of content service providing	3,75	3,84	3,54	3,85	3,12	2,89	3,37	3,09	3,21	3,41
Our employees as corporate citizens	3,55	3,84	4,10	3,25	3,38	3,17	3,24	3,11	2,51	3,35
Involvement of our customers	3,75	4,04	3,81	2,90	3,20	3,20	3,55	3,00	2,59	3,34
Professional cooperation	3,75	3,79	3,55	3,30	3,25	2,77	3,66	3,39	2,44	3,32
Digital competency	3,05	3,76	3,70	3,50	3,22	2,87	3,24	3,56	2,74	3,29
Managing changes	4,05	3,61	3,60	3,10	3,16	2,85	3,28	3,29	2,59	3,28
Talent management	3,05	3,53	3,45	3,15	3,03	2,79	3,40	3,34	2,73	3,17
Donations	3,85	3,80	3,56	2,98	3,02	2,78	3,13	2,86	2,28	3,14
Investor relations	4,25	3,53	3,26	2,95	2,92	2,52	3,15	3,40	2,27	3,14
Sponsorship	3,10	3,53	3,29	2,98	2,81	2,54	2,61	2,66	2,16	2,85
Average	4,03	3,93	3,90	3,59	3,41	3,10	3,63	3,28	2,83	

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 via the [stakeholder survey](#) or to the sustainability@telekom.hu email address.

MATERIALITY

When preparing this report – in compliance with the “Comprehensive” level of the Global Reporting Initiative Standard (GRI Standard) – we put emphasis on materiality, stakeholder inclusiveness, completeness, accuracy, comparability, timeliness, reliability, balance and sustainability.

The scope and the content of the report were defined on the basis of Magyar Telekom’s materiality analysis and as an external resource, we also used the questions of responsible investor analysts (ISS ESG Rating, FTSE Russell, MSCI, Robeco SAM) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector.

Magyar Telekom’s materiality analysis helps to define all sustainability topics that are important and currently emphasised for the company and its stakeholders and support the implementation of the stakeholders’ interests into business processes and strategic objectives.

The topics were defined, prioritised and grouped during the preparation of Magyar Telekom Group’s Sustainability Strategy in the first place, then the topics were verified – and if necessary revised and amended. The development of the materiality process is also supported by continuous harmonisation with other strategies of the company.

When defining the scope, content and structure of the year 2020 report we took into account the results of the stakeholder survey. Based on the comparison of the sustainability strategy priorities for the period between 2016 and 2020 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows

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MATERIALITY OF SUSTAINABILITY TOPICS OF MAGYAR TELEKOM IN 2020

High priority topics	Medium priority topics	Low priority topics
Protection of Minors in the Digital Age	Wastes	Local procurement
Customer satisfaction	Informing our customers	Corporate compliance
Climate protection and energy efficiency	Data protection	Service availability
Sustainability in the supplier chain	Environmental targets, costs, and compliance	Corporate governance
Innovation for sustainability	Safe use of mobile phones electromagnetic fields	Occupational health and safety
Resource-consumption	Supplier’s Award	Cooperation in environmental and social issues
Emissions	Sponsorship	Regulatory compliance
Human rights, equal opportunities		Risk management
Involvement of our employees		Addressing legal and ethical aspects of content service provision
ICT for sustainability		Professional cooperation
Our employees as corporate citizens		Managing changes
Involvement of our customers		Talent management
Initiatives to eliminate the digital divide		Investor relations
Donation		Supplier relation

Based on the analysis and the materiality ranking we believe that all topics have significance both inside and outside the company. The structure of the report follows the priorities of the sustainability strategy and the materiality analysis: high priority topics are presented in detail, information on medium priority topics are provided partly in the chapters, partly in the GRI table of contents whereas low priority topics are primarily provided in the GRI table of contents to provide as transparent information as possible to all stakeholders on the company’s corporate governance, environmental and social impact as well as the underlying risks and opportunities.

PROCESS FOR DETERMINING THE CONTENT OF THE REPORT

OBJECTIVE AND USE OF THE REPORT

The objective is to give a full-scope picture, as the report is an information source for all stakeholders; however the entirety of the report is primarily prepared for our shareholders and investors, and among them chiefly our responsible investors and sustainability analysts.

SPECIFICATION OF THE TOPICS

The topics of the report were determined on the basis of the information required by responsible investor analysts, investors and regulators.

INVOLVEMENT, TESTING VALIDATION

Continuous collection information, analysis of trends, harmonization with the company’s organizational units, involvement of stakeholders, incorporation of feedback into the material.

PRIORITIZATION OF THE TOPICS

Prioritization is provided in the strategy however, the Sustainability report is a reporting tool, therefore it covers all specific topics.

SUPPLIERS

Anti-corruption measures and ethical conduct are important cornerstones of operation for Magyar Telekom. Consequently, the company requires its suppliers to adopt Telekom's Anti-corruption statement, the Suppliers Code of Conduct and the Coltan Policy of Magyar Telekom. As part of the contractual terms each and every supplier must know, approve and must comply with these requirements as stated.

Because of its size, Magyar Telekom Group has a significant impact on other stakeholders of the economy, thus the scope of its responsibilities cannot be limited to the company itself. As part of our risk management strategy, we maintain our ambition to do business with suppliers who appropriate a high level of social, economic and environmental performance and standards. In order to ensure this, the Group manages its supplier contacts with a strong commitment to fostering a sustainable supply chain. The group-level coordination of vendor relations is ensured by the Procurement, Logistics and Real Estate Management HUB, partly through the provision of centralised procurement services, and partly through the coordination of the member companies' functional organisations.

Suppliers are selected in compliance with the laws, in procurement procedures that ensure fair competition, transparency, and documented processes, which are under continuous control by the Internal Control System (ICS) used jointly with Deutsche Telekom Group. Besides providing proper controls the system encourages us to improve and accelerate our processes.

with respect to contracting, the company seeks to develop mutually advantageous, value-creating partner relations. To ensure cost-efficient operation, the company continuously rationalises its processes by tapping the synergies of the parent company and group-level procurement.

One of the main interfaces for supplier relations is the interactive **website of the Procurement, Logistics and Real Estate Management HUB**, where suppliers – upon registration – can directly reach the newsletter service, the supplier qualification system, the OneSource system where quotations and auctions are managed, privacy policy, electronic invoicing description and may find useful information on our procurement processes and sustainability requirements.

The references, financial standing, quality assurance and sustainability capabilities of the suppliers are audited in a prequalification system which is also operated on the internet site of the Procurement, Logistics and Real Estate Management HUB. The company's enhanced vendor prequalification system enables registered suppliers to complete the sustainability-focused questionnaire and also its evaluation. The results ensure the identification of risks and the possibility of joint improvement with the suppliers. The qualification results are important factors in the supplier selection process.

The company buys services and products from qualified suppliers. After filling out the questionnaire, we inform registered suppliers about their results in the vendor grading system. We procure more than 80% ✓ of the value of the orders from prequalified external suppliers, through 835 ✓ partners in 2020.

One of the main pillars of the 2016-2020 sustainability strategy is to channel our commitment to sustainability to suppliers involved in our everyday business. This is only possible through setting new and ambitious goals and by following the best practices involving all relevant stakeholders. This is the primary reason why we have developed the Magyar Telekom Sustainability web audit, a questionnaire on environmental, social and business ethics topics.

There is a special focus in the assessment process on whether the suppliers have any sustainability expectations declared towards their partners or not. The final score is calculated with an industry weighing of the supplier. 17 companies participated directly in this survey in 2020 which translates to 16.77% ✓ of the purchase value (this value was 10.86% in 2015, 3.83% in 2016, 21.07% in 2017, 26.42% in 2018 and 4.11% in 2019). In 2020, our 47 suppliers had a valid evaluation, representing 51.04% ✓ of the purchase value. Respondents were informed about their results, and they also received topic-specific feedback on their performance. Upon request, we have also provided further information via email or phone to partners who requested it. There was no incident risk or non-compliance identified in 2020. Throughout its operations, Magyar Telekom is keen on maintaining sustainability throughout its operations in a transparent manner and encourages its partners to do their share of sustainable development. Therefore, we highly appreciate all partnerships through which we can gain a better understanding of our partners' sustainability-related strategies and operations.

Due to the virus situation and the restrictions imposed, the „Magyar Telekom TOP3 Sustainable Supplier 2019" award ceremony was cancelled for 2020.

The „Magyar Telekom's TOP3 sustainable supplier 2019" title was given to: Ericsson Magyarország Kft., INGRAM MICRO Magyarország Kft. and MOL Plc.

For the purpose of the sustainability evaluation of our active suppliers we use the internationally recognised and operated EcoVadis system, which is also supported by Deutsche Telekom. We invited strategically important and high-risk suppliers to declare their operational practices based on the detailed EcoVadis criteria. As a result, 4 suppliers have received direct and 13 suppliers indirect evaluation of social, environmental, economic and sustainable procurement aspects in 2020.

These suppliers accounted for 38.30% ✓ of the overall procurement value, which value 37.42% in 2015, 33.23% in 2016, 40.59% in 2017, 45.06% in 2018 and 44.40% in 2019. The validity of the EcoVadis ratings is two years, thus the results of 2019 and 2020 are taken into consideration

Our 2016-2020 sustainability strategy's objective is to ensure that Magyar Telekom's commitment to sustainability becomes part of the supplier's business and that the supplier's CO₂ should be reduced.

An e-learning course is available for all Magyar Telekom employees about sustainable supply chain processes and in 2020 we informed our colleagues about these topics through several channels. The e-learning material is available on the intranet and contains all processes, their detailed description and the list of contacts of topic owners.

As part of the sustainable supplier chain management process, and in order to support effective operations we created a working group, the members of which are responsible for and take action in the case of incidents as well as environmental working conditions, human rights or social problems arising in connection with suppliers. The permanent members of the working group are the employees of the Corporate sustainability centre, the Procurement and logistics directorate, the Corporate governance and General legal affairs department in addition to the employees working for the ordering organisation involved in the incident, as well as the experts on the given issue. In order to support these efforts, we established an incident management process that defines the relevant actions in such cases. The incident management process analyses the event that triggers the incident, the strategic importance of the supplier, the severity of the given case, the supplier's reaction and provides guidance on potential remedies. No such processes were launched in 2018 because the analyses did not reveal any negative environmental, working condition, human rights or social non-compliance. Therefore no sanctions were imposed and no contracts were terminated in 2020.

As part of the sustainability process, our procurement and compliance organisation has an ongoing monitoring process responsible for the identification of legal or economic non-compliance cases. There were no such cases identified in 2020.

Deutsche Telekom provides significant support for the sustainable improvement of supplier relations through sectoral initiatives such as JAC – Joint Audit Cooperation. As a result, audits are being conducted worldwide for the selected suppliers. The integrated audit criteria assure compliance with the basic social and environmental benchmarks when it comes to shared suppliers of different subsidiaries.

The Suppliers Code of Conduct includes the following principles:

- Code of Conduct
- Social Charter
- Diversity Policy
- Magyar Telekom Group's Environmental Policy
- Financial Code of Ethics
- Corporate Governance Declaration
- Magyar Telekom Group's Quality Policy

Proving compliance with the common group standards, in 2020 a total of 10 indirect Magyar Telekom suppliers were involved in Deutsche Telekom audits which accounted for 12.34% ✓ of the overall procurement value. This value was 18.32% in 2015, 15.05% in 2016, 36.91% in 2017, 40.14% in 2018 and 38.87% in 2019. Depending on the results of the audits, corrective action plans are given to poorly performing suppliers, followed by a re-audit if necessary.

SUPPLIER ASSESSMENTS' RISK CRITERIA USED BY OUR COMPANY WERE IDENTIFIED AS FOLLOWS:

	ECOVADIS	MT WEBAUDIT	AUDIT	PRE-QUALIFICATION	SUPPLIER SCORE CARD	GESI	
Economics	Anti-corruption and Bribery	✓	✓	✓	✓	✓	
	Conflict of interest	✓	✓	✓	✓	✓	
	Fraud	✓	✓	✓	✓	✓	
	Money laundering	✓	✓	✓	✓	✓	
	Anti-competitive practices	✓	✓	-	✓	✓	
	Respect of intellectual property rights	✓	✓	✓	-	✓	
	Truthfulness of marketing and advertising messages	✓	✓	✓	-	✓	
	Consumer/client data protection and privacy	✓	✓	✓	✓	✓	
	Access to essential services or products	✓	✓	-	-	-	
	Partner/supplier data protection and privacy	-	✓	-	✓	✓	
	Associate/employee data protection and privacy	-	✓	✓	✓	✓	
	Business Continuity Management	-	✓	-	-	-	
	Environment	Reduction of production-related environmental risks	✓	✓	✓	✓	✓
		Energy Consumption and GHGs	✓	✓	✓	✓	✓
Water management		✓	✓	✓	-	✓	
Biodiversity		✓	✓	✓	✓	✓	
Local Pollutions		✓	✓	✓	-	✓	
Materials, Chemicals management		✓	✓	✓	-	✓	
Waste management		✓	✓	✓	-	✓	
Product lifecycle management		✓	✓	✓	✓	✓	
Property lifecycle management		✓	✓	✓	-	✓	
Promotion of sustainable consumption		✓	✓	-	✓	✓	
Sustainable forest / paper policy		-	✓	-	-	-	
Customer health and safety		✓	-	✓	-	-	

	ECOVADIS	MT WEBAUDIT	AUDIT	ELŐMINŐSÍTÉS	SUPPLIER SCORE CARD	GESI
Society	Employees health and safety	✓	✓	✓	✓	✓
	Working Conditions	✓	✓	✓	✓	✓
	Labor Relations	✓	✓	✓	✓	✓
	Career Management	✓	✓	-	✓	-
	Child and Forced Labor	✓	✓	✓	✓	✓
	Discrimination	✓	✓	✓	✓	✓
	Fundamental human rights	✓	✓	✓	✓	✓
	Customer health and safety	-	✓	-	-	-
Procurement	Sustainable procurement charter	✓	✓	-	-	-
	Training of buyers on issues within the supply chain	✓	✓	-	-	-
	Integration of social or environmental contract clauses	✓	✓	✓	-	✓
	Regular supplier assessment	✓	✓	-	-	-
	Audit of suppliers	✓	✓	-	-	-
	Corrective action to facilitate supplier capacity building	✓	✓	-	-	-
	Sustainable buyers performance appraisal	✓	✓	✓	✓	-
	Pre-qualification of suppliers before evaluation	-	✓	-	-	-
	Identified risks and impacts	✓	✓	✓	-	✓
	Conflicts minerals	✓	✓	✓	-	-

The procurement processes constitute a significant part of vendor relations and are implemented with the support of IT systems. Internal procurement processes are initiated mostly through electronic systems. The suppliers' selection process is supported by an internet-based RPF and tool (OneSource), orders are also placed/confirmed through an electronic commerce solution (CPEX) or e-mail, managing transactions growing from year to year.

These electronic solutions substantially reduce the processing time of the procurement processes and the e-mail-based placement of orders further reduces the quantity of paper-based documents. In past years, direct electronic procurement transactions (CPEX) hit a steady high level and in 2020 reached 94.73% of all items ordered (in 2015: 69%, in 2016: 89.9%, 2017: 91.3%, 2018: 92.35%, 2019: 93.78%).

In 2020, the proportion of requests submitted electronically in the order support system for network-relevant real estate assets and technological area asset movements (PSL) running in the improved corporate governance system (DT Group One.ERP) in 2016–2017 was 97.2% (2017: 95.4%, 2018: 99.65%, 2019: 97.41%). The total number of orders sent electronically without intervention in the procurement area was 88.1% in 2020.

In 2017, we explored areas where robotisation could be applied to improve our procurement business processes. In 2018 we planned to robotise the entire supplier due diligence process in 2018 and launched the supplier due diligence robot in early 2020.

We ensure compliance with the statutory and corporate expectations by including sustainability, environmental clauses in the supplier contracts. We expect our suppliers to use environmentally-friendly materials, technology and energy-saving solutions.

In the office stationery catalogue, the supplier already marks “green” products, and we encourage our colleagues to order such items.

As to products, there is a blacklist and a grey list of ingredients, i.e. products that contain any of the listed materials are banned from procurement (blacklist) or are not recommended to be procured (grey list) by Magyar Telekom.

In an effort to prevent any damage and minimise transportation time, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimum inventory. In an effort to raise cost efficiency and reduce transportation, we increase the percentage of stocks managed by the suppliers. We study the possibility of this jointly with the supplier when entering into the contract.

Despite the globalisation of procurement, we continue to purchase a considerable amount of products and services from local¹ suppliers. In 2020 more than 89% of our suppliers belonged to this category. By ordering products and services from local suppliers we significantly contribute to the retention of jobs.

VALUE RATIO OF PRODUCTS AND SERVICES FROM LOCAL SUPPLIERS, MAGYAR TELEKOM GROUP ✓

Subsidiaries ²	2016	2017	2018	2019	2020
Magyar Telekom Plc.	78.9%	77.8%	85.56%	81.09%	78.14%
T-Systems Hungary	78.46%	84.32%	82.87%	80.92%	86.62%
Makedonski Telekom	67%	65%	61%	75%	73%

¹ Suppliers with headquarters in a given country.

² Magyar Telekom Group member companies with significant procurement value.

CUSTOMERS

CUSTOMER SATISFACTION

Telekom performs customer satisfaction surveys, on the basis of ongoing data collection, among residential customers, using the internationally used TRI*M customer satisfaction research method. With the help of this method, the company can continuously monitor the general expectation levels of subscribers as well as their level of satisfaction with Telekom services.

These surveys produce a composite index reflecting customer satisfaction for all Telekom customers and for individual customer groups, respectively, which helps in tracing and easily interpreting the changes over time. Moreover, the detailed analysis of service elements enables detection of the current perception of factors impacting customer satisfaction, identifying the fields where Magyar Telekom delivers outstanding performance according to customer feedback, and the fields where actions are necessary for quality improvement in comparison to earlier performance or results from competitors.

T*RIM – Residential customers

The satisfaction level of Telekom customers has increased by 7 index points compared to 2019 results, thereby securing the company's leading position in terms of customer loyalty and satisfaction. Within the customer base, the satisfaction of customers in the Magenta1 segment continues to be extraordinary. It should also be noted that fixed-line customers have demonstrated a positive tendency in their TRI*M index, making it possible for this group of customers to catch up to the satisfaction level of mobile subscribers.

Due to the restrictions related to the 2020 COVID epidemic, digitalisation was given a huge emphasis: working from home, studying and keeping in touch with the digital space typically had an impact on all customer segments. Telekom, living up to the challenge presented by a surge in network usage provided telecom services required for keeping in touch, content consumption and the operation of IT systems, quickly and efficiently reacting to unexpected changes to our living conditions, helping the customers with free-of-charge and discount rated services, devices and service solutions during the crisis. We can see these steps in action from the customers feedback received in 2020.

One of the principal strengths of Telekom is the renewing choices of fixed services, new tariffs and range of equipment, handsets. Furthermore, there is a steady growth concerning satisfaction with aspects of mobile internet connection speed and call quality. Improving satisfaction scores were achieved in the area of the reliability of our TV services as well. This year, customers were more satisfied with eliminating technical problems and handling complaints.

The customer satisfaction regarding Flip, the second brand of Telekom offering a service package including three fixed-line elements (telephone, Internet and television), has been measured on a six-monthly basis since 2018. The Flip customer base is the most satisfied among customers of telecom providers present on the market.

NG ICCA

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 the customer service and self-service of Magyar Telekom. The research is transaction-based: we poll our customers within 2–48 hours of their customer care event. The research basically extends to the residential customer base. Overall satisfaction is measured on a scale from -200 to +200. The results of the TOP channels involved in the research:

In 2019 the questionnaires were extended to apply the Net Promoter Score (NPS) methodology, which is aimed at measuring the probability of someone recommending the service provider to others: customers can grade their answers to the questions “Would you recommend Telekom to friends, colleagues based on your present experience?” from 0 (“would not recommend at all”) to 10 (“would definitely recommend”), thus enabling us to precisely identify the transaction types that need to be addressed to improve customer satisfaction. We have further refined the data processing related to the new method in 2020.

In 2020 we introduced, at the Call Centre, the option for immediate post-call evaluation, in order to get a clear picture of the satisfaction of our customers with the provided service, as soon after the transaction as possible. The new method significantly increased sample numerosity, hence we were able to analyse feedback on an even more detailed level.

Upon the breakout of the Covid epidemic, the Call Centre adopted home-office-based operation within days, without the customers having any negative experience – they were grateful for the uninterrupted, high-quality handling of their matters.

Among others, due to the above measures, the level of customer satisfaction with the service and operators at the Call Centre has achieved peaks never seen before last year. As for continuous access to services that are of key importance for our customers and the quickest possible repair of potential faults – we could also improve the satisfaction related to technical calls last year.

Due to the Covid 19 epidemic, the Shops have adapted to our customers' changed expectations, so we partially switched our employees to Telesales. We extended the measurement to this labour too.

We place special emphasis on handling negative customer feedback (otherwise with low numerosity) and strive to find solutions to them in a short time, as well as identify, based on the feedback, the "pain points" we can effectively address through process and operations improvement measures.

Magyar Telekom and T-Systems Hungary perform customer satisfaction measurements in the business segment through multi-layer measurements

Changes in measuring customer satisfaction – Micro-, small- and medium-sized enterprises

In January 2020, Magyar Telekom (MT) took over the handling of micro-, small- and mid-sized business (SOHO and SMB) customer base of T-Systems Hungary. Thereby after the 2018-2019 period, the SOHO and SMB segment was back under MT control, while large enterprise-sized corporates and institutions stayed under T-Systems' management. Despite these changes in customer management the methodology of the measurement remained unchanged, customer satisfaction is still measured by TRI*M in the SOHO and by strategic satisfaction research in the SMB end large enterprise segments.

By 2019, a stabilised customer satisfaction survey system had been launched where TRI*M remained the measurement tool for customer satisfaction and loyalty of SOHO customers, that is to be carried out twice a year. Due to the 2017 change in methodology, conclusions from SOHO TRI*M survey findings can only be made from this date similar to the residential market. However, in the case of the SMB segment, after the successful measurement of 2018 as a base, customer satisfaction was measured by strategic satisfaction research both in 2019 and 2020.

TRI*M – Microenterprises (SOHO)

The TRI*M index measured among Telekom microenterprises was higher in 2020 than in the previous year. As a result of this positive tendency, among microenterprises using telecommunications services, the overall satisfaction and loyalty of Telekom customers were the highest in 2020. The satisfaction and loyalty of SOHO customers subscribing to mobile services are somewhat higher compared to subscribers of fixed services. The extraordinary result is attributable, among other causes, to the renewed mobile portfolio, the fast and generous help provided during the COVID period and CEX activities, furthermore, the impact of quality improvement steps aimed at service provided to small businesses can also be detected in the perception/evaluation of various channels.

Strategic satisfaction research – small-, medium and large enterprises

Within the frame of the annual satisfaction research, we ask our customers IT and telco decision-makers about their satisfaction with Magyar Telekom's and T-Systems' services and customer service.

Within the research we perform personal deep interviews and a questionnaire-based survey as well. In 2018, the sample targeted by the survey was extended to include the SMB segment in line with T-Systems' new segmentation structure. With these 2018 results as a base - in 2019 year-on-year analysis has been utilised in the SMB segment as well. Although in 2020 SMB segment was back under MT control, the measurement of the customer satisfaction remained unchanged. Both in the SMB and large enterprise segments customer satisfaction is still measured by one common market research, with the same methodology.

The 2020 questionnaire-based survey was conducted on 651 companies, a random sample of the entire customer base. The deep interviews are taken in the top 50 segment of the large enterprise category. The questionnaires and deep interviews are performed anonymously, but the respondents also have the opportunity to identify themselves with their names during the interview.

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 with respect to the entire Magyar Telekom and T-Systems companies, service areas and other areas and are presented to the representatives of the relevant professional areas.

Both SMB and large enterprise business segments, especially the certain vertical sales and other service areas in T-Systems work on building up action plans based on the strategic satisfaction research results. The results and realisation of action plans were summarised in case of every service areas – in case of T-Systems also in every vertical sales area – at the end of the year.

Based on the results to date, of the Magyar Telekom and T-Systems strategic satisfaction survey we can state that the overall performance of the company is reliably high and balanced. Actually, in 2020, the overall customer satisfaction has increased further both in SMB and large enterprise segments. The increasing overall customer satisfaction value was driven mainly by the significantly improving sales and customer care activities. As another key result, the customer satisfaction values also increased in the critically important TOP50 segment of large enterprises.

Contact person satisfaction research

The contact person satisfaction survey is performed at the end of each quarter among customers who used Magyar Telekom's or 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 Customer Service of Magyar Telekom or the T-Systems Service Desk with fault reports or complaints.

The survey is performed with the involvement of a partner at the end of each quarter whereby we contact approximately 200 contact persons by telephone; then based on the answers we prepare an evaluation report at the end of the quarter. Upon closing the fourth quarter's survey we prepare an annual contact person satisfaction report which is presented to the professional areas of the company.

CUSTOMER FEEDBACK MANAGEMENT

The voice and signal of the customer is always important to us in order to maintain the high quality of our services in accordance with customer expectations. The feedback of Magyar Telekom continually helps us creating our services and processes and finding ways of improving.

When handling complaints, we focus on our customers' satisfaction and ensuring an enhanced customer experience. Our task is to provide qualitative and comforting solution for our customers during the investigation and handling of complaints. Along this line, we are re-creating the experience of further use of Magyar Telekom's services to the customer with customised solutions.

It is important for us to provide high-quality services to our customers and quick solutions when dealing with complaints.

CUSTOMER INVOLVEMENT

Telekom Vivicitá

In 2020, the pandemic rendered it impossible to hold our Telekom Vivicitá by traditional means, but with the support of Budapest Sportiroda, Telekom organised the event, which is aimed at increasing awareness about protecting our urban environment, in the virtual space between 12th-14th June. The Telekom Vivicitá Virtual Running Days event mobilised many people, and the competition format already well-known internationally, but still new in Hungary, met a warm welcome. Participants of the virtual race ran the different distances at any location of their choice individually or in teams. A total of 207 individual runners and 50 teams representing Telekom took part.

In 2020 both channels performed at an outstanding level and had a specific positive impact on both Magyar Telekom's and T-Systems' perception. Both the administrative processes and the professionalism, competence of the staff as well as the treatment of customers achieved a superior rating. Customers find that the vast majority of administrative processes are easy to follow and are successful. The duration of administrative processes is compliant with the SLAs undertaken by Magyar Telekom and T-Systems as well as the expectations of customers

In 2020, due to the changed external conditions, we strived even more for individual solutions that meet the life situation and needs of our customers. We also emphasised that Telekom's customers can count on us in every situation. In 2020 - as a result of external effects - compared to the previous year the number of complaints increased by 2%. ✓

It is our prime objective to provide customised 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.

In 2020, charity was in the focus, as the contestants supported charitable causes they chose by donating HUF 500 out of their entry fee: Camp of Courage, Hungarian Foodbank Association, Hungarian Hospice Foundation, SUHANJ! Foundation and Szent Márton Child Paediatric Emergency Medical Service received donations in the proportions of the votes cast for them.

Besides Telekom Vivicitá, in the fall of 2020, the company, as title sponsor, also brought to life the first virtual Telekom Sulicitá event, where approximately 8,500 students from 32 schools ran the distances of their choice.

Telekom has been supporting Suhanj! Foundation by the *Vivicitá* event. In 2020, we donated HUF 2 million. Equality and diversity are important values for Telekom, just like for the foundation, since Suhanj! makes the joy of sports and physical exercise accessible to people who live with handicaps.

This year has posed many challenges for Suhanj!, too, mainly financially, because Suhanj! Fitness, one of the main revenue sources of the foundation, also had to be temporarily closed, so they were in great need of monetary support.

Last autumn, another major cooperation with Suhanj! Foundation also took place: Telekom donated HUF 500,000 and provided the venue and online streaming for the “Erőt adunk!” (“We give you strength”) Conference, where, on the occasion of their 10th anniversary, Suhanj! Foundation addressed the theme of perseverance, coping and starting over again with the help of exceptional sports personalities, outstanding parasports persons and well-known role models of the Hungarian running community, who delivered brief, inspirational speeches.

The program not only offered an opportunity for runners and sports fans to learn, but it also helped to shape society's perception by presenting examples of the parasports personalities, as well as provided motivation to people living with handicaps and other disadvantaged groups and minorities.

#youcanrelyonus

Magyar Telekom launched a **microsite** on its website in 2020, where customers can find a collection of all the different forms of aid and discounts available during the pandemic and can learn more about digital solutions, distance learning, home office and entertainment.

Based on the relevant decision of the Government, the company provided free-of-charge fixed-line internet access to the entitled Telekom and Flip customers, students and teachers for 30 days in November-December 2020, as well as making many websites supporting education accessible without depleting the mobile data accounts of the customers. Students and teachers at secondary schools shifted to online schooling received the above discounts from November 2020, primary schools from March 2021.

Carbon neutrality

One of the biggest challenges of our age is climate change which is mainly attributable to human activity resulting in carbon dioxide emission. Telekom recognised 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 through the implementation of innovative solutions the company has gradually decreased its energy consumption and increased its energy efficiency.

In 2020, Magyar Telekom Group completed its fifth consecutive carbon-neutral year.

In addition to reducing the carbon footprint of its own operations, ExtraNet Green 1 GB continues to give its customers the opportunity to do their bit for the climate by choosing the first green service based on 100% renewable energy.

NOW Forum

In 2020, Magyar Telekom continued its series of residential, professional educational events, where we talk to experts about digitization, the appearance of technology in our lives and its effects. Due to the pandemic, we held only two NOW Forums in 2020. The one at the beginning of the year addressed the golden age and future of television with the help of experts like Barbara Hátori, Csilla Tatár, Zsuzsanna Szeptelszky, Annamária Rajki and Sixx. As part of the event held in the fall, we discussed the aesthetics of networks with prominent representatives of science and culture. Members of the panel were physicist, network researcher Albert-László Barabási, arts consultant András Szántó, arts journalist and moderator Nóra Winkler. The event was held at MÚPA's theatre, in compliance with the effective health measures, with the attendance of a maximum of 200 people, and after the discussion, the participants visited, in groups of 50, the BarabasiLab: Hidden Patterns. Network Thinking” exhibition at Ludwig Museum, a part of the 29Th café Budapest Contemporary Arts Festival.

Telekom Community Gardens

Magyar Telekom and the Contemporary Architecture Centre (KÉK) continued operation and maintenance of the community gardens in 2020. The gardening works continued in the Csárdás Garden and Kerthatár Community Garden. The two gardens offer an opportunity for urban gardening for more than 150 families in the city.

Omnibus survey on consumers' habits

Within the frame of the Omnibus survey, we ask Telekom and non-Telekom customers about their consumption habits. We survey core services, such as TV, internet, telephone service as well as energy and insurance too. Four times a year (in 2020: three times due to the pandemic) we include questions on sustainability as well. We normally involve 750 persons in the survey.



EMPLOYEES

EMPLOYEE INVOLVEMENT

In its Sustainability Strategy 2016-2020, the Group set the goal of further increasing its contribution to society by putting in 50,000 volunteer hours by the end of 2020. Due to the pandemic, the volunteer activities introduced in previous years were not possible in 2020, so the number of volunteer hours dropped. During the above period, Telekom employees put in a total of 46,470 hours of volunteer work until the end of 2020, amounting to the equivalent of a HUF 140 million donation to society.

Magenta Unity Foundation

Magenta Unity Foundation was brought to life from the initiative, personal commitment and donations of CEO Tibor Rékasi and the members of Telekom's top management, i.e. the Leadership Squad, in July 2020. **The purpose of the Foundation is to support employees who have experienced hardship due to the pandemic.**

The initiative, unique on the Hungarian market, builds upon donations from individuals (the starting capital provided by CEO Tibor Rékasi) and the funds so far collected were used until the end of 2020 to support a total of 103 colleagues with a total of HUF 15.85 million. Anyone can send donations to the foundation, and of course, any Telekom or T-Systems employee may request aid from it.

Due to the pandemic, the “It's Good to Give” Cookie Event, which had taken place annually for many years, had to be cancelled last year.

In its place, we organised a donation-collecting campaign for Magenta Unity Foundation under the title “Együtt. Egymásért.” (“Together. For one another.”), as part of which colleagues who provided donations could win each day one of the gifts offered by the 12 Telekom top executives. The campaign collected close to HUF 1 million by the middle of December, thus increasing the amount available to support those in need.

We firmly believe that we can overcome the pandemic by taking the initiative, joining forces and demonstrating a positive attitude. Helping those in need and fighting the virus are causes we share: employees and members of the management took part in collecting the donations together, and thus all of us learned something from the others.

INVESTORS

The Chief Executive Officer and the Chief Financial Officer presented quarterly results to the representatives of investors four times during 2020 (18th/19th February 2020: Release of fourth quarter 2019 results; 13th/14th May 2020: Release of first quarter 2020 results; 5th/6th August 2020: Release of first half 2020 results; 4th/5th November 2020: Release of third quarter 2020 results).

On 24th April 2020, a meeting of the Board of Directors of Magyar Telekom Plc. was held, based on the authorisation set out in Section 9 (2) of Government Decree no. 102/2020, at which it 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 2019, and decided on the use of the profit after tax earned in 2019.

Magyar Telekom's top management and staff from the Investor Relations department spend ca. 10-15 days abroad every year at various roadshows and conferences in the main centres of the financial world, where the vast majority of fund managers and investors are active. Around 100 meetings take place annually with investors and analysts. In 2020 however, due to the COVID-19 global pandemic, these meetings and conferences were held in a virtual, online format.

Magyar Telekom also provides space on its website to satisfy the information needs of interested parties. Up-to-date information can be found in the **'Investor Relations'** 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 posed to a representative sample.

SRI MATRIX BASED ON RESPONSIBLE INVESTOR RATINGS, MAGYAR TELEKOM GROUP

	2016	2017	2018	2019	2020
FTSE4Good	Emerging Index: Listed ESG Rating: 4,4 Percentile rank: 93	Emerging Index: Listed ESG Rating: 4,3 Percentile rank: 87	Emerging Index: Listed ESG Rating: 4,7 Percentile rank: 92	Emerging Index: Listed ESG Rating: 5,0 Percentile rank: 100	Emerging Index: Listed ESG Rating: 4,5 Percentile rank: 100
ISS-oekom	Status: Prime Rating: B-	Status: Prime Rating: B Telco ranking: 42	Status: Prime Rating: B Telco ranking: 41	Status: Prime Rating: B Telco ranking: top3	Status: Prime Rating: B Telco ranking: top3
MSCI	-	ESG rating: A	ESG rating: AA	ESG rating: AA	ESG rating: AA
CDP	Climate change: C Supply chain: not scored	Climate change: C Supply chain: not scored	Climate change: C Supply chain: B	Climate change: B Supply chain: A-	Climate change: B Supply chain: A
CEERIUS	Listed	Listed	Listed	NEW1 CECE SRI Listed	NEW1 CECE SRI Listed

REGULATORY AUTHORITIES

In the case of industry-specific draft strategies and draft legislation circulated by the regulatory authorities for public discussion, Magyar Telekom harmonises with authorities mainly by invitation. Magyar Telekom regularly contributes to harmonisation with interest representation forums (most of all with the: Telecommunication Reconciliation Council [HÉT]; in some specific cases: the Scientific Association for Infocommunications (HTE); IVSZ Alliance for the Digital Economy) where the company's key objective is to establish a common legal and professional opinion on the legislative process.

LOCAL COMMUNITIES

For Telekom, it is of the utmost importance for all to access the opportunities and benefits of the digital world. Within the framework of the Digital Success Program, Magyar Telekom has launched its fixed and mobile Digital Success Program package providing quality internet service for users on a budget. Where the fixed internet network is not yet available, the SZIP Mobile internet tariff package can be ordered for the addresses defined in the Super-Fast Internet Program (SZIP).

Despite the pandemic, last year Magyar Telekom's fixed-line network development went according to plan. More than in any previous year, the company added 377 thousand new fibre access lines in the space of a year (342 thousand in 2019). The company also upgraded 117,000 cable access points to gigabit capacity. Magyar Telekom offers gigabit speeds in nearly 2.5 million homes and business, 58% of the points it covers are already capable of gigabit speeds.

Optical upgrades were installed in small villages of less than 5,000 inhabitants, but there were also deployments in small towns (e.g. Berettyóújfalu, Mohács, Oroszlány), and in the capital and county capitals (e.g. Debrecen, Miskolc, Székesfehérvár). Telekom's optical network is currently available in 888 settlements (in part or all of the municipality) of these, 666 at least 60% coverage.

In April 2020, within the framework of the Digital cooperation, Magyar Telekom – in cooperation with the Ministry of Innovation and Technology and the Volunteering and Donation Coordination Action Group led by Máriusz Révész – provided more than 600 smartphones with rechargeable SIM cards to disadvantaged students through professional organisations, who previously could not participate in digital education due to the lack of a suitable device.

HÉT is the dedicated consultation partner of the telecommunication industry in respect of the Digital Success Program (DJP) – the former Digital National Development Program (DNFP) – launched as a result of the InternetKon national consultation that determined the future of the domestic internet market. 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.

The staff of Magyar Telekom's Sales and Technical Service Directorate committed themselves to long-term assistance when they adopted a kindergarten in Ózd in the framework of the „Örökbe fogadok egy ovit” initiative. As well as repairing the Wi-Fi coverage, our colleagues supported the kindergarten with toys, books, clothes and a donation of money.

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 Telekom Veszprém and the FTC.

Magyar Telekom and the Contemporary Architecture Centre (KEK) continued operation and maintenance of the community gardens. The gardening works continued in the Csárdás Garden and Kert-határ Community Garden. The two gardens offer an opportunity for urban gardening for more than 150 families in the city.

Due to the COVID-19 pandemic, our lives have suddenly changed, with a focus on collaboration, assistance and new solutions constantly emerging, with digitalisation playing a major role. Magyar Telekom is acting as a responsible company in this situation to protect and help its employees and customers. Even in the most difficult times, digital phenomena open up new opportunities and enable us to make a difference in our everyday lives, to aid each other in new ways.

Magyar Telekom has been following the news about the coronavirus situation from the beginning and is in constant contact with its parent company Deutsche Telekom, health authorities and occupational health providers to take the necessary precautions.

In this situation, protecting the health of our employees, partners and customers is of paramount importance to us, and we have focused on prevention, awareness and safety compliance through the precautionary measures we have taken. On the other hand, we have developed options to help our customers in this difficult situation, and in our communication, we encourage people to stay at home and to cooperate together digitally.

NON-PROFIT ORGANISATIONS

Magyar Telekom launched its Civil Tariff Package service for NGOs in March 2004 with beneficial rates and service package. Magyar Telekom and T-Systems Hungary expanded the offer for non-profit organisations by **Magenta1 Business/Nonprofit**. In 2020, 38 organisations were offered discounted fixed or mobile phone and internet services for 12 months.

THE FUTURE GENERATION

We reached out to 730 secondary school students in 2020 as part of our **"Become a Member of Generation NOW!"** program.

In May 2020, "Hintalovon" Children's Rights Foundation and Magyar Telekom launched a joint survey among people under 18 to learn what children think about digital education and what is important to them on the internet. By filling in the online questionnaire, children could tell us what is difficult for them in digital education, what bothers them on the internet, what constitutes real help for them, when someone bullies or harasses them in the online space, as well as what kind of help they need from their parents, teachers and what opportunities they see in digitisation, as well as how they envision the future of the internet. **INTERNETNOW** is the first representative research conducted among responders under 18 in Hungary.

The findings of the survey clearly show that the most important factor for the responders is keeping in touch (78.2%), learning (63.6%), and almost as importantly, the use of social media (56%) and watching movies, series (54.3%). A lot of conclusions can be drawn even from this much alone, for example about how the priorities of communication and entertainment platforms shift among the youngest, but it is also interesting how few of them voted for news consumption (13.2%) or sharing their views (3.9%). It is also worth observing how different the responses of girls and boys are: girls tend to opt for communicating, learning, visiting social media sites and watching movies, while boys rather play games or spend their time on video sharing sites.

One of the main conclusions of the survey is that the internet has already become an indispensable platform for the youngest users for keeping in touch and communicating with each other. Some of them find it easier to open up in the online space or can withdraw there to escape the lack of attention in their physical environment, which also raises sociological questions. However, it is unquestionable that kids in our age gather information primarily on the internet and social media. They are sensitive to fake news and advertisement overload, but for some reason, few of them are concerned about online bullying and harassment, as a real threat. As to education, they are visibly open to digital and online formats, it is rather the available infrastructure and teachers' relevant competencies that pose a challenge.

The survey has been extended to include parents' focus groups and in-depth interviews with professionals.

The **Telekom Electronic Beats** program series was cancelled in 2020 because of the pandemic, but music fans were presented with some novelties during the corona lockdown, too. A contest was launched in the spring with the aim of finding Hungary's most creative composers working from home, including those who might not yet have been able to make it into the spotlight, even though they deserved to. More than 600 projects were submitted in three weeks in the pop, club and experimental music categories.

The jury included music journalist Dávid Sajó, founder of Aktrécords, István "Isu" Kántor and Erika Kolbenheyer from EXILES publishing. In addition to their inclusion in the TEB Hungary selections, 10 contestants also won free-of-charge training by **imPro School**, and one winner – **Franciskadalma**, who entered a slow, melancholic pop song – got a drum machine and a mastering course, as a special prize from **MagentaKraft**. It was especially great to see that the community mobilised itself on its own, too: online forums were set up to discuss the final results and the artists started a discussion.

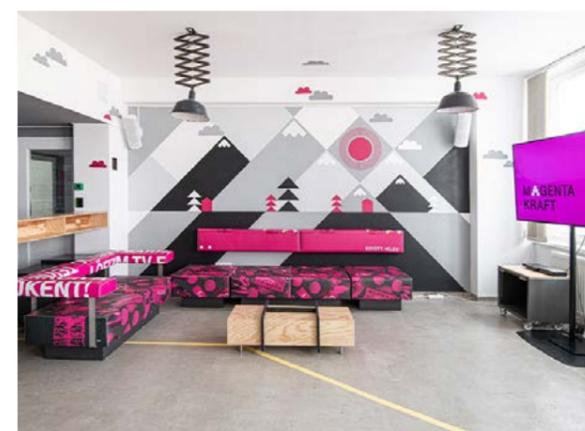
One of our winners in the pop category, hardly-twenty-year-old **FőzeLAKE**, got a professional video clip, in which the title of the song **Melankólia Club** came to life. The video directed by Sebastian Praznóczy and shot by Marcell Nagy takes the viewer to a surreal parallel world, while also introducing the techno dadaism of the Instagram photos taken by the young performer.

By now, we have also achieved the original objective of Telekom Electronic Beats, which was to put enthusiastic amateurs onto the same platform with professional artists by means of their digital cooperation.

Many young secondary school students and college students are full of great ideas and an eagerness to take action, but many of them are stuck with their ideas, as they do not have the means, opportunities or self-confidence to make them come true. We established MagentaKraft for this very reason; to provide an environment, an element for them in which they can present themselves, create value, make their dreams and ideas come true, test their skills and experiment without the fear of making mistakes.

We have dreamt up, and what is more, implemented a uniquely equipped location in Debrecen, which provides a platform where they can take their next steps. Though the site opened on 12th March 2020, it is closed now because of the pandemic. During the lockdown, the countrywide Kraft community is building up in the virtual space on a social platform well-known among members of generation Z: Discord.

Telekom launched a one-year career program in September for graduating bachelor and masters students under the name of Kickstart. In the framework of the premium program accommodating 20 students, the participants can not only translate their theoretical knowledge into practice, but also take part in valuable courses designed specifically for them, and even work on cross-functional projects in small teams. The purpose of Kickstart is for Magyar Telekom to gather students who have outstanding abilities, innovative mindsets and are open to agile values, and who can become Telekom employees after the completion of the program.



MEDIA

During the pandemic, Magyar Telekom put extra emphasis on providing the greatest number of people in all age groups with digital means in cooperation with the media.

In March 2020, we helped people keep in touch and feel the power and safety of the community even when isolated from each other with the help of discussions held with authors of WMN.hu.

The Magenta podcast was also launched, where the company shares interesting topics and knowledge, exemplary stories of a digital theme and really useful suggestions with students, thus making it easier for them to navigate our current world. The podcast is for both those who are only just becoming familiar with the benefits of technology and for those who already know more about them: the end result is an entertaining and meaningful dialogue about our everyday lives and the digital world around us.

Home office, digital solutions and ways of communication during a pandemic have become the main topics on Pont.MOST blog, too.

DATA PROTECTION

Among the 2020 sustainability objectives, Magyar Telekom pays special attention to the protection of personal data, with special respect to the General Data Protection Regulation (GDPR) that became applicable as of 25th May 2018. Magyar Telekom ensures the highest standard of data security and technical and organisational measures regarding personal data management/processing.

In the course of its operation and prior to developing new products and during the provision of services, Magyar Telekom considers the protection of its customers', employees' and business partners' personal data a top priority. Magyar Telekom processes personal data in accordance with the General Data Protection Regulation and the applicable legislation, also taking into account the guidelines of the European Data Protection Board and the National Authority for Data Protection and Freedom of Information. Magyar Telekom has paid particular attention to prepare itself for the application of the General Data Protection Regulation. Magyar Telekom ensures the highest standard of data security and technical and organisational measures regarding personal data management/processing. Magyar Telekom adopted the data privacy principles of Deutsche Telekom Group (Binding Corporate Rules Privacy).

Magyar Telekom regularly holds training sessions prepared for employees and subcontractors to introduce the up-to-date regulations and internal processes regarding the protection of personal data.

In the case of contracting with data processors, Magyar Telekom requests that its contractors and subcontractors in the data processing agreement process personal data according to the highest standard of data security and technical and organisational measures.

Magyar Telekom provides information to its customers via multiple channels on the processing of their personal data. Magyar Telekom also grants the right of accession and other types of data subjects' rights regulated by the GDPR to its customers. We treat our customers' personal data-related complaints and inquiries as matters of key importance and provide factual responses within the relevant deadline.

For further information, please visit [this](#) website.

BLOCKING CERTAIN ELECTRONIC DATA ON THE INTERNET

The coercive measure of blocking certain electronic data on the internet was introduced by the new Penal Code (Act C of 2012 on the Penal Code). The most important rules of this measure are contained in Section 158/B-D of Act XIX of 1998 (Act on Criminal Procedures - "ACP") – amended by **Act LXXVIII of 2013**. The ACP distinguishes between two kinds of measures: the removal of electronic data where the primary target group is hosting service providers and the temporary and final blocking of access to electronic data which is mainly applicable to telecommunications service providers.

The blocking or filtering of websites containing content that is subject to public prosecution is implemented in conformity with the ACP measures: the court may order that electronic data be rendered temporarily inaccessible by way of temporarily blocking access thereto. When elaborating the new Penal Code the original objective of the above measure was to be able to take immediate action in serious cases (child pornography, crime against the state or act of terrorism) so that the authorities do not have to wait until a final court decision.

The amendment of **Act LXXVI of 2015** has significantly extended the scope of criminal offences where court resolutions can rule on the temporary blocking of content. Such crimes are as follows

- trafficking of drugs,
- incitement to the use of narcotics,
- furthering the manufacture of drugs,
- drug abuse,
- new psychoactive substance abuse,
- child pornography,
- criminal acts against the state,
- acts of terrorism
- or financing terrorism

or, if the electronic data is connected to the above criminal acts.

The technical implementation of temporary blocking is the responsibility and obligation of the National Media and Info-Communications Authority (NMHH) and the internet service providers.

In 2013, upon the implementation of the above coercive measure, a similar legislative measure was introduced by the National Tax and Customs Administration of Hungary (NAV) by promulgating Paragraph 36/G of **Act XXXIV of 1991** according to which the tax authority without the involvement of a court - is entitled to render any data provided through an electronic communications operator temporarily inaccessible if the access thereto or the publication thereof is related to prohibited gambling.

The temporary blocking of content pursuant to the Tax Authority's resolution may last for 365 days.

From 1st January 2015, in accordance with Act XCV of 2005 on the use of pharmaceutical products applied to humans and the amendment of other regulations of the pharmaceutical market, the National Institute of Pharmacy and Nutrition (OGYÉI) is also granted the right to temporarily block electronic data on non-authorised medicinal products, i.e. may request the hosting service provider of the website to remove the website in question.

The link between the potential sanctions of courts and the Tax Authority is so strong that the entity responsible for the enforcement of the measures is the National Media and Info-Communications Authority in both cases.

Since 2014, in accordance with 159/B (3) of Act C of 2003 on Electronic Communications, the National Media and Info-Communications Authority has been managing a central database on rulings to block access to electronic information (hereinafter referred to as "**KEHTA**"), and processes the data entries to that end. This database contains all court and Tax Authority rulings that order the blocking of websites. All electronic communications operators must join the KEHTA thereby all operators are obliged to block prohibited websites. Thus, in line with the provisions of law, Magyar Telekom has also been blocking the given web pages.

Magyar Telekom, as a company listed in the stock exchange, complies with all requirements of the Hungarian law and actively participates in the industry's self-regulation and the respective efforts of the NGOs.

SAFE USE OF MOBILE PHONES, ELECTROMAGNETIC FIELDS

In order to provide high-quality services to the Hungarian and Macedonian mobile telephone subscribers through the mobile telecom network, UMTS licenses were distributed among operators in Hungary in December 2004 and for operators in Macedonia in June 2009. Besides, in December 2011 Magyar Telekom acquired the right to launch the LTE service and the commercial rollout started in 2012. By the end of 2017, the frequency rights acquired in the 800 MHz band allowed almost 100% of Hungarian citizens to use Magyar Telekom's LTE service. In March 2020, Magyar Telekom acquired further spectrum rights in the 700 MHz and 3,5 GHz bands, allowing the company to launch its 5G service.

The rollout of the 5G-related networks increases the interest of communities in the topic of electromagnetic fields, which will also increase the importance of the company's strategy in addressing the issue.

The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionising Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/EC/519 of the European Commission. As a result of the relevant Hungarian decree adopted in August 2004 (63/2004./VII. 26. - ESzCsM) on the basis of ICNIRP guidelines, the regulations in Hungary are compliant with the EU regulation on electromagnetic fields.

In the framework of the company's overall education program, new employees are informed about issues concerning electromagnetic fields as part of their mandatory orientation training.

Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called 'EMF Policy Recommendations', with special emphasis on transparency, information provision, support of and involvement in research. Magyar Telekom has applied the relevant Deutsche Telekom recommendation as mandatory regulation since 2004, while Makedonski Telekom has done so since March 2011.

To support preventive action both Magyar Telekom and Makedonski Telekom set up dedicated EMF workgroups, which meet quarterly and monitor EMF-related developments both national and international and respond to the EMF-related queries of the authorities, residents or employees. Further information about T-Mobile International's EMF Policy Recommendations adopted by Magyar Telekom is available in English on the **website of Deutsche Telekom**.

In the framework of this policy, Magyar Telekom and its subsidiaries address the complaints and inquiries in an efficient manner.

The EMF policy was also endorsed by Makedonski Telekom. The policy sets forth the basic principles applicable to the responsible use of mobile communications technologies.

In this document, we assume commitment for greater transparency, for the provision of information and for involvement in the relevant processes.

Mobile network, network development

According to the Company's common practice, base station antennas are installed in a way that employees normally cannot stay in front of them, they cannot and do not have to work in the relevant zone, and passageways do not cross the areas in question.

If in extraordinary cases, people must pass or work in front of the antennas – this usually happens in relation to external contractors' work, e.g. when renovating a building, safety distance data are made clear and available. If necessary, site measurements can be conducted, or in justified cases, the antennas can be temporarily relocated or the performance of the transmitter reduced.

If a Magyar Telekom employee performing work in the vicinity of an antenna detects an unidentified signal source, he will use his RADMAN personal radiation detector to determine the boundaries of the safe zone and prevent health risk.

Compliance with the value limits defined by law for Magyar Telekom mobile network is audited and certified by independent measurement bodies.

The company acts in accordance with the relevant laws and consults, cooperates with the relevant stakeholders in each and every case when building new base stations. If needed, citizens' forums are held with the participation of all concerned parties to reach an agreement.

Communication

Despite the fact that the radiation of Magyar Telekom's handsets and mobile base stations is well below the ICNIRP emission limits, the Company considers it important to provide information on handsets and base stations, both to employees and customers.

We coordinate these matters several times a year with the National Media and Info-Communications Authority's experts and supply measurement data for their purposes.

In addition to internal communication, in 2020 Magyar Telekom continued to respond openly to inquiries about the safe use of mobile phones.

The SAR values of the devices are included in the user manuals in the mobile set packaging and are available in Telekom shops as well.

Research

Exposure of the world's population to non-ionising electromagnetic radiation and electromagnetic fields has considerably increased in recent years. Since a civilised society cannot avoid the use of equipment emitting non-ionising electromagnetic radiation, like mobile telecommunication equipment, satellite and terrestrial television/radio broadcasts, flight navigation, meteorological satellites, radio astronomy, space exploration, the exposure of the environment and the population is expected to increase further in the future. World Health Organisation (WHO) and several other international organisations, as well as research groups, monitor the impact of technological development on human health.

The assumed health effects of mobile telecommunication have been studied and analysed for almost thirty years. So far scientific research has not confirmed any negative health impact of mobile telecommunication on the human body.

The largest research project of this type, the INTERPHONE project of WHO-IARC (International Agency for Research on Cancer) conducted with the participation of 13 countries, was closed in 2011. After closing the INTERPHONE project on 31st May 2011, WHO-IARC classified electromagnetic fields into the 2B potential carcinogenic category. According to the Chairman of the WHO-IARC workgroup "the evidence, while still accumulating, is strong enough to support a conclusion and the 2B classification.

The conclusion means that there could be some risk, therefore we need to keep a close watch for a link between cell phones and cancer risk". At present the following agents are classified into category 2B: coffee, petrol, the exhaust of petrol-fuelled engines, nickel and alloys, talcum powder, network frequency magnetic field and mobile phone use as well.

Through its GSM Association membership, Magyar Telekom has directly contributed to the progress of independent research into the health impacts of mobile networks.

Every national affiliate of Deutsche Telekom is committed to supporting independent research aimed at extending the company's knowledge on the impacts of electromagnetic fields. This makes Deutsche Telekom Group one of the biggest supporters of research on this subject.

SERVICE AVAILABILITY

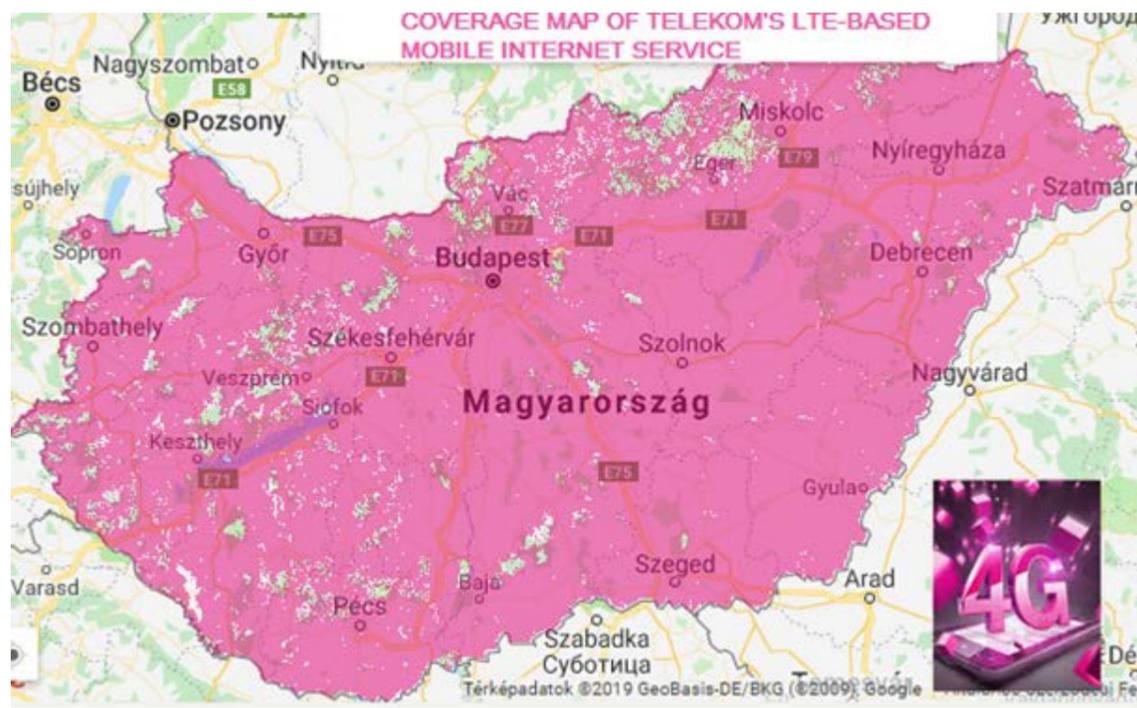
Magyar Telekom Plc. guarantees its customers' rights in connection with service availability and troubleshooting on the basis of the **General Contract Terms and Conditions (GTC)** available at the customer service points and also on the Internet. In this it declares to meet the published quality targets while it provides services over the entire service territory, to check this via measurements and to publish the measurement methods. Here, the Company also defines the quality targets for the services provided, meeting of which is continuously measured and made available to everyone on an annual basis.

Problem management for customers is handled in a defined process – in accordance with their rights set out in the GTC, inter alia – after having detected and filed the problem with the company.

Magyar Telekom, by permanently developing technical solutions, security systems and backup tools, seeks to ensure continuity of the availability of the services, by setting the enhancement of customer experience as an objective.

ANNUAL SERVICE AVAILABILITY (%) ✓

Service availabilities (%)	2016	2017	2018	2019	2020
Annual availability (%)					
Cable television analogue/digital	99.97/99.89	99.97/99.90	99.98/99.50	99.98/99.82	99.99/99.82
SatTV	99.92	99.91	99.91	99.919	99.928
IPTV	99.85	99.83	99.84	99.896	99.904
Fixed line internet (ADSL/GPON/CableNet)	99.88/99.96/99.90	99.89/99.96/99.90	99.90/99.95/99.92	99.93/99.96/99.94	99.93/99.96/99.94
Mobile internet (2G/3G/4G)	99.56/99.79/99.35	99.902	99.893	99.878	99.87
Telephone/VoIP/VoCA	99.94/99.90/99.91	99.95/99.93/99.92	99.94/99.93/99.95	99.93/99.95/99.95	99.94/99.96/99.96
Mobile telephone (2G/3G/4G)	99.907/99.901/99.844	99.91	99.906	99.878	99.873



SPONSORSHIP

The goals of the Company Group's sponsorship activities are the creation of experience and value for customers and business partners.

As one of the major sponsors in the country, the group has spent significant amounts in the past decades to support Hungarian sport and culture.

Magyar Telekom has been a committed supporter of Hungarian sports for decades and considers sport a cornerstone of its sponsorship strategy. The Company is proud to have contributed to many the outstanding successes of many domestic sport branches and athletes as a sponsor. Part of its support was the sponsorship of the Hungarian team and the Hungarian Olympic Committee (HOC) in the 1996 Olympic Games in Atlanta, and later in Sydney, Athens, Beijing, London and Rio, too.

As a further important element of its sports sponsorship strategy, in 2018 Telekom signed a renewed four-year agreement with the Ferencvárosi Torna Club, in the scope of which not only male but also female football teams in addition to men's gymnastics, water polo, ice hockey and gymnastics divisions are also prominently supported.

Telekom has been supporting the youth education of the Ferencváros Torna Club since 2014 and FTC's adult men's football team as a key sponsor since 2015, and as the main sponsor of FTC under the new agreement. The company is the brand sponsor of the multiple Hungarian Cup, Champions League, LEN Cup winner FTC-Telekom Waterpolo, Erste-Liga and Hungarian Cup winner FTC-Telekom Hockey, cup winner FTC-Telekom Women's Football and the FTC-Telekom Men's Gymnastics sections, which also have great results.

We are proud of the perseverance and the success our teams achieved in 2020, during that difficult period. The FTC men's soccer players won their 31st championship title in 2020 and after 25 years they were members of the Champions League group stage, whereas the water polo team retained their Hungarian Cup title, as did the hockey team and the women's soccer team.

During the pandemic situation, we tried to please the fans with various online communications, short films that trailed the match, as well as with exclusive video footage that could only be seen here. Among the sponsors, Magyar Telekom was the first to react to the quiet stands caused by the lockdown and with our "cheer from home" slogan. With the help of digitalisation, we showed fans' support messages to athletes from a safe distance.

Telekom Veszprém handball team has been supported by our company for more than 20 years. Boosting our co-operation to a new level, since 2016 we are present as brand name sponsor of the team, contributing to the domestic and international success

of this world elite club such as winning the SEHA League or the serial participation at Champions League Final Four. Magyar Telekom believes that such world-class performances and achievements make a significant contribution to attracting more young people to active sport and promote healthy lifestyles.

Telekom also deems it important to support mass sports and has been promoting the Telekom Vivicitá city run as brand name sponsor for more than 20 years, where - besides professional sportsmen - a lot of amateurs and families take part to popularise the importance of sporting and leading an active lifestyle. As in previous years, Telekom Vivicitá was one of the biggest and most popular running events in Hungary in 2019, too. In 2020, due to the pandemic caused by COVID-19, the event was held in virtual form, so instead of a mass event, each participant ran the distance of their choice at the time and in the field of their choice. Telekom Vivicitá was still popular with runners, with more than 8,000 entrants registered to run.

In addition to the virtual Telekom Vivicitá, in 2020 we also helped organise the first virtual Telekom Sulicitá competition, in the framework of which about 8,500 students from 32 schools ran the distance of their choice.

Telekom Electronic Beats is Deutsche Telekom's award-winning international music program. Launched in 2000, the Europe-wide initiative covers a wide range of areas from music to lifestyle and design to art and fashion, as well as innovative technological innovations, with a focus on digital activities and live events. With world-renowned artists such as Gorillaz, Grace Jones, Roisin Murphy, London Grammar or New Order and emerging artists such as Perel, Fjaak and many others, the diversified program has found fans around the world. Both the international digital platform of the program (www.electronicbeats.net) and the country-specific version (www.electronicbeats.hu in Hungary) cover the most topical topics with up-to-date journalism and innovative storytelling.

In addition to Telekom Electronic Beats' impressive domestic media portfolio, in 2018 we also put greater emphasis on the representation of the local electronic music scene in the program.

In the situation caused by the pandemic, which affected everyone, the team of Telekom Electronic Beats - also staying at home - has now given up on organising events, but not by any means on building a community. We wanted to conjure music and entertainment into people's homes, living rooms using digital phenomena. That is why the SzpottoljOthon video stream series was launched, in which a well-known DJ or musician from the Hungarian electronic music scene performed. Initially, the series took place in their own home, then in exclusive outdoor locations close to nature and finally we closed with a New Year's Eve show at the end of the year, which we broadcast live on Facebook and Youtube.

Throughout the broadcasts, we not only provided entertainment for the audience staying at home but also provided support for the performers and the venues and spots in Budapest to which they were attached for some reason. Our other initiative, though, is the Telekom Electronic Beats digital publishing competition, where we searched for the best music written during the quarantine. More than 600 applications were received for the competition.

Magyar Telekom appears as a sponsor at the largest Hungarian festivals every year. However, in 2020, due to the situation caused by the pandemic, these festivals were delayed.

MEMBERSHIPS OF INDUSTRIAL AND OTHER ASSOCIATIONS, NATIONAL OR INTERNATIONAL ADVOCACY ORGANIZATIONS

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
Magyar Telekom Plc.		
European Telecommunications Network Operators Associations (ETNO)	x	
GSMA Association	x	
Joint Venture Association (JVSZ)	x	Curatorium membership
German-Hungarian Chamber of Industry and Commerce	x	Curatorium membership
Telecommunication Advocacy Council	x	Chairmanship
ICT Association of Hungary	x	Chairman of multinacional department
Hungarian Association of International Companies		
Hungarian Competition Law Association	x	
Employer's Equal Opportunities Forum	x	
Hungarian Logistics, Procurement and Inventory Management Association		
Hungarian Marketing Association	x	Chairmanship
Hungarian Advertising Association	x	Chairmanship
T-Systems Hungary		
ICT Association of Hungary	x	
American Chamber of Commerce in Hungary	x	
Hungarian Outsourcing Association		
Hungarian Hospital Association	x	
Hungarian Water Utility Association	x	
Hungarian Project Management Association	x	Vice-presidency
Scientific Association for Infocommunications		
Hungarian Librarian's Association	x	
Lobby Club Association		
Hungarian Chamber of Engineers		
Agro ICT Cluster	x	Chairmanship
Buday Business Club		
Association of Health Technology Suppliers and Medical Device Manufactures	x	Board membership
it Service Management Forum (itSMF)		
Chamber of Bodyguards, Property Protection and Private Detectives		
Chamber of Architects		

The 2020 Telekom VOLT Festival would have started on 1st July, but the organisers tried to evoke the atmosphere of the festival in a different way, so with Telekom sponsorship the Lesz VOLT! (VOLT will return!) film was produced which summarises the most beautiful and memorable moments in the 28-year history of VOLT.

We successfully reduced the use of paper: the majority of our formerly printed documents (e.g. regulations, promotion material) were released in a digital form.

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
T-Systems Hungary		
Hungarian Innovation Association		Board membership
Connected and Automated Mobility Cluster of Zala		
Ipar 4.0		
Hungarian Marketing Association		
Electronic Payment Service Providers Association (EFISZ)		
Makedonski Telekom		
International Telecommunication Union (ITU)	x	
European Telecommunications Network Operators Associations (ETNO)	x	
RIPE Network Coordination Centre	x	
GS1 Macedonia (bar code association)		
Economic Chamber of Macedonia	x	Board membership
American Chamber of Commerce in Macedonia	x	Board membership
Macedon-German Business Association	x	
Macedonian IT Chamber (MASIT)		Board membership
GSMA Association	x	Board membership DT
Chamber of authorised architects and engineers of Macedonia	x	

ENVIRONMENTAL AND SOCIAL EXTERNAL INITIATIVES

Besides professional challenges, the Group also seeks cooperation opportunities for the solution of social and environmental problems.

Magyar Telekom 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.

Our cooperation with organisations of people living with disabilities (AOSZ, ÉFOÉSZ, MEOSZ, MVGYOSZ) is continuous, active and based on the proposals we continuously improve our relationship with disabled people.

The work of the Environment Protection Committee of the Hungarian Academy of Sciences was supported. Colleagues are in close relationship with several higher education institutes and help the universities with consultancy for writing theses, expert education and giving lectures.

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

The European Union's **Diversity Charter** has been signed by the company and considered a mandatory guideline.

UN **Global Compact** has been signed by the company and the "Communication on progress" report on achievements in the 10 principles is published yearly.

Magyar Telekom has acknowledged the UN **Sustainable Development Goals** (SDG) and through incorporating those of key importance in its Sustainability strategy 2016-2020 the company includes the contribution to these goals as a mandatory element of its operations.

Magyar Telekom discloses data and information on its climate-related activities through the **CDP** (Carbon Disclosure Project) platform.

Magyar Telekom was the first Hungarian company to join the **Science-Based Target initiative** (SBTi) and has emission reduction targets approved by SBTi.

Magyar Telekom has joined the UNFCCC **Climate Neutral Now** initiative.

In 2020 Magyar Telekom joined the **Egyenlítő Foundation**, where it is also represented on the Board of Trustees. The foundation aims to initiate and support changes that will result in more women leaders in Hungarian economic, cultural, scientific and political life.