TABLE OF CONTENTS
SUSTAINABILITY REPORT
2017
# TABLE OF CONTENTS

**LETTER FROM THE CEO** .......................................................................................................................................................................... 3  
**OUR APPROACH** ................................................................................................................................................................................ 5  
**SUSTAINABILITY STRATEGY 2016-2020 ALIGNED WITH UN SUSTAINABLE DEVELOPMENT GOALS** .............................................................. 5  
**MATERIALITY** ....................................................................................................................................................................................... 7  
**STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH** ..................................................................................... 8  
**STAKEHOLDERS** .................................................................................................................................................................................... 9  
**1. CLIMATE AND ENVIRONMENTAL PROTECTION** .......................................................................................................................... 15  
  1.1. Climate protection and energy efficiency ................................................................. 16  
  1.2. Resources management .......................................................................................... 17  
  1.3. Emissions ............................................................................................................. 20  
  1.4. Environmental objectives, costs and compliance .................................................. 21  
**2. RESPONSIBLE SERVICE** ................................................................................................................................................................. 22  
  2.1. Closing the digital divide ...................................................................................... 23  
  2.2. ICT for sustainability ........................................................................................... 25  
  2.3. Innovation for sustainability ................................................................................ 25  
  2.4. Protection of our children in the digital age ........................................................... 26  
  2.5. Data Protection .................................................................................................... 27  
  2.6. Safe use of mobile phones, electromagnetic fields ............................................. 28  
**3. SUPPLIERS** ...................................................................................................................................................................................... 29  
**4. CUSTOMER RELATIONS** ................................................................................................................................................................. 33  
  4.1. Customer satisfaction ......................................................................................... 34  
  4.2. Customer Complaint Management ..................................................................... 35  
  4.3. Involvement of our customers ........................................................................... 35  
**5. EMPLOYEES** .................................................................................................................................................................................. 37  
  5.1. Human rights, equal opportunities .................................................................... 38  
  5.2. Involvement of employees .................................................................................. 42  
**6. SOCIAL ENGAGEMENT** ............................................................................................................................................................... 43  
  6.1. Community investment ...................................................................................... 44  
  6.2. Our employees as corporate citizens ................................................................. 46  
  6.3. Sponsorship ........................................................................................................ 48  
**7. CORPORATE GOVERNANCE** ......................................................................................................................................................... 49  
  7.1. Sustainability coordination .................................................................................. 50  
  7.2. Regulatory compliance ....................................................................................... 51  
  7.3. Corporate compliance ....................................................................................... 51  
  7.3. Risk management .............................................................................................. 51  
**KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP** ...................................................................................................... 52  
**ASSURANCE STATEMENT** ............................................................................................................................................................... 54  
**GRI CONTENT INDEX** ........................................................................................................................................................................ 55  
**COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL COMPACT** ................................................................................................. 77  
**LIST OF ABBREVIATIONS** ................................................................................................................................................................. 78  
**IMPRESSUM** ..................................................................................................................................................................................... 80
DEAR READER,

I am proud to present to you Magyar Telekom Group’s Sustainability Report 2017, which sums up a dynamic and successful year of our operations.

By 2017, it had become obvious all around the world that asset managers and asset owners do take companies’ sustainability activities into account before they make their investment decisions. A research conducted by BNP Paribas among 461 asset managers and asset owners in 2017 found that 79% of the responders adopt their investment decisions and assess the products available on the market based on the sustainability activities pursued by the specific companies.1

It is especially important for us that based on our sustainability activities we are considered to be among the best in the industry, as it shows we are on the right track. The responsible investment rating agency ISS-oekom, in its report published in April 2018, reviewed the sustainability performance of more than 3,800 companies around the world based on December 2017 data of approximately 100 indicators.2 In that review, Magyar Telekom was ranked first in the telecommunications sector, ahead of companies many times larger in terms of revenues, size and personnel. According to our understanding this shows that efficient sustainable operation is a matter of commitment, regardless of the size of the enterprise.

Furthermore, in 2017 we continued to be listed in the FTSE4Good Emerging Index, we were rated by Trucost, and we continue to be part of CEERRUS (Central and Eastern European Responsible Investment Universe) index, too, from its beginning. Due to our commitment to climate protection, we report each year to the CDP (Carbon Disclosure Project) independent rating agency, that is followed by investors representing a total of 100 trillion dollars.

Since last year, our Sustainability Report includes reference to our contribution to the UN Sustainable Development Goals (SDGs), too. We remain committed to the 10 principles laid down by the UN Global Compact in the areas of human rights, the environment and anti-corruption, the progress achieved in the context of which we address in the report.

As a result of our sustainability performance, 32.1% of the company’s free floating shares are held by responsible investors, who establish their portfolios primarily based upon the principle of investing into companies that are leading in terms of sustainability.

Our affiliates also play key roles in Magyar Telekom Group’s business and sustainability success. Makedonski Telekom launched the ‘Makedonski Telekom Goes Green’ program in 2017, in the framework of which a project team representing all functions within the company works on developing innovative ideas and initiatives aimed at protecting the environment and promoting the company’s social responsibility.

(3) In our Sustainability Report 2016, we estimated that 8% of our freely floated shares are held by responsible investors. From 2017 on, we apply the IPREO methodology, in alignment with Deutsche Telekom.
The year 2017 was of special significance for our affiliate, T-Systems Hungary, too. Reaching its fifth year of operation it was selected to be the regional center for smart solutions within Deutsche Telekom by the establishment of the European Smart Solutions Center entity, tasked to accelerate the development of smart cities in Europe. ESC provides central functions like marketing, supporting partnerships, controlling pre-sales and post-sales processes, as well as closely cooperates with local smart city sales and implementation experts.

As part of our renewed innovation strategy, from last July on, Kitchen Budapest (KiBu) was transferred to T-Systems to operate as its innovation lab, and from November 2017, the total business customer segment of Magyar Telekom is served by T-Systems.

Magyar Telekom demonstrated strong performance again in 2017: our full-year sales grew by 6%. We further strengthened our market presence as an FMC (fixed-mobile convergence) provider, and prepared ourselves for the expected changes of the Hungarian telecommunications market and customer demand by introducing the new Flip brand, which represents simplicity and no commitment required from customers.

In 2017, in addition to the fact that Magyar Telekom’s 4G network was ranked 1st in Hungary and 5th globally on the P3 list, we were the first to introduce a 5G connection in Hungary, reaching download speeds of 22 Gbps.

The central objective of our fourth Sustainability Strategy started in 2016 is to make sustainability part of Telekom’s business. In addition to having completed our third 100% carbon-neutral year of operation in a row, we started to take steps to introduce products and services that enable our customers to go green, too. At the end of 2017, we launched our community solar panel project among our employees. Furthermore, as part of the carbon-neutrality effort, in addition to the company’s operations, the existing Magenta 1 and Magenta 1 Business services will also be carbon-neutral in 2018.

We continued to create value for the society with the involvement of thousands of colleagues working for causes like eliminating the digital divide, promoting cyber security and conducting educational programs aimed at building a succession pool for the industry. As part of the Telekom Volunteer Day event, attended by close to 1000 people, we installed playground equipment accessible to handicapped children, and made public premises nicer and more livable, among many other activities.

Magyar Telekom demonstrated strong performance again in 2017: our full-year sales grew by 6%. We further strengthened our market presence as an FMC (fixed-mobile convergence) provider, and prepared ourselves for the expected changes of the Hungarian telecommunications market and customer demand by introducing the new Flip brand, which represents simplicity and no commitment required from customers.

In 2017, in addition to the fact that Magyar Telekom’s 4G network was ranked 1st in Hungary and 5th globally on the P3 list, we were the first to introduce a 5G connection in Hungary, reaching download speeds of 22 Gbps.

The central objective of our fourth Sustainability Strategy started in 2016 is to make sustainability part of Telekom’s business. In addition to having completed our third 100% carbon-neutral year of operation in a row, we started to take steps to introduce products and services that enable our customers to go green, too. At the end of 2017, we launched our community solar panel project among our employees. Furthermore, as part of the carbon-neutrality effort, in addition to the company’s operations, the existing Magenta 1 and Magenta 1 Business services will also be carbon-neutral in 2018.

We firmly believe that ICT technologies enable accessibility. That is why we further strengthened our cooperation with the Autistic Art Foundation in 2017, adopted measures to make our company an even more inclusive and diverse workplace, and included an additional discount in the “hello holnap!” tariff package available to handicapped customers.

By means of our network development and educational programs, we contributed to the achievement of the objectives set forth by the Digital Welfare Program, i.e. making the high-speed broadband (at least 30 Mbit/s) network available in every household in Hungary by the end of 2018, as well as to enable users to use the internet and their mobile devices safely and in possession of the necessary skills, aware of the opportunities offered by the internet that can make our lives easier.

It is my pleasure that in my capacity of heading a really responsible successful company, committed to creating value for the community and to sustainability, I am in a position again to recommend to you Magyar Telekom’s Sustainability Report and the achievements described therein.

Christopher Mattheisen
Chief Executive Officer
Budapest, May 10, 2018
OUR APPROACH

Corporate strategy

As a result of our focused strategic efforts, Magyar Telekom maintained its leading position in its Hungarian fixed voice, broadband, pay TV, mobile and ICT businesses in 2017, we successfully improved customer retention and delivered strong volume figures. We built a word class 4G mobile network and massively improved our fixed line HSI coverage in the past 3 years.

Based on our improved network capabilities we aim to provide services to all segment and customer on voice, TV, broadband and IT markets. The strategic objective in the midterm is to become more agile, enhance efficiency, simplify the product and services portfolio, increase process automation and online customer servicing. As an integrated provider we continue to deliver a unique customer experience supported by our leading brand and best technology.

While anticipating new competencies required by the changing customer behaviour, technological advances, and new business models, we aim to exploit our abilities to become a leader in all digital services around the home for both customers and third parties.

Following our strategy enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities in an extended market of information and communications technology and related industries, which secures stable cash generation in the long run.

The objectives defined in the Strategy are monitored with the use of the Balanced Scorecard methodology and the management quarterly reviews the actual status of the fulfillment of these objectives. The strategy is reviewed annually in light of the actual market environment and the competitors’ activities.

Sustainability approach

Since Magyar Telekom Group has recognized the overall importance of sustainable development, as well as the fact that it is specifically critical for future business operations, it remains committed and continues to accept responsibility for pursuing its operations, corporate governance and other activities in the above spirit in Hungary and in all countries where the Group is present through its operations or partnerships, which is not only a token of our future business success, but one of our major assets in light of the Group’s role in the region and its social, environmental and economic influence.

Sustainable development is not a challenge for one. It affects everyone across the whole corporate Group. Therefore, it cannot be approached as a task dedicated to one organizational unit. The different entities of the Group learn about and then apply the sustainable practices applicable in their respective areas through the policies governing internal operating procedures. Our newly hired employees familiarize with and start to apply the sustainable operating principles that govern the whole Group and are present as an organic part of our corporate culture. The specific tasks often involve totally different entities within the Group, and require the cooperation of organizations far from each other. Magyar Telekom’s sustainable corporate governance practice is described in Chapter 7, on Responsible Corporate Governance.

Values identified by our sustainability approach in the environmental, economic and social dimensions:  

**Economic dimension**
- Vision, innovation
- Employees, team, dynamism
- Client

**Social dimension**
- Democracy, information society
- The future generations, sustainable society
- Diversity, social solidarity, quality of life
- Partnership, talent, creativity

**Environmental dimension**
- The Earth
- A viable and wholesome environment
- Nature, biological diversity
- Natural resources

RANKED MOST SUSTAINABLE IN THE SECTOR

**SUSTAINABILITY STRATEGY 2016-2020 ALIGNED WITH UN SUSTAINABLE DEVELOPMENT GOALS**

Being a responsible company, we can only envision pursuing our operations by means that are sustainable in their nature. The experiences of the past decades have further strengthened our conviction that as an ICT provider, we can contribute to the effort of enabling, supporting and extending social, economic and environmental sustainability by creating a wide range of opportunities and solutions. Our Group makes the everyday lives of our several million customers and close to 10 000 employees easier by offering the most suitable digital solutions for them. We feel responsible for everyone whom we can offer ICT solutions, and that we must continue our operations by keeping the mindset of social, economic and environmental responsibility closely within our everyday operations, thus supporting sustainable development and enabling future generations.

In the ISS-oekom’s Corporate Responsibility Review 2018 Magyar Telekom Plc. is named as the TOP1 performer of the telecommunications sector. The rating agency has compiled this review of publicly available data from 2017 December, along the close assessment of sustainability related operations of 3,800 companies globally based on data of approximately 100 indicators. Achieving sector leading status with our dedication to sustainability confirms the validity and efficient implementation of our Sustainability Strategy.
2017 was Magyar Telekom Group’s third carbon-neutral year in a row, in addition to which we have made Magenta1 and Magenta1 Business services carbon-neutral, too, by 2018. In 2017, we launched a community solar panel project among our employees, in the framework of which we installed 113 solar panels on the roof of our training facility, which our colleagues were invited to rent for a nominal fee.

We implement our main objective along the following three foci: Climate change
It is our goal to support our customers to become more climate conscious, and that Magyar Telekom, as an authentic and responsible ICT provider is to help them on this way. We have achieved the ambitious goal of bringing down Magyar Telekom Group’s actual CO2 emissions to below 100 000 tons, and our other objective is to generate revenues from our climate protection activities. Our climate protection objectives and activities primarily aim to serve the effort against climate change (SDG 11) and the goal of sustainable energy consumption (SDG 7), but we indirectly contribute to making our urban environment more sustainable, too (SDG 11).

Education
It is our educational objective to utilize our capabilities to improve the digital literacy of the public, thus we set the specific goal for ourselves to reach 100 000 people in Hungary by our direct or indirect means of digital skills development by the end of 2020. We have designed some of our training programs with the purpose of closing the digital divide, while building up a succession pool for the industry remains a major focus for us.

It is our goal to provide training opportunities for students, teachers, residents of disadvantaged regions and pensioners alike to enable them to acquire new and develop their existing digital skills, to thus support the cause of closing the digital divide.

In the framework of our academic training courses and programs aimed at developing an industrial succession pool, we strive to pass on the skills and knowledge specific to the IT sector, at the same time present the diverse range of possible ICT career paths.

Through our educational objectives, we strive to enable everyone to access skills development opportunities and lifelong learning (SDG 4), at the same time, put extra emphasis on reducing social inequalities (SDG 10).

In 2017, we held our tenth Sustainability Day festival conference, attended by another record-breaking number of 9 000 participants. The invitees of the break-out sessions addressed the theme “FLOW or FOLLOW” from environmental, economic and social aspects. The visitors were invited to learn more about more than 40 organizations that presented their activities at the event, through which we supported sustainable development in partnership with the organizations representing the society (SDG 17).

On the occasion of the April 02 World Autism Awareness Day and in the spirit of equal opportunity, for each BOOKR Kids tablet purchased during the month of April, we donated one to our strategic partner, the Autistic Foundation, by which we contributed to the range of digital assets available for the development of the residents living in the boarding facilities supported by the foundation.

Digital sustainability
Magyar Telekom considers itself a sustainable digital company, and for that very reason it is our goal to achieve that at least 50% of the public recognize us as a sustainable company. It is our clear objective that our customers should use sustainable services, too. For that, we strive to conduct responsible marketing, as well as to introduce and pursue activities that enable and inspire others, and are based on sharing. It remains one of our key objectives to provide devices and services to our customers that feature sustainable qualities (SDG 9 – Industry, innovation and infrastructure).

Our “hello holnap!” mobile app, which has exceeded 13 000 downloads, encourages users to pursue sustainability activities, which are not only rewarding for their valuable nature, but enable users to collect points that Telekom converts into cash that the owners of the points can donate to the NGOs of their choice. The app allows participants to take part in many activities that relate to the Sustainable Development Goals (e.g. SDG 1 – No poverty, SDG 2 – Zero hunger, SDG 3 – Good health and well-being).

Being a responsible large corporation employing thousands of people, we encouraged employees to take action for the benefit of the society by offering them and supporting 14 different volunteer programs in 2017. We find it important to enable colleagues to opt for the volunteer activity that they personally find the most suitable for them to support society and being really valuable. In 2017, we organized the second Telekom Volunteer Day event, in the framework of which close to a thousand of us did volunteer work at 32 locations.

Through our sustainable supplier chain management processes, we ensure that we act consciously in areas that we have no or only minor direct operational impact on (SDG 6 – Clean water and sanitation, SDG 14 – Life below water, SDG 15 – Life on land).

The combined, prorated achievement rate of our high and medium-priority objectives in the second year of our Sustainability Strategy encompassing the period 2016-2020 is 83%. The specific achievement rates of our high-priority objectives are 100% for climate protection, 70% for education and 60% for digital sustainability.

We are especially proud of the fact that Magyar Telekom Group’s previous Sustainability Report covering the year 2016 was awarded the Green Frog Award, which goes to the best sustainability report of Hungary, as well as received a special award on regional level.

Our objective by issuing our annual sustainability reports is to keep our stakeholders informed about our operations in general and responsible corporate activities in particular (SDG 16 – Peace, justice and strong institutions). In addition to having been included in the CEERIUS (Central and Eastern European Responsible Investment Universe) Index from its start, the company’s contribution to sustainable economic growth (SDG 8) in 2017 is reflected by the fact that we were selected for the second time to be included in the FTSE4Good Emerging Index.

From the second half of 2017, we have put even greater emphasis on the social pillar of our set of sustainability objectives. For us, as a responsible company, it is an important goal to establish diversity and equal opportunities for men and women, which can be achieved by measures like increasing the number of women in management positions, supporting work-life balance, taking action against unjustifiable differences in remuneration and guaranteeing a working atmosphere where women feel safe and are not exposed to sexist conduct (SDG 5 – Gender equality, SDG 10 – Reduced inequalities). Uniquely among European large corporations, before designing our diversity and equal opportunity development measures, we surveyed our employees as to what they considered areas of priority. By means of an anonymous and voluntary attitude survey conducted in January 2018, we could outline the areas to improve based on the answers of approximately 1300 employees. The findings of the survey helped us to determine the cornerstones of the diversity and equal opportunity concept drawn up at the beginning of 2018. Our goal is to establish a diverse and attractive workplace, where our teams of many-faceted expertise and background work on enabling all members of Generation NOW to benefit from the potential inherent in the digital world of NOW.

Parallel to the above ambition and upon the initiative of Deutsche Telekom, we renewed our Group Code of Conduct and our Social Charter was replaced by the Code of Human Rights and Social Principles at the end of 2017.

KATALIN SZOMOLÁNYI
Head of the Corporate Sustainability Center and executive supervising sustainability activities
When preparing this report - in compliance with the "Comprehensive" level of the Global Reporting Initiative Standard (GRI Standard) - we put the emphasis on materiality, stakeholder inclusiveness, completeness, accuracy, comparability, timeliness, reliability, balance and sustainability.

The scope and the content of the report was defined on the basis of Magyar Telekom's materiality analysis and as an external resource we also used the questions of responsible investor analysts (Oekom Research, FTSE Russell, Sustainalytics) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector (http://gesi.org/portfolio/report/79).

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

The topics were defined, prioritized 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 - upon their annual submission to the Management Committee. The development of the materiality process is also supported by continuous harmonization with other strategies of the company.

When defining the scope, content and structure of the year 2017 report we took into account the results of the stakeholder survey presented in details in the Stakeholders chapter.

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:

**MATERIALITY OF SUSTAINABILITY TOPICS OF MAGYAR TELEKOM IN 2017**

<table>
<thead>
<tr>
<th>High priority topics</th>
<th>Medium priority topics</th>
<th>Low priority topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate protection and energy efficiency</td>
<td>Environmental targets, costs and compliance</td>
<td>Corporate governance</td>
</tr>
<tr>
<td>Innovation for sustainability</td>
<td>Our employees as corporate citizens</td>
<td>Regulatory compliance</td>
</tr>
<tr>
<td>Sustainability in the supplier chain</td>
<td>Community investments</td>
<td>Occupational health and safety</td>
</tr>
<tr>
<td>Protection of minors in the Digital Age</td>
<td>Management of customer complaints</td>
<td>Local procurement</td>
</tr>
<tr>
<td>Involvement of our employees</td>
<td>Involvement of our customers</td>
<td>Supplier relations</td>
</tr>
<tr>
<td>Initiatives to eliminate the digital divide</td>
<td>Safe use of mobile phones, electromagnetic fields</td>
<td>Informing our customers</td>
</tr>
</tbody>
</table>

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 materiality analysis: high and medium priority topics are presented in details whereas information on low priority topics are primarily provided in the GRI table of contents to provide as transparent information to all stakeholders as possible 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 important tool 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 that therefore is known all specific topics.
STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH

People Strategy
One of the key challenges of the Sustainability Strategy is human resource management, so Magyar Telekom’s People Strategy also plays an important role in achieving our sustainability objectives. Our objective is to build a liveable, likeable working environment as a basis for a successful company. This empowering professional environment builds up to employee satisfaction, and a more dedicated team. It also enhances positive employer brand positioning Magyar Telekom among the most attractive employers of the region.

As the largest Hungarian employer in the ICT sector Magyar Telekom believes that corporate culture based on diversity and inclusion (D&I) contributes to the success of companies and all organizations. Next to the benefits of creativity in teamwork D&I also supports the further engagement of clients and partners, enhances resilience. Magyar Telekom’s commitment to diversity and inclusion further supports compliance with legal obligations to non-discrimination.

Company perspective of People Strategy

Efficient company – focus on Total Workforce Management (TWM) cost, thus enabling flexible and efficient management of expenses

Competitive company – elaboration and safeguard of competitive edge based on human capital through recruitment-selection, supported by training development and remuneration

Energized company – international, diverse and healthy organization focused on wellbeing (physical, mental and social wellbeing), that experiences success

In 2016-2017, we build our People Strategy around 4 pillars:

- employee brand and recruitment,
- training and development,
- remuneration,
- wellbeing

Employee perspective of People Strategy

We have renewed our People Strategy and identified its pillars we wish to focus on in 2016 and 2017 in line with Magyar Telekom’s Business Strategy. Prior to and in preparation for that, we transformed our HR organization and operating model in the second half of 2015 in order to support the achievement of the ambitious goals set forth in our Business Strategy by an efficient and customer-focused HR. The implementation of our corporate-level People Strategy encompassing two years is a task shared by the whole company, i.e. managerial and non-managerial personnel alike. HR facilitates the process by actions, tools and solutions.

- Employer brand building – we create a liveable and likeable workplace, which is satisfactory for our employees and offers an attractive perspective in the labor market through its future oriented methods of work. We put greater emphasis on using social media solutions in building the brand.
- Recruitment-selection – We use segment-based online recruitment channels and means to select the best candidate for the specific positions. During the selection process, we seek the attitude and personal traits defined as requirements for future Telekom employees.
- Remuneration – We retain our competitive edge in the market with our total compensation package and we are innovators in the market with our innovations in compensation methods. We make our company attractive for employees by means of our wide range of benefits. We have a transparent, simpler and consistent (job grading model), which reflects primarily the respective values of jobs, and provides for market comparison, as a basis for a competitive remuneration policy.
- Training development – We are building a digital Telekom, thus put an increasing emphasis on collaborative digital tools and solutions that enable and inspire self-development. Online training catalogue, online training materials, online coachbank and mentoring, online knowledge sharing (Share).
- Wellbeing – We take action for each other and ourselves in order to maintain our physical, mental and social wellbeing. Energized employees make us successful. We draw employees’ attention to conscious preventive health efforts, so as well as the leveraging of synergies and targeted sponsoring activities.
- Environment and social activities – We carry out programs to support social and environmental projects that are aligned with our own goals and objectives.

The principles of justice and equal footing are set out in the basic standards articulated in our Code of Ethics. Alternative forms of employment like telework, part-time work, flex-work, employment of disabled persons provide possibilities for the practical implementation of the principle of equal footing.

The definition of the goals of the 2016-2020 Equal Opportunities Plan was synchronized with other strategies, policies and directives that determine our corporate operations. Thus it was designed in accordance with the 2016-2020 Human Strategy of Magyar Telekom Plc., and the 2016-2020 Group Sustainability Strategy, integrating the results of the previous 2013-2015 Equal Opportunities Plan as well.

Along the implementation of the 2016-2020 Equal Opportunities Plan the company focused on the introduction of measures to improve the position of particular underprivileged employee groups such as women, employees with families, employees on childcare leave, employees with disabilities, employees with changed working abilities, fresh graduates entering the labor market and senior employees over 50 years of age.

Support strategy

Magyar Telekom manages the selection and implementation of its corporate social responsibility activities at a strategic level. These activities are performed in line with centrally regulated and audited processes in consideration of the latest social, economic and environmental developments.

The focus of the biennial sponsoring efforts of the company have been shifted into an integrated scheme that focuses on the support of projects that are closely aligned with the company’s profile, volunteer work, sustainability and work-life balance.

- Training development – We are building a digital Telekom, thus put an increasing emphasis on collaborative digital tools and solutions that enable and inspire self-development. Online training catalogue, online training materials, online coachbank and mentoring, online knowledge sharing (Share).
- Wellbeing – We take action for each other and ourselves in order to maintain our physical, mental and social wellbeing. Energized employees make us successful. We draw employees’ attention to conscious preventive health efforts, so as well as the leveraging of synergies and targeted sponsoring activities.
- Environment and social activities – We carry out programs to support social and environmental projects that are aligned with our own goals and objectives.

The principles of justice and equal footing are set out in the basic standards articulated in our Code of Ethics. Alternative forms of employment like telework, part-time work, flex-work, employment of disabled persons provide possibilities for the practical implementation of the principle of equal footing.

Equal opportunities in Life and Work

Magyar Telekom and T-Systems have accepted its 4th Equal Opportunities Plan, according to its routine since 2010 and in compliance with the option stated in the Law for the Advancement of Human Rights and Equal Opportunities (2003/CXVIII). The Equal Opportunities Plan of the Group states the core values of equal treatment and equal opportunities together with the tracking and improvement of the career cycle of particular underprivileged employee groups.

The implementation of the biennial sponsoring efforts of the company have been shifted into an integrated scheme that focuses on the support of projects that are closely aligned with the company’s profile, volunteer work, sustainability and work-life balance.

Support strategy

Magyar Telekom manages the selection and implementation of its corporate social responsibility activities at a strategic level. These activities are performed in line with centrally regulated and audited processes in consideration of the latest social, economic and environmental developments.

The focus of the biennial sponsoring efforts of the company have been shifted into an integrated scheme that focuses on the support of projects that are closely aligned with the company’s profile, volunteer work, sustainability and work-life balance.
STAKEHOLDERS

The stakeholders of Magyar Telekom Group include all those groups, which have an influence on, or hold an interest in the implementation of the objectives of the Company. The Company earlier identified its stakeholders through review of its management systems and benchmark studies, and keeps continuous contact with them to ensure that their interests are taken into consideration in the course of its operations. Their opinion and critical comments are important for us in respect of our sustainability activities. We had the opportunity to meet with our stakeholders on several occasions at forums and surveys as well as in person where we could discuss our sustainability activities and challenges.

Our most important stakeholders are considered to be the regulators, investors, employees, communities, NGOs, suppliers, partners, the media and future generations.

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

- suggestion of other relevant sustainability topics that are not listed
- examples of important scientific findings that would be important and worth for consideration for ICT companies.
- threats and opportunities for companies in relation to their sustainability approach.
- the most commonly used communication platforms of Magyar Telekom from where its sustainability activities and approach is accessible.

In 2017, we organized the 18th Sustainability Roundtable, which aimed to host an open discussion platform in order to get a better insight about the sustainability expectations of different stakeholder groups towards Magyar Telekom Group. We also use this opportunity to carry out fruitful discussions about the problems raised, and also to provide an appropriate background for the presentation of our sustainability achievements and further goals. Organizers and participants have a free platform to share their thoughts and cooperate in building a sustainable future together.

In the first part of the program Katalin Szomolányi, manager of Magyar Telekom’s Corporate Sustainability Centre, outlined the importance of our sustainability activities and challenges. To better insight about the sustainability expectations of different groups, several stakeholders mentioned the important scientific findings, several stakeholders mentioned factors of safe mobile phone use and electromagnetic fields, a topic which deserves a separate subchapter in our current report. According to the answers received for the above questions in the latest survey conducted in January 2017 we can state that most of our stakeholders confirm the importance of the goals of our corporate sustainability strategy (2016-2020) Sustainability Strategy. They found that apart from the continuing importance of reduction of our emissions our contribution to digitally enabled sustainability and to bridge the digital divide also plays a crucial role in contributing to our shared and sustainable future. In relation to the important scientific findings, several stakeholders mentioned factors of safe mobile phone use and electromagnetic fields, a topic which deserves a separate subchapter in our current report. Safe use of mobile phones, electromagnetic fields.

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

We wish to continue on joint thinking and cooperation with our stakeholders therefore we encourage everyone to share their comments, ideas and opinion with us by sending them to the fenntarhatosag@telekom.hu email address.
STAKEHOLDER INVOLVEMENT

In order to successfully operate the company it is essential to have strong relations with stakeholders. Below you will find a list of our key activities with our stakeholders the details of which are elaborated in the respective chapters of this Report:

- Investors – Investor (and responsible investor) assessment
- Customers – Sustainable products and services, hello holnap! mobile application
- Employees – community solar project pilot, corporate diversity culture survey, hello holnap! points
- Regulators – conformity, regulatory relations
- Local communities – Digital Bridge, 2nd Telekom Voluntary Day, Autistic Art strategic partnership, Telekom Community Gardens
- Nonprofit organizations – sustainability panel discussions, Sustainability Day
- Suppliers – sustainable supplier chain, Magyar Telekom TOP3 sustainable supplier award
- Media – Sustainability Media Club, Sustainability Press Award
- Future generations – Become an IT expert, sustainable innovation

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

CUSTOMERS

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

In 2017, for the first time on the second day of T-Systems Symposium, we opened the gates for the students as the digital future is already being built together. In addition to the innovations in the field of entertainment, the university students were able to listen to exciting presentations and a roundtable conversation hosted by Kiss Imre youtuber.

On November 28, 2017 T-Systems Hungary Symposium was organized for the sixth time in the Budapest Congress Centre with almost 2000 registered guest. The Symposium, considered as the biggest whole-day professional event of the industry, presented how digitalization can bring businesses and communities closer to their own success. In 2017 the motto of Symposium was “Building the Digital Future” to showcase the digital future, what social, cultural, business and economic effects it brings and what does this mean technologically.

The presenters of the plenary morning session of the Symposium included Derek Woodgate, president and chief futurist at The Futures Lab who presented the human aspect of the digitalization. As a novelty of the event, a round table discussion was held in the program, where the economic and social impacts of artificial intelligence were discussed in human, technical, security and economic aspects. In 2017, the „Project of the Year” Award was won by OTP Bank by introducing the ITSM (IT Services Management) solution.

In 2017, for the first time we welcomed the students on the second day of T-Systems Symposium. In addition to the innovations of the javelin, the university students were able to listen to exciting presentations and a roundtable discussion hosted by Kiss Imre youtuber.

Within the confines of Contact person satisfaction survey at the end of each quarter the T-Systems Hungary asked their customers who used T-Systems’ telephone or email based service deficiency reporting and administration processes. The T-Systems Hungary summarized results of the research quarterly. Based on these they made the contact person satisfaction report which is presented to the management of the company.

SHAREHOLDERS


On 7 April 2017 the Annual General Meeting was held, convened by the Board of Directors of Magyar Telekom Telecommunications Public Limited Company, at which the AGM approved the audited consolidated and standalone financial statements of the Company, as well as the Corporate Governance and Management Report of the Company for the business year of 2016, and decided on the use of the profit after tax earned in 2016.

In 2017 we participated at several investor conferences and roadshows around the world, the most significant were:

- 21 March 2017: Citi European & Emerging Markets Telecoms Conference - London
- 27-29 March 2017: Raiffeisen Centrobank Investor Conference - Zürs
- 5 April 2017: Concorde investor Meetup – Budapest
- 6-7 June 2017: US roadshow organized by Berenberg – New York, Boston
- 10-11 October 2017: Erste Group CEE investor conference – Stegenbach

Magyar Telekom’s top management and staff from the Investor Relations department spend 20-25 days abroad every year at various roadshows and conferences in the main centers of the financial world, where the vast majority of fund managers and investors are active. Around 150-200 meetings take place annually with investors and analysts.

Magyar Telekom also gives space on its website to satisfy the information needs of interested parties. Up-to-date information can be found in the ‘For Investors’ section about the companies 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.

Magyar Telekom has been listed among the CEERUIS (Central Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange that offer outstanding performance. In 2017 Magyar Telekom was listed again in the FTSE4Good Emerging Index. Due to its environmental and social performance Magyar Telekom was assessed by ISS-oekom. According to their April 2018 report ranked Magyar Telekom the first among 118 telecommunication companies worldwide based on December 2017 data and listed as Prime B category, recommended for investment. Trucost has also rated the company in 2017 and we have continued our participation in the Carbon Disclosure Project (CDP), in the framework of which the largest companies report on their climate protection measures, the related risks and opportunities and their CO2 emissions to the key investors.

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’ opinion, needs and expectations with the help of a series of detailed questions asked to a representative sample. The summary of the final results of the survey is prepared by the Investor Relations department, and presented to the members of the Management Committee.

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

In case of industry-specific draft strategies and draft legislations circulated by the lawmaker for public discussion Magyar Telekom harmonizes with authorities mainly by invitation.

Magyar Telekom regulary contributes to harmonization with interest representation forums (in particular with the Communications Reconciliation Council [HET], 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. HET is the dedicated consultation partner of the telecommunication industry in respect of the Digital Welfare Program (DNP) – the former Digital National Development Program (DNP) – launched as a result of the InternetKn 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 DIP, the HET represents the standpoint of the industry.

Magyar Telekom’s regulatory area eventually organizes the so-called Regulatory Forum event where in-house stakeholders are informed on the most important regulatory changes and processes.

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

<table>
<thead>
<tr>
<th>Name of Association</th>
<th>Strategic membership</th>
<th>Holding position in the governance body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magyar Telekom Plc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Telecommunications Network Operators Associations (ETNO)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>GSMA Association</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>JIV Venture Association (JVSD)</td>
<td>✓</td>
<td>Curatorium membership</td>
</tr>
<tr>
<td>German Hungarian Chamber of Industry and Commerce</td>
<td>✓</td>
<td>Curatorium membership</td>
</tr>
<tr>
<td>Telecommunications Advocacy Council</td>
<td>✓</td>
<td>Chairmanship</td>
</tr>
<tr>
<td>ICT Association of Hungary</td>
<td>✓</td>
<td>Chairman of multinational department</td>
</tr>
<tr>
<td>Hungarian Association of International Companies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungarian Business Leaders Forum (HBLF)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Employers’ Equal Opportunities Forum</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hungarian Chamber of Engineers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungarian Logistics, Procurement and Inventory Management Association</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Large Enterprise Logistics Managers Club</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T-Systems Hungary</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>ICT Association of Hungary</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>American Chamber of Commerce in Hungary</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hungarian Outsourcing Association (HOA)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hungarian Hospital Association</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hungarian Water Utility Association</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hungarian Project Management Association</td>
<td>✓</td>
<td>Mihály Kiss - vice president</td>
</tr>
<tr>
<td>Scientific Association for Telecommunications</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hungarian Librarians’ Association</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Lobby Club Association</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Hungarian Chamber of Engineers</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

SUPPLIERS

Magyar Telekom has invited his suppliers to fill out the EcoVadis assessment, which evaluates companies in terms of their economic, environmental, social and responsible procurement operations. Together, with the results of previous years we have received 35 responses from our direct and indirect suppliers. Magyar Telekom Sustainability web audit is a series of questions on environmental, social and business ethics topics. 35 companies participated directly in the survey in 2017. Respondents were informed about their results, where they have received topic specified feedback on their performance.

The best rated suppliers in 2016 were awarded on June 12 at the 18th Sustainability Roundtable Discussion event. At the event, the „Magyar Telekom’s TOP3 sustainable supplier” title was given to: the American Infinera Corporation and the Romanian ROMKATEL SRL, as well as the Hungarian Nokia Solutions and Networks TrafICOM Ltd. companies.

Deutsche Telekom conducts worldwide audits of selected suppliers. The uniform auditing system promotes and ensures compliance with the minimum social and environmental standards. As part of the system, in 2017 a total of 16 indirect Magyar Telekom suppliers were audited.

Deutsche Telekom’s cross-border initiative Together for Strong Brands (previously known as ’Together for Sustainability’) was created in 2014. This is a supplier development program, and this cooperation expanded by three key ICT product suppliers to 11 members in 2017.
EMPLEOS

Social responsibility and a sustainability mindset are key elements of everyday life within the company. Individual commitment to these values is something we pay attention to during our recruitment processes. Our employees engage in multiple events and activities that involve volunteer work, opportunities to donate and several other forms of giving.

In 2017 Magyar Telekom supported the 32-year old Telekom Vivicittá city run as a naming sponsor. The event was simultaneously held in Budapest, Szeged and Pécs. Nearly 30,000 people from 84 other countries came to participate in the big run. Our colleagues were encouraged to take part in the city run with preliminary internal campaigns by an option of preferential admission. Nearly 900 employees—together with their families—participated in the biggest sport event of springtime, with a total of 1,200 race numbers for the city and supported the Autistic Art Foundation. Depending on the distance completed the participants were awarded with hello holnap! points and could collect one extra point only for cheering.

Several hundreds of employees took part in the Y2017 “It is good to give!” cookie campaign. The event was organized by 50 volunteers in 16 sites where 240 employees made cookies that were sold to several thousands of employees on December 4. On the day of the event almost 1.7 million HUF was raised for the Autistic Art Foundation.

In 2017 Magyar Telekom volunteers gave 267 lessons in 93 schools.

In 2017 our education programs were continued. 10,485 children attended our Become an IT expert career orientation program. Across Hungary Telekom volunteers gave 267 lessons in 93 schools.

At the Kick-Off event the Group CEO presented the Y2016 results and outlined the objectives and expectations for 2017.

In 2017 an Autumn Health Program was organized for our colleagues who could participate events to support their physical and mental health for 3 months, in more than 50 locations across the country. A total of 1,233 colleagues used the refreshing, relaxing and stress-relieving massage service, more than 2,500 Telekom and T-Systems employees took part in healthcare screening examinations and could discuss their problems with 6 internal and 19 external coaches to work off their everyday stress and to strengthen their awareness. After the Autumn Health Program the company continues to support the employees’ health preservation efforts with regular blood donation opportunities.

For more information about the community investments of Magyar Telekom Group please visit chapters 5.2 Involvement of employees and 6. Social engagement.

MEDIA

Magyar Telekom’s sustainability center and the organization responsible for media relations organized two meetings for the members of the Sustainability Media Club, composed of the most important Hungarian publishers.

In 2017 27 applications were submitted to Magyar Telekom’s Sustainability Media Award. Projects could be nominated in three categories: “TV/radio/video content”, “written content (print, online)” and “blog, vlog”. The projects were required to address environmental, social or economic phenomena. The awards were distributed among the winners on the ninth Sustainability Day.

In 2017 27 applications were submitted to Magyar Telekom’s Sustainability Media Award. Projects could be nominated in three categories: “TV/radio/video content”, “written content (print, online)” and “blog, vlog”. The projects were required to address environmental, social or economic phenomena. The awards were distributed among the winners on the ninth Sustainability Day.

In 2017 the following organizations became beneficiaries in the hello holnap! mobile application: Autistic Art Foundation, ArtMan Association, the Budapest Bike Mafia, the Heroes of Responsible Dining, the Humusz Waste Prevention Alliance, the Hungarian Food Bank Association, the National Society of Conservationists - Friend of the Earth Hungary, the Suhanj! Foundation, and the WWF Hungary.

Magyar Telekom launched its Civil Tariff Package service for NGOs in March, 2004 with beneficial rates and service package. In 2017 the Company invited applications on one occasion and provided discount schemes to 35 organizations in an overall value of 4.4 million HUF.

LOCAL COMMUNITIES

Within the frame of our Become an IT expert! Program Telekom volunteers gave lectures for 10,485 across Hungary in 2017. Magyar Telekom Digital Bridge initiative is designed to bring the accomplishments and inherent opportunities of information and communication technologies to those areas where the digital gap is present and may widen to a dangerous extent within course of time. In 2017, we held 3 Digital Daycare events in Debrecen during the summer school holiday and we organized 4 Digital Bridge for Small Settlements events.

The agreement fits into the Telekom general sponsorship objectives and aligns with the mother company’s international support systems. Hungary’s leading telecommunication service provider supports the biggest and most successful clubs and their athletes - like the Hungarian Olympic Committee, Telekom Veszprém, the Hungarian Swimming Association, the FTC and the Hungarian Paralympic Committee.
**FUTURE GENERATIONS**

In 2017, some of the elements of the Smart Digital Program have been incorporated into Become an IT expert! program so our volunteers can train children with a more complex thematic training program. In addition, in November 2017, the Smart Digital Program was taken over by Deutsche Telekom’s initiative to promote trustful and conscientious internet use by Teachtoday.

On the 10th Sustainability Day in 2017 – where the target group was young, educated city-dwellers within the age group of 18–40 – a record number of 9000 persons visited the event that was comprised of four panel discussions.

In 2017 we upgraded the Telekom Electronic Beats program through which the Gorillaz band gave a live concert. We also presented the The Lenz application, developed by Deutsche Telekom, that can transform any magenta interface into a virtual portal - with Gorillaz content in the background. In 2017 our festival activities were performed under the Electronic Beats initiative.

Music and festivals are among the main targets of Magyar Telekom’s sponsoring efforts. The company has been supporting the VOLT, the Campus, the EFOTT and the Sziget Festival. Besides offering a great opportunity to present our brand these events are also important occasions for the event-specific presentation of our ICT products and services. By way of supporting festivals Magyar Telekom reached more than 800 000 young adults in 2017: 160 000 persons parted at the VOLT, 216 000 at Campus Festival and EFOTT, and 450 000 at the Sziget Festival.

**ENVIRONMENTAL AND SOCIAL COOPERATIONS**

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

Hungarian Business Leaders Forum (HBLF) – In November, 2007, in the frame of the cooperation, the company signed the “Code of Organisational Diversity and Acceptance” principles, issued by HBLF and ILO (International Labour Office). Besides, our company actively participates in the activities of the HBFL workgroup:
- Diversity Working Group
- Equal Opportunities Working Group
- Environmental Protection and Sustainability Working Group

We are participating in the Budapest Airport’s Green Airport initiatives.

The Group has been an active member of ETNO’s (European Telecommunications Network Operators Association) Sustainability Workgroup for years. The members work closely towards solving all kinds of sustainability-related programs. In addition to the three meetings held each year, an internet portal also helps our joint work and contributes to the sharing of best practices.

In 2017 we reconsidered the hello holnap! fee package with the involved organizations (SNOSZ, MVGYOSZ, MEOSZ, EFIOESZ, AOSZ), how can we expand the fee package discount to our other fixed line services. In the current fee package each member entitled to use three hello holnap! subscriptions to involve a family member or an attendant.

We supported the work of the Environment Protection Committee of the Hungarian Academy of Sciences with our scientific knowledge and many presentation. Our colleagues are in close relationship with several higher education institutes and we help the universities with consultancy for writing theses, expert education and giving lectures.

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

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

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

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

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

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

**SUSTAINABILITY DAY**

The Sustainability Day (FN10) was organized on the tenth occasion on September 30th. The conference with the slogan “FLOW or FOLLOW” was organized in the Aquarium club and a record number of 9000 visitors were interested in. It was opened by inspirational discussion by „Hello, WMN!” which was moderated by Kriszta D. Tóth. Her guest, Hesna Al Ghaoui, Gergely Litkai, Rikka Lukovics and Anna Pálétó talked about their own flow experiences.

In 2017 we reconside the hello holnap! fee package with the involved organizations (SNOSZ, MVGYOSZ, MEOSZ, EFIOESZ, AOSZ), how can we expand the fee package discount to our other fixed line services. In the current fee package each member entitled to use three hello holnap! subscriptions to involve a family member or an attendant.

We supported the work of the Environment Protection Committee of the Hungarian Academy of Sciences with our scientific knowledge and many presentation. Our colleagues are in close relationship with several higher education institutes and we help the universities with consultancy for writing theses, expert education and giving lectures.

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

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

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

**SUSTAINABILITY DAY**

The Sustainability Day (FN10) was organized on the tenth occasion on September 30th. The conference with the slogan “FLOW or FOLLOW” was organized in the Aquarium club and a record number of 9000 visitors were interested in. It was opened by inspirational discussion by “Hello, WMN!” which was moderated by Kriszta D. Tóth. Her guest, Hesna Al Ghaoui, Gergely Litkai, Rikka Lukovics and Anna Pálétó talked about their own flow experiences.

Several awards were distributed at the FN10 event. For example the winners of the “Neked mert mely van előre?” (“Which is the way forward for you?”) application for funds were announced as well as the awardees of the Sustainability Press Award.

Within the frame of the Sustainability Press Award the applications were submitted in three categories. The winner, “Tv/radio/video content” category was a journalist from 24.hu, Bea Baliczka with her „Egy nyelven nem beszél, megis három nyelven érles el a” (“Egy nyelven sem beszél, mégis három nyelven érles el a”). In the “written content” category the members of the jury, delegated by Telekom and the Sustainability Media Club, gave the first prize to Veronika Bordás for the “Magyarország: nemek és igények” (“Hungary: noes and yeses”) article at National Geographic. In the “blog, vlog” category the first prize was given to Dóra Melis from Rundebella travel blog for her article: „Ahol míg a postás sem jár - tíz nap a felhők fölött” (“Where not even the postman goes – ten days above the clouds”).
In line with our traditions, acknowledgments were given to the three most popular exhibitors on the basis of the attendees’ votes. This year the acknowledgment was given to the Meinzer Scholl, the Mizar carpooling system, and the reGARDEN-újárKERT.

The all-day event was closed by a huge party to the music of Irie Maffia.

THE HELLO HOLNAP! APPLICATION


The hello holnap! application is available for iOS, Android and Windows phone. This is one of the most popular Magyar Telekom application and has been downloaded more than 11,000 times.

DELFIN AWARD

In 2008 our company established the DELFIN Award: The award stands in Hungarian for a Committed, Sustainable, Innovative Generation. With the DELFIN Award Magyar Telekom wants to promote the idea of sustainable development among all companies in Hungary and recognize efforts made towards this goal. The award is given to suppliers offering outstanding performance in the field of sustainability, on the basis of applications judged by a board of professionals.

Any Hungarian enterprise could apply for the DELFIN award in 2017 – with implemented and running programs in 4 categories:

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

The award ceremony was held on June 12, 2017 at the 18th Sustainability Roundtable discussion. The roundtable discussion and the DELFIN Award ceremony was organized in Akvárium Klub. The professional jury of the event rewarded exemplary sustainability solutions and performance among the competing companies.

Winners of the DELFIN Award in 2017:

- In „Sustainable innovation” category:
  - Villam Translation Services
  - FORNAX ICT In

- In „Equal opportunity” category
  - Alko-soft Bt.

- In „Climate protection” category:
  - Budapest Waterworks

- In „Sustainable awareness” category:
  - ELTE EKSZ
  - Impact HUB Budapest

The application materials can be found on this website (only HU).

Magyar Telekom also rewarded the TOP3 Sustainable supplier. The title based on the results of the sustainability web audit conducted in 2016. The Infinera Corporation, the Nokia Solutions and the Networks TraffiCOM Kft. were rewarded in 2017.

PROFESSIONAL COOPERATION

Upon the initiative and by funding of T-Labs (Telekom Innovation Laboratories, Berlin) the faculty Data Science and Engineering began to operate at Eötvös Loránd University from September 2016. The objective of the initiative was to create a researcher network of EU Labs, of which Hungary shall be the first pillar. The inauguration of the faculty took place on September 6th, 2016, on the day of Innovation at ELTE.

The role of Magyar Telekom will be manifested in the support of education (apprenticeship positions, knowledge transfer, an external consultant role) and research (R&D funding) activities. Additionally, Magyar Telekom, as a partner of EIT Digital, promotes and supports even more intensive cooperation among institutions of higher education and their industrial partners.

Within that framework, The Budapest University of Technology and Economics, and the Eötvös Loránd University provide professional support for students within their EIT Digital doctoral programs. In 2017, among the previous year’s projects, the Telekom Open Services project was implemented.

In recent years the international cooperation between DT companies has come to the forefront to exploit synergy opportunities within the group. We are playing an important role in the international program started for transformation of the parent company’s operating model. Its objective is the development of an infrastructure and a range of services to support future operations, contributing to DT Group’s being Europe’s leading service provider, and to that the optimization of network infrastructures and resources takes place at group level.
1. Climate protection and energy efficiency........................................16
2. Resources management.....................................................................17
3. Emissions.........................................................................................20
4. Environmental objectives, costs and compliance..........................21
As a leading provider of communications services in the region, Magyar Telekom’s commitment to sustainable development with a focus on preserving the environment lies in the centre of its mission. In our new Sustainability Strategy 2016-2020 we set the ambitious goal to reduce de level of our carbon dioxide emission below 100,000 tons.

2017 marked the third year in which Magyar Telekom Group set the objective of carbon-neutral operation – and reached it. Our electricity consumption was covered by renewable energy and we offset 30,000 CER units. We set a new goal, to make all our Magenta 1 customers carbon neutral in 2018, inst. the whole network and the customer premises equipments.

With our carbon neutral operation we serve a long-time strategic goal, in accordance with the EU 2 Celsius degree objective and the maximizing the reachable emission reduction.

In 2017 we continued our carbon offset project. We spent half of the income of our company car policy regulated bonus-malus system to carbon offset. Our aim was to become carbon neutral again in 2017 too. We have achieved our goal by using 100% renewable energy for our electricity consumption and we offset the rest of our emissions, by purchasing and retiring CER (Certified Emission Reduction) units. The reduction came from a Chinese project, we offset 30,000 tons of CO2. In 2017 Magyar Telekom Plc. has purchased 184 GWh of renewable energy that is covering 100% of the total amount of electricity used by the Company.

Magyar Telekom’s sustainability strategy for the period 2016-2020 points to the focus of climate protection and the reduction of CO2 emissions. Our highlighted environmental and operational ecoefficiency goals are:

- Reducing our CO2 emissions
- Energy consumption: saving energy (reduce consumption), increase of energy efficiency levels, using green energy
- Increase the energy efficiency of our buildings
- Decrease our fleet consumption, promotion travel replacement solutions and dematerialization solutions
- Introduction of sustainable and climate friendly products and services
- Measure the climate footprint of our customers and suppliers

The company pays increased attention on supplying its network with energy-efficient equipment. All of our products and services must comply with the requirements of environmental sustainability. We aim to provide our customers with solutions they can benefit from, allowing them to use less energy and protect the environment. For more information, please refer to chapter 2.2 ICT for Sustainability.

Based on the Business Continuity Management System (BCM) we have identified the critical climate risks (flooding, heat waves) that might affect our operations and we have prepared action plans for possible risk management. According to our annual assessment the rate of climate damage in the network did not reach the level of intervention (HUF 50 million damage/month). In 2017 we have identified 659 climate related cases (storm damage). In 2017 during the heatwave we allowed our colleagues to work remotely in order to reduce the energy consumption of our offices, and we increased the core temperature of our datacenters and base stations.

1.1 CLIMATE PROTECTION AND ENERGY EFFICIENCY

To present the quantitative greenhouse gas emissions of Magyar Telekom Group’s activities, in accordance with the global warming potential (GWP), we use a CO2e (carbon dioxide equivalent) as an indicator. We do not measure greenhouse gases separately and we do not have biogenic CO2 emissions.)

The details of Magyar Telekom Group’s CO2-emissions are given in the following table. The CO2 conversion factors were determined on the basis of the 2007 recommendations of the International Energy Agency Data Services (electricity), the UNEP guidelines (heating oil, fuel, natural gas), DEFRA’s coefficients and by the data provided by a prominent Hungarian paper factory. We present our real emissions with and with out carbon-offset

<table>
<thead>
<tr>
<th>CO2 IMPACT (TCO2)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct energy consumption</td>
<td>11 400</td>
<td>9 824</td>
<td>8 912</td>
<td>8 264</td>
<td>8 252</td>
</tr>
<tr>
<td>Oil</td>
<td>2 600</td>
<td>2 004</td>
<td>1 629</td>
<td>1 206</td>
<td>799</td>
</tr>
<tr>
<td>Fuel (diesel oil)</td>
<td>8 217</td>
<td>8 317</td>
<td>8 364</td>
<td>8 109</td>
<td>7 248</td>
</tr>
<tr>
<td>Fuel (gasoline)</td>
<td>6 436</td>
<td>6 631</td>
<td>6 590</td>
<td>5 873*</td>
<td>5 726</td>
</tr>
<tr>
<td>Fuel (Total)</td>
<td>14 653</td>
<td>14 949</td>
<td>14 954</td>
<td>13 982</td>
<td>12 876</td>
</tr>
<tr>
<td>CO2 emission of direct energy consumption</td>
<td>28 653</td>
<td>26 777</td>
<td>25 493</td>
<td>23 454</td>
<td>21 545</td>
</tr>
<tr>
<td>Indirect energy consumption</td>
<td>6 590</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>91 367</td>
<td>86 655</td>
<td>87 010</td>
<td>84 725</td>
<td>72 911</td>
</tr>
<tr>
<td>Green energy</td>
<td>-11 516</td>
<td>-11 516</td>
<td>-63 337</td>
<td>-64 145</td>
<td>-62 321</td>
</tr>
<tr>
<td>Electricity (adjusted with green energy)</td>
<td>79 850</td>
<td>75 139</td>
<td>23 673</td>
<td>16 580</td>
<td>15 000</td>
</tr>
<tr>
<td>District heating</td>
<td>2 156</td>
<td>1 863</td>
<td>1 918</td>
<td>1 702*</td>
<td>1 792</td>
</tr>
<tr>
<td>CO2 emission of indirect energy consumption (adjusted with green energy)</td>
<td>82 002</td>
<td>77 001</td>
<td>25 391</td>
<td>18 372</td>
<td>12 381</td>
</tr>
<tr>
<td>Total energy consumption</td>
<td>119 654</td>
<td>103 778</td>
<td>51 084</td>
<td>41 827</td>
<td>33 926</td>
</tr>
<tr>
<td>CO2 emission of total energy consumption (adjusted with green energy)</td>
<td>119 654</td>
<td>103 778</td>
<td>51 084</td>
<td>41 827</td>
<td>33 926</td>
</tr>
<tr>
<td>Paper consumption</td>
<td>1 078</td>
<td>961</td>
<td>813</td>
<td>755</td>
<td>740</td>
</tr>
<tr>
<td>Recycled paper</td>
<td>988</td>
<td>141</td>
<td>122</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>CO2 emission of paper consumption</td>
<td>1 223</td>
<td>1 106</td>
<td>935</td>
<td>873</td>
<td>864</td>
</tr>
<tr>
<td>Cumulated CO2 emission</td>
<td>110 654</td>
<td>104 378</td>
<td>50 919</td>
<td>41 706</td>
<td>33 926</td>
</tr>
<tr>
<td>CO2 emission of total energy consumption (adjusted with green energy)</td>
<td>110 654</td>
<td>104 378</td>
<td>50 919</td>
<td>41 706</td>
<td>33 926</td>
</tr>
<tr>
<td>CO2 emission of total paper consumption</td>
<td>1 223</td>
<td>1 106</td>
<td>935</td>
<td>873</td>
<td>864</td>
</tr>
<tr>
<td>Carbon offset</td>
<td>-3 520</td>
<td>-7 135</td>
<td>-52 189</td>
<td>-50 000</td>
<td></td>
</tr>
</tbody>
</table>

Magyar Telekom takes all necessary measures to treat the risk from operation of the fluorogreenhouse gas containing equipment. Based on the inspections carried out in accordance with the regulations there was no leakage in 2017. There are only 790 equipment with R22 gas, they represent less than 6% of the operating conditioners. The dismantling is in progress.

1.1.1 CLIMATE PROTECTION RESULTS

Taking the purchase of green energy and carbon offset into account, total carbon dioxide emissions was offset by the Magyar Telekom Group. Our Scope 1 emission decreased by 8% due to the significant decrease of the fuel consumption, while the Scope 2 emission decreased by 14% due to network modernisation.

In 2017 we continued our carbon offset project. We spent half of the income of our company car policy regulated bonus-malus system to carbon offset. Our aim was to become carbon neutral again in 2017 too. We have reached our goal by using 100% renewable energy for our electricity consumption and we offset the rest of our emissions, by purchasing and retiring CER (Certified Emission Reduction) units. The reduction came from a Chinese project, we offset 30,000 tons of CO2. In 2017 Magyar Telekom Plc. has purchased 184 GWh of renewable energy that is covering 100% of the total amount of electricity used by the Company.

...
1.1.2 ENERGY EFFICIENCY

In order to measure our energy efficiency, in our 4th Sustainability Strategy we continue to use a Gbit/kWh indicator. Our goal is to reach the 100 Gbit/kWh in 2017 it was 95.62 Gbit/kWh. We apply three kinds of energy intensity indicators in order to show the changes in three factors: the electricity consumption of the network, fuel consumption of the fleet and the ratio of the revenue and the energy consumption. The effectiveness of the energy consumption of Magyar Telekom Plc.’s operation is characterized by the Gbit/kWh (transmitted bits/electricity consumption) energy efficiency indicator. The indicator shows that as the quantity of transmitted information grows the energy consumption proportionally reduces (i.e. we transfer more information with less energy). The fuel consumption efficiency is characterized by car pool average CO2-emissions in g/km. For the revenue related energy consumption indicator we use the GJ/HUF M. We would like to increase the first and reduce the second and the third indicator, in 2017 we achieved all of them.

Average carbon dioxide emissions from vehicles have further decreased to 144.8 g CO2/km due to the introduced restriction in our bonus-malus system. We limited the emissions of the employee benefit cars and maximized their power. We introduced new financial incentives to make the hybrid and electric cars more favourable.

The revenue related energy consumption was 1264 GJ/HUF M.

REVENUE RELATED ENERGY CONSUMPTION GJ/HUF M MAGYAR TELEKOM GROUP

1.1.3 EQUIPMENT IN CUSTOMERS’ PREMISES

Our customers generate significant energy consumption by operating our CPEs, but that consumption is essential for using our services. We identified three major areas where the energy consumption is significant: the use of mobile phones, TV services, internet services. Since 2016 we have conducted a precise calculation on the number and performance of CPEs (set-top-boxes, modems, terminals). We have no information about the exact kinds of mobile phones, that our customers use, therefore our calculation is based on an average smartphone’s energy consumption (1 kWh/year). Taking the number of subscriptions in 2017 into account, the energy consumption of our CPE’s was 181.4 GWh, which is equivalent to 61.423 tons of CO2 emission. The average CPE’s energy consumption dropped by 13% from 2015.

ENERGY CONSUMPTION OF EQUIPMENT IN CUSTOMERS’ PREMISES

Previously the Magyar Telekom-related emissions of our suppliers have not been monitored. In 2015 the monitoring of our suppliers’ Magyar Telekom-related emissions has already been included in the sustainable supply chain management process within their sustainability evaluation on energy use and emissions. So far, only 8 of our suppliers provided their energy consumption data. Their emission was 3361 tons of CO2, due to the low number of answers, no further conclusions can be drawn.

1.2 RESOURCES MANAGEMENT

1.2.1 ELECTRICITY CONSUMPTION

Magyar Telekom Group In 2017 Magyar Telekom Group continued with its efforts to energy-efficient operations. As a result our electricity consumption continued to decline by a further 14% compared to 2016. We continue to improve our energy efficiency in accordance with our Sustainability Strategy and in compliance with the ISO 50001 standard.

At Magyar Telekom the aggregation of several smaller transformations and development projects are jointly help us to further reduce our energy consumption:

- Our attested building ventilation technology has been upgraded in 2016: we implemented the so-called wardrobe type equipment thus reducing the operation time of air-conditioners and saving electric energy.
- The 3 years long global PSTN (Public Switched Telephone Network) replacement project resulted in significant energy savings.
- We have replaced our power supply equipment in several huge machine rooms; we continued the merge of fixed line and mobile power supply operation at specific sites. As smart cooling technology evolves, it brings new results in more sustainable cooling strategies.
- The increase of machine room temperatures is managed as a preparatory phase of the project.
- The 3 years long global PSTN (Public Switched Telephone Network) replacement project resulted in significant energy savings.
- We have replaced our power supply equipment in several huge machine rooms; we continued the merge of fixed line and mobile power supply operation at specific sites. As smart cooling technology evolves, it brings new results in more sustainable cooling strategies.
- The increase of machine room temperatures is managed as a preparatory phase of the project.
- The 3 years long global PSTN (Public Switched Telephone Network) replacement project resulted in significant energy savings.
- We have replaced our power supply equipment in several huge machine rooms; we continued the merge of fixed line and mobile power supply operation at specific sites. As smart cooling technology evolves, it brings new results in more sustainable cooling strategies.
- The increase of machine room temperatures is managed as a preparatory phase of the project.

1.2.2 FLEET MANAGEMENT, FUEL CONSUMPTION

The number of vehicles in the fleet on a Group level decreased further, while the types of usage and distribution of fuel has not changed. The number of hybrid cars increased significantly, the number of electric cars remained small. (9) Purchased electricity, the own energy production is not included
The fuel consumption (-7%) and the mileage (-6%) have decreased at group level as compared to the previous year. The electric cars' consumption increased from 3.38 MWh to 5.36 MWh (personal use is more significant due to the lack of refill station capacity of the national network.)

MAGYAR TELEKOM GROUP

CLIMATE AND ENVIRONMENTAL PROTECTION

The fuel consumption (−7%) average fuel consumption of vehicles (−1%) and the mileage (−6%) have decreased at group level as compared to the previous year. The fuel consumption (−7%), average fuel consumption of vehicles (−1%) and the mileage (−6%) have decreased at group level as compared to the previous year.

MAGYAR TELEKOM GROUP

TRAVELS REPLACED BY VIDEO-CONFERENCES (KM)

MAGYAR TELEKOM GROUP

MILEAGE OF VEHICLES (KM)

MAGYAR TELEKOM GROUP

FUEL CONSUMPTION (LITRE)

MAGYAR TELEKOM GROUP

AVARAGE FUEL CONSUMPTION (L/100KM), MAGYAR TELEKOM GROUP

MAGYAR TELEKOM GROUP

TOTAL NUMBER OF VEHICLES MAGYAR TELEKOM GROUP

MAGYAR TELEKOM GROUP

NUMBER OF VEHICLES BY FUEL AND USAGE TYPE AT MAGYAR TELEKOM GROUP

MAGYAR TELEKOM GROUP

Travel replacement solutions

Mileage, as the measure of business trips has significantly decreased (2016: 8,361,484 km; 2017: 3,077,699 km). Share of business travels was the following: 84% by plane, 14 % by car, 2% by other form of transportation. The emission of business travels in 2017 was 527 tons of CO₂ (air travel: 465 t CO₂; car travel 62 t CO₂).

TelePresence video conferences

Video conference and TelePresence systems are now available in Magyar Telekom headquarter, T-Systems Hungary’s Budapest str. headquarter and in regional offices. In 2017 more than 889,840 kilometers*flight and 158,918 road kilometers of travel have been saved, thereby reducing our CO₂ emission with 112 tons.

TeleBike

In the spring of 2017, we re-launched TeleBike, Magyar Telekom’s employee bike rental system with extended working hours. In 2017, TeleBike offered 53 bikes, and six electric bikes. Employees can commute between the offices of the company and six T-Systems Hungary sites that are located within the city limits of Budapest. Some key figures: 3800 rents, 5000 kms, saving 1 tons of CO₂ emission in 2017.

Bicycle courier service

Since 2012 Magyar Telekom has been sending some of its consignments using bicycle courier service. In 2017 we used bike carriers 401 times and saved 2262 km of car travel.

1.2.3 FOSSIL FUEL CONSUMPTION

Due to the extreme cold weather in 2017, the Group’s natural gas consumption did not decrease, it was almost the same as the last year.

GAS CONSUMPTION (MWH) MAGYAR TELEKOM GROUP

Teleworking

Magyar Telekom has been supporting telework for years as it is beneficial for the employer and the employee alike. In 2017 we strated monitoring the commuting habits of our employees (based on a small sample, but for a large office building in a good location in terms of public transport): approximately 1/3 of the employees choose to come to work by car, driving a daily average of 40 kilometres and 2/3 choose community services commuring a daily average of 30 kilometres. In 2017 there were 123,227 telework days registered, saving 4 million kms of travel and 20 years of traveltime. This result, teleworking has a significant role in replacing travel. For additional information on teleworking see Chapter 5.1 Human rights and equal opportunities.

1.2.4 DISTRICT HEATING

At Group level, in the district heating consumption – similarly to the natural gas consumption – the decreasing trend stagnated. In 2016 there was a data mistake in MakTel disclosure, we corrected the calculation, nonetheless the trend has not changed.

(1) 190 g CO₂/km as an average of air travel, and 146 g CO₂/km as an average car travel
1.2.5 PAPER CONSUMPTION

The paper consumption data are estimated due to the specificity of the procurement system. The paper cost was decreased, thus we assume that our paper consumption has not decreased. The base of the estimation is the Y2016 data.

In the past two years Magyar Telekom has introduced e-signature and e-Terms of Service in its stores thus renewing personal customer service operations. This innovative solution may considerably reduce the amount of printed documents, working time and costs of printing, filing and storing. This will also improve the operational efficiency and reduce the environmental impact as well. Telekom’s aim is to set up a full range electronic based marketing and PR tools. More information on network development is in chapter 2. Responsible services.

The decrease in group-wide office paper use is a result of the spread of paperless office solutions, the consolidation of the printer pool and the maintenance of our achievements in this area.

We report on paper consumption not primarily to provide as accurate data on our CO2 emissions as possible, but rather to reflect on its use. (It’s less than 1% of our emissions).

In Hungary, despite of the increase in our public relations related marketing activities in recently connected areas, our paper consumption has further decreased due to the use of non paper-based marketing and PR tools. More information on network development is in chapter 2. Responsible services.

The decrease in group-wide office paper use is a result of the continued improvement and automatization of processes, the spread of paperless office solutions, the consolidation of the printer pool and the maintenance of our achievements in this area.

We contribute to local communities by creating community gardens and taking uncultivated land in use, thereby increasing the diversity of the area. In 2014 Magyar Telekom Plc. started the development of three community gardens, the first of which was opened near the company’s site on Csárda Street, where the local gardeners started their work on 28 plots. In 2015 we opened two more community gardens near the company’s site in Soroksári Street and Cegléd Street. The community garden in Soroksári Street is the largest in Budapest, where garden owners can work on almost 100 plots. We continued our cooperation in 2017.

Noise and vibration protection

In Magyar Telekom Group sites we have to pay increased attention to the potential noise sources of outdoor air-conditioning equipment and emergency diesel generators. Last year 4 complaints have been issued about the noise level of Magyar Telekom. Two of them are in the solution phase - one is threshold application and the other one is noise protecting wall.

Water consumption

The water consumption at Magyar Telekom Group is exclusively for social purposes. Group-level water consumption decreased by more than 7%, partly due to the water-saving solutions (germinators) introduced in the previous year, and partly due to the decreased space and headcount. (TCG is no longer part of Magyar Telekom Group).

We report on water consumption not primarily to provide as accurate data on our CO2 emissions as possible, but rather to reflect on its use. Although we use 98.6% of the total water consumption for our social purposes, the decrease in our water consumption represents a significant decrease in our water-related carbon emissions (the decreased space and headcount results in a decrease of both our water consumption and our carbon emissions).

1.2.6 BIODIVERSITY

Magyar Telekom Plc.’s developments are generally not obliged to prepare impact assessment studies (EIA). In 2017 there was no investments that would have concerned protected areas and/or Natura 2000 areas. Along our operations no damage occurred on the natural habitat and biodiversity of the concerned territories. We continue to pay increased attention to the protection of our shared natural heritage, by planning all of our developments in compliance with the relevant rules and regulations.

Land use, landscape impact

It is important to the Group to implement its projects with only the absolutely necessary proportion of landuse, thereby preserving the original biodiversity of the natural environment. Along our property investments we also make sure that our buildings fit in the original landscape.

The composition of the mobile network represents no significant change: the number of base stations have not changed, in 2016: 7884; in 2017: 7557 on Group level (in 2017 without TCG). The number of towers shared with other operators increased by 6.5% (in 2016: 1287 pieces, in 2017: 1947).

We contribute to local communities by creating community gardens and taking uncultivated land in use, thereby increasing the diversity of the area. In 2014 Magyar Telekom Plc. started the development of three community gardens, the first of which was opened near the company’s site on Csárda Street, where the local gardeners started their work on 28 plots. In 2015 we opened two more community gardens near the company’s site in Soroksári Street and Cegléd Street. The community garden in Soroksári Street is the largest in Budapest, where garden owners can work on almost 100 plots. We continued our cooperation in 2017.

Noise and vibration protection

In Magyar Telekom Group sites we have to pay increased attention to the potential noise sources of outdoor air-conditioning equipment and emergency diesel generators. Last year 4 complaints have been issued about the noise level of Magyar Telekom. Two of them are in the solution phase - one is threshold application and the other one is noise protecting wall.

Water consumption

The water consumption at Magyar Telekom Group is exclusively for social purposes. Group-level water consumption decreased by more than 7%, partly due to the water-saving solutions (germinators) introduced in the previous year, and partly due to the decreased space and headcount. (TCG is no longer part of Magyar Telekom Group).

We report on water consumption not primarily to provide as accurate data on our CO2 emissions as possible, but rather to reflect on its use. Although we use 98.6% of the total water consumption for our social purposes, the decrease in our water consumption represents a significant decrease in our water-related carbon emissions (the decreased space and headcount results in a decrease of both our water consumption and our carbon emissions).

1.2.6 BIODIVERSITY

Magyar Telekom Plc.’s developments are generally not obliged to prepare impact assessment studies (EIA). In 2017 there was no investments that would have concerned protected areas and/or Natura 2000 areas. Along our operations no damage occurred on the natural habitat and biodiversity of the concerned territories. We continue to pay increased attention to the protection of our shared natural heritage, by planning all of our developments in compliance with the relevant rules and regulations.

Land use, landscape impact

It is important to the Group to implement its projects with only the absolutely necessary proportion of landuse, thereby preserving the original biodiversity of the natural environment. Along our property investments we also make sure that our buildings fit in the original landscape.

The composition of the mobile network represents no significant change: the number of base stations have not changed, in 2016: 7884; in 2017: 7557 on Group level (in 2017 without TCG). The number of towers shared with other operators increased by 6.5% (in 2016: 1287 pieces, in 2017: 1947).
1.3 EMISSIONS

1.3.1 WASTE

The quantity and quality of waste generated greatly depends on the current telecommunication projects and developments: on Group level in 2017, compared to 2016, the total amount of waste decreased by 4%. Due to the finished projects the Group level recycling rate has decreased to 15%.

Within Magyar Telekom Group the largest proportion of generated waste (close to 71%) is still the residual waste, its quantity decreased by 4%. Due to the finished projects the Group total amount of hazardous waste (close to 6%) has increased by 18%. Second by volume is technological waste (13%), hazardous waste is 6%, the proportion of paper generated waste (9%) – is still the residual waste, its quantity decreased by 4%. Due to the finished projects the Group level recycling rate has decreased to 15%.

In order to reduce the harmful effects of waste on the environment:

- We make sure that unused equipment gets reused either within the company, or by trading them to employees or external partners, or by renting, leasing or transferring them without compensation (donation).
- We collect waste selectively in more sites
- We improve their effectiveness through the revision of our existing contracts, the regular revision of collection points and through communication
- We continue to operate in accordance with the DT group level policy, released in 2015, for the regulation of management responsibilities as follows:
  - In the case of batteries, in accordance with the provisions of the law, Magyar Telekom Plc. partly transferred the obligation to intermediary organizations. Each year, our contracted partner, ReLem Limited Liability Non Profit Corporation fulfils its obligation above the law enforced level.
  - In the case of electronic equipment subject to product fee regulations most companies choose the payment of the product fee payment and the use of the national collection system. Magyar Telekom Plc. paid the mandatory product fee for electric and electronic equipment in 2016. The national collection rate requirement was 45% in the IT sector (the national system does not report company-level data.)

The major aim of the company is to carry out its operations with the least possible impact to the environment; we pay special attention to the revision, repair and reuse of the equipment in our network. The reuse rate of CPE devices is 48%.

Hungarian companies are obliged to comply with producer’s responsibilities as follows:

- In the case of electronic equipment subject to product fee regulations most companies choose the payment of the product fee payment and the use of the national collection system. Magyar Telekom Plc. partly transferred the obligation to intermediary organizations. Each year, our contracted partner, ReLem Limited Liability Non Profit Corporation fulfils its obligation above the law enforced level.
- In the case of batteries, in accordance with the provisions of law, Magyar Telekom Plc. partly transferred the obligation to intermediary organizations. Each year, our contracted partner, ReLem Limited Liability Non Profit Corporation fulfils its obligation above the law enforced level.

In accordance with the legislations in force we inform our customers on our websites about the various waste disposal options for used equipment and batteries. In spite of ensuring the opportunity to exchange returned waste and thus receive a discount from the price of new devices the volume of such waste showed a decreasing trend.
All of our commercially available products are certified with energy efficiency certificates according to the requirements of the European Union and are in compliance with the environmental standards set by Hungarian law. Manufacturer’s statements with detailed information about the life-cycle, reuse, the recycling of the product, the used materials and the repairability features are available in all of our stores. All of our procured network equipment should meet our high standards of energy efficiency.

1.3.3 EMISSIONS TO AIR
Magyar Telekom pays an air pollution fee in accordance with the national legislations. The amount of pollutants emitted by Magyar Telekom Plc: NOx: 5197.33 kg, SOx: 459.71 kg. The decrease of emission is due to reduced hours of operation.

1.4 ENVIRONMENTAL OBJECTIVES, COSTS AND COMPLIANCE
In 2017, Magyar Telekom Group’s CO₂ emission decreased from 110 736 tons of CO₂ to 97 111 tons of CO₂. Our energy efficiency indicator followed the increasing trend to 95.62 Gbit/kWh. Our fleet average emissions are experiencing a stable decrease, while the share of the hybrid and electric benefit cars in the fleet has increased to 16.1% by the end of 2017. Thanks to the paperfree solutions in the stores the amount of printed paper has dropped by 60%.

The management of our stakeholders’ environmental complaints is the responsibility of the Group Environment Protection Manager. Complaints and messages could be directed to: sustainability@telekom.hu (Our Hungarian e-mails addresses are fenntarthatosag@telekom.hu and kornyezetvedelem@telekom.hu). We are dedicated to respond to all proposals, complaints and enquiries as soon as practicable.

In 2017 Magyar Telekom Plc. received – and successfully closed the case of – four complaints regarding waste management. In eleven cases, related to electromagnetic fields we have conducted radiation biology tests upon citizens’ requests and found that the measured rate stays under the threshold stated in the relevant decree No.63/2004, (VII.26.) EEsCM on the healthy limits of electric, magnetic and electromagnetic fields between 0 Hz and 300 GHz relevant to citizens’ health. There was no penalty declared upon these cases as the emission levels were below threshold. As common sensitivity toward electromagnetic fields is high we continue to conduct the related complaint management cases with utmost care to deliver reassuring solutions for our stakeholders.

T-Systems Hungary Plc. did not receive any environmental complaints in 2017 that required investigation.

All of our commercially available products are certified with energy efficiency certificates according to the requirements of the European Union and are in compliance with the environmental standards set by Hungarian law. Manufacturer’s statements with detailed information about the life-cycle, reuse, the recycling of the product, the used materials and the repairability features are available in all of our stores. All of our procured network equipment should meet our high standards of energy efficiency.

1.4 ENVIRONMENTAL OBJECTIVES, COSTS AND COMPLIANCE
In 2017, Magyar Telekom Group’s CO₂ emission decreased from 110 736 tons of CO₂ to 97 111 tons of CO₂. Our energy efficiency indicator followed the increasing trend to 95.62 Gbit/kWh. Our fleet average emissions are experiencing a stable decrease, while the share of the hybrid and electric benefit cars in the fleet has increased to 16.1% by the end of 2017. Thanks to the paperfree solutions in the stores the amount of printed paper has dropped by 60%.

The management of our stakeholders’ environmental complaints is the responsibility of the Group Environment Protection Manager. Complaints and messages could be directed to: sustainability@telekom.hu (Our Hungarian e-mails addresses are fenntarthatosag@telekom.hu and kornyezetvedelem@telekom.hu). We are dedicated to respond to all proposals, complaints and enquiries as soon as practicable.

In 2017 Magyar Telekom Plc. received – and successfully closed the case of – four complaints regarding waste management. In eleven cases, related to electromagnetic fields we have conducted radiation biology tests upon citizens’ requests and found that the measured rate stays under the threshold stated in the relevant decree No.63/2004, (VII.26.) EEsCM on the healthy limits of electric, magnetic and electromagnetic fields between 0 Hz and 300 GHz relevant to citizens’ health. There was no penalty declared upon these cases as the emission levels were below threshold. As common sensitivity toward electromagnetic fields is high we continue to conduct the related complaint management cases with utmost care to deliver reassuring solutions for our stakeholders.

T-Systems Hungary Plc. did not receive any environmental complaints in 2017 that required investigation.
2.1 CLOSING THE DIGITAL DIVIDE

Digital divide is the phenomenon when different groups of society have differing opportunities to access information technology (due to geographical location, social situatedness or other reasons).

Access to information and communication technologies is crucial for economic development in today’s world. The transformation of social relations and communication makes it important for us to be familiar with new technologies and the opportunities offered by them.

With its digitally enabled sustainability program Magyar Telekom aims to overcome the digital divide and enable communities to access benefits of communication technologies and access to information.

DIGITAL WELFARE PROGRAMME

Today, the positive role of information communication on economic growth, employment growth, quality of life, growth of business efficiency and equal opportunities is now indisputable. That is why it is the most important that everybody can access the opportunities and benefits of the digital world. In 2017 - within the framework of the Digital Welfare Programme of Hungary - Magyar Telekom launched the fixed and mobile Digital Welfare Programme package, which provides a quality service for Internet users who have not been paid for wired internet due to financial reasons.

Supporting people living with disabilities

Magyar Telekom set an objective to offer comprehensive services for people with disabilities. Working closely with support organizations, we created the hello holnap! fixed and mobile tariff packages that are available to people living with physical impairments, visual impairments, intellectual disabilities and autism.

For further details on the tariff packages, please visit this website (HU only)

hello holnap! tariff packages

We recognized that access to and use of telecommunication services make disabled people’s lives easier as everyday electronic services become available to more and more people and their homes are more livable and accessible. In 2014 Magyar Telekom was the first to offer specific, comprehensive services to people with disabilities in Hungary. In order to use hello holnap! tariff packages one only has to be a registered member of one of the support organizations (AOSZ, ÉFOÉSZ, MEGOSZ, MVGYO-SZ). The services are offered on a lower price, than our other residential tariff packages – in the form of prepaid and postpaid packages.

In 2015 we initiated discussions with the involved organizations to re-design the hello holnap! tariff packages allowing them to become cheaper and more suitable for our customers. In 2016 as a result of the renewing process hello holnap! gave access to more services, and allowed a person to buy 2 subscriptions, providing easy access to a helper or a family member as well. In 2017, we examined how we could extend the discount system to our fixed line services.

Supporting isolated, disadvantaged groups and small settlements

The purpose of Magyar Telekom’s Digital Bridge for Small Settlements Program (Digitális Híd Kötelepületeken) is to increase awareness of the opportunities offered by information and communication technologies. It aims to enable disadvantage groups and regions to bridge their digital gap, which over time could deepen into a serious divide.

The local participants of the program gain an understanding of the multiple ways their lives could be made easier through making use of the advantages of getting along in the online world. Another important task of the Digital Bridge activities is to develop, maintain and foster relationships with participants.

In 2017 we held 7 Digital Bridge events. Along the program, during the summer school holiday we have organized 4 Digital Daycare events. In addition to the events of daycare service, we have provided an interactive education program to increase the digital literacy of the attendants.

The Digital Bridge for Small Settlements program allowed the volunteer team of Magyar Telekom to visit disadvantaged settlements of less than 3000 residents to offer efficient and customized IT education.

For videos, pictures and further information about the Digital Bridge program visit this website or the program’s Facebook page.
Become an IT expert! – Career-guidance program

We have designed the Become an IT expert! (Legyél Te is informatikus!) for high-schoolers and their parents, providing them an easy, hands-on introduction to the world of IT, and to the range of career opportunities that are there for everyone who chooses this path as their profession. Teenagers who need to make choices about their higher education and their parents who support their children in finding a career both profit from the benefits of this program. We aim to discuss the opportunities and the future of this sector by erasing all the blocks, stereotypes, providing answers to concerns and supporting the career-planning process of individuals. Since starts in 2016 we reached approx. 25 000 students with the Program, for the detailed results and our plans for the future, please visit chapter 6.1 Social investments of this report.

Hello Biznisz

The Hello Biznisz program was launched to guide SOHO/SMBs in the maze of management, workforce management, marketing, sales or finance. We help our SOHO/SMB partners to answer their questions with practical know-hows and information, both in written and video forms too.

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 in the Internet. In this it declares to fulfill the published quality targets during providing services on 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. The trouble management for customers is handled along a defined process - in accordance with their rights set out in the GTC, inter alia - after having detected the problem and having filed the trouble at the company.

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

We take the lead in mobile network quality. In 2017 we were again awarded with ‘P3 Best in Test’ certificate whereby the independent tester, P3’s measurements showed that the best Hungarian mobile network is that of Magyar Telekom. In 2017 we achieved 928 points out of the maximum 1000 which is a significant improvement to the results two years ago.

In the international comparison our mobile network was the fifth best while within DT Group the second best following the Swiss Sunrise and Swisscom, as well as T-Mobile Netherlands and the Austrian A1.

Teachtoday

We launched the Teachtoday site Hungarian version at the end of 2017. Teachtoday is an initiative for the promotion of safe and competent media use from Deutsche Telekom.

SERVICE AVAILABILITIES

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>SatTV</td>
<td>99.94</td>
<td>99.94</td>
<td>99.94</td>
<td>99.94</td>
<td>99.94</td>
</tr>
<tr>
<td>IPTV</td>
<td>99.66</td>
<td>99.66</td>
<td>99.64</td>
<td>99.66</td>
<td>99.66</td>
</tr>
</tbody>
</table>

In 2017 we managed to increase further our 4G coverage countrywide in the residential customer segment.
Initiatives at Makedonski Telekom to eliminate the digital divide:

- As many as 98% of households are covered with fixed access network. In rural areas where we do not have coverage, Voice services were provided with FGSAR or Satellite based solutions, like ASTRA.
- Starting from 2017, new customer requests for BB access in rural areas are provided with FMS solution based on LTE using 800 MHz band.
- With 418 locations where xDSL equipment is installed, MKT provides broadband access in the whole territory of Macedonia. Increased BB access speed for households in already covered in low speed areas with VDSL, vectored equipment. We continue the deployment of the hybrid access solution (xDSL+LTE) for BB speed demands in low speed areas.
- MKT fiber optic network (as of EoY 2017) provides more than 28.6% of coverage of households enabling access speeds >40Mbps and we will continue with its further rollout.
- Mobile BB access to our customers is provided using 4G network with 99.9% coverage of population. LTE Advanced using Carrier Aggregation is enabled on 54% of total number of sites while MMIMO is implemented on several locations, both technologies together enabling maximum download speeds of 500 Mbps.

2.2 ICT FOR SUSTAINABILITY

One of the key priorities of the sustainability strategy of Magyar Telekom is to increase the revenue from sustainable products.

In line with this objective we incorporated the product sustainability assessment into the regulation of the sustainability coordination process; defined the process players as well as their tasks and their layers; then the sustainability assessment of our handset portfolio was also made part of the regulations so that this information is accessible to our customers. The process players were identified again in the new organization structure, building daily contacts with them for the implementation of the objectives.

Our revenue from sustainable products and services grows year by year. By 2017, the revenue from these products has reached a 33.3% ratio.

List of the most important products and service groups with sustainability impact in 2017:

- Technology for health
- Climate-friendly and cost-effective business
- Sustainable digital solutions
- Equal chances in a digital world
- Sustainable products

The purpose of the sustainability assessment is to identify the sustainability impacts of our products and services and determine whether the given product or service has favorable environmental and social impacts, or whether it contributes to long-term economic growth.

Magyar Telekom also conducts the sustainability assessment of its products and services. The assessment reveals whether the product or service in question has any favorable environmental or social impact, whether it contributes to long-term economic development. The sustainability impact of products/services is measured in 3 dimensions, in 15 topics and through 42 questions. According to related internal regulation sustainability assessment covers all products and services of the company.

For years we have been using the same methodology for the sustainability assessment of our products and services, based on three pillars of sustainability:

- Social pillar: assessment of the contribution of the product/service to health, access to information, education, equal opportunities and personal growth.
- Economic pillar: assessment of the contribution of the product/service to sustainable consumption, competitiveness and actual needs (fair prices, regional responsibility).
- Environmental pillar: assessment of the contribution of the product/service to the preservation of resources, reduction of the environmental footprint and climate protection (environmetally compatible products and proceedings).

2.3 INNOVATION FOR SUSTAINABILITY

Research and development

Tender Project

In 2017, the research and development activities of Magyar Telekom were comprised of maintaining the R&D tender project funded and awarded by the National Research, Development, and Innovation Fund.

Own Risk based Research and Development

During 2017, we have continued the development of several project related products and services that were based on the R&D activities of 2016, such as the TV application that can be used on the TVGO mobile and web platforms and is related to the topic of TV/Entertainment.

In addition to the above, we have also launched new key R&D projects in 2017 in the fields of IoT TV/Entertainment and Big Data. Amongst others, we have examined voice and gesture based remote IPTV control, the feasibility of a cloud based TV service, and also created the prototype of the TVGO application in a general Windows 10 development environment. Within the scope of the intelligent parking project, we examined the business opportunities provided by new mobile solutions, such as NB-IoT. In addition, we have done research on artificial intelligence (AI) and machine learning (ML) supported face recognition and related services. Within the same topic of AI/ML, we have created a chatbot that may later provide aid in the work done by customer service staff by leveraging the opportunities offered by online interfaces. Regarding the topic of Big Data, we have investigated the opportunities of forecasting traffic events using mobile data.

R&D cooperation

In addition to innovative domestic SMEs, the research and development tasks are performed by the internal researchers as well as the product and services development staff of Magyar Telekom. In addition, the Company leverages the synergistic effect of an internal and external knowledge base, and strives for partnership with well-known innovation centers and institutes of higher education. Our main partners are renowned Hungarian universities and research institutes, such as the Budapest University of Technology and Economics, the Eötvos Loránd University, the Budapest Corvinus University, the Öbuda University, and the Hungarian Academy of Sciences.

Within the framework of cooperation launched during the past year, we have continued our work with the Technische Universität Berlin, the Department of Data Science and Data Technology operating at the Faculty of Informatics at the Eötvös Loránd University, the research and development department of Magyar Telekom and Deutsche Telekom, and the Telekom Innovation Laboratories (T-Labs) in Berlin.

As the partner of European Institute of Innovation & Technology (EIT) Digital, Magyar Telekom promotes and supports even closer cooperation between higher education institutions and their industrial partners. Within this framework, the Budapest University of Technology and Economics and the Eötvos Loránd University provides professional support to students within the EIT Digital post graduate training system.

In-house incubation programme – Mission Telekom

Mission Telekom is an in-house idea incubation programme for employees. During the process, we are looking for ideas and project propositions in support of Telekom’s strategic focuses.

Our goal was to bring the best tenders into practice, selected by a professional jury, with the active cooperation of the project initiators and professional/technical mentors in the year 2017.
KiBu is an experimental innovation and incubation laboratory that was established in 2007 with the support of Magyar Telekom. As one of the first media labs in Hungary, KiBu found its primary mission in investigating digital literacy and DIY techniques on the local scene. Ever since, KiBu has been actively present as an internationally recognized innovation lab with young researchers and developers forming its team. In 2017 KiBu has been transformed into T-Systems Hungary Open Innovation center. Through the activation and involvement of external innovation capacities its tasks include the support of the growth of the industry which is used to respond to T-Systems’ business and technological challenges.

KiBu incorporates three functions including research and development (prototyping, testing, service design, UX/UI design), education (next generation programs) and industry collaboration.

KiBu has taken up a strong intermediary role between several agencies, scenes and individuals. We connect corporate demands with creative supplies, theoretic bias of academic education with tools of the maker culture, talented young people with professional support, global innovation with situated, education with tools of the maker culture, talented young people with professional support, global innovation with situated, everyday use. KiBu has long been working within an international network of media labs and bears established contacts with the local universities integrating technical knowledge with creative skills.

KiBu is a place where ideas come alive. Material instantiations of great ideas are the first steps in the making: via 24 hour hackathons, pressure cooking sessions we try and test methodologies, concepts, objects, services. KiBu has a well-equipped workshop area to enable wide-ranging projects to be manufactured, programmed or constructed from 3D printers to strong server parks to run high fidelity renders. The prototypes are publicized at Demo Day, our biannual showcase event.

KiBu looks at its Startup Program launched in 2012 as an important milestone; it gives teams with budding ideas the opportunity to make their dreams come true. So far we received 900 requests and accepted 8 teams to our incubation program. It is part of our mission to help ideas come into life.

Since the launch of the Startup Program we experienced that there is high demand among young Hungarians for a program that supports idea development from a very early stage. As a response to this demand, we set up the Talent Program in 2013 where in every six months we give the opportunity to 4-5 teams to develop their ideas to the phase of building a prototype, under KiBu’s professional mentoring. Several hundreds of applications were submitted to the special ideadevelopment program, out of which 20 teams were successfully admitted and could present themselves on the closing Demo Day. The objective here was to elaborate product and service ideas that have a valid business potential or cultural vision that could successfully enter the Startup Program later on. A key quality of a good idea is that it provides a solid base for a business case or an innovative development.

The KiBu lift program, available for individual applicants, was launched in 2016 as a spin-off of the Talent Program. The lab offers a fully-fledged technological innovation team and a workshop for the teams or individuals who receive the education grant then the idea-owners have six months to transform the idea into a prototype or a proof of concept.

These investments and business opportunities can help Magyar Telekom Group to develop innovative products and partnerships. The ideas in the laboratories inspire our colleagues who work in the business development area thereby provide a better insight into the environment where our products are designed.

KiBu has been an important intermediary role between several agencies, scenes and individuals. We connect corporate demands with creative supplies, theoretic bias of academic education with tools of the maker culture, talented young people with professional support, global innovation with situated, education with tools of the maker culture, talented young people with professional support, global innovation with situated, everyday use. KiBu has long been working within an international network of media labs and bears established contacts with the local universities integrating technical knowledge with creative skills.

KiBu is a place where ideas come alive. Material instantiations of great ideas are the first steps in the making: via 24 hour hackathons, pressure cooking sessions we try and test methodologies, concepts, objects, services. KiBu has a well-equipped workshop area to enable wide-ranging projects to be manufactured, programmed or constructed from 3D printers to strong server parks to run high fidelity renders. The prototypes are publicized at Demo Day, our biannual showcase event.

KiBu looks at its Startup Program launched in 2012 as an important milestone; it gives teams with budding ideas the opportunity to make their dreams come true. So far we received 900 requests and accepted 8 teams to our incubation program. It is part of our mission to help ideas come into life.

Since the launch of the Startup Program we experienced that there is high demand among young Hungarians for a program that supports idea development from a very early stage. As a response to this demand, we set up the Talent Program in 2013 where in every six months we give the opportunity to 4-5 teams to develop their ideas to the phase of building a prototype, under KiBu’s professional mentoring. Several hundreds of applications were submitted to the special ideadevelopment program, out of which 20 teams were successfully admitted and could present themselves on the closing Demo Day. The objective here was to elaborate product and service ideas that have a valid business potential or cultural vision that could successfully enter the Startup Program later on. A key quality of a good idea is that it provides a solid base for a business case or an innovative development.

The KiBu lift program, available for individual applicants, was launched in 2016 as a spin-off of the Talent Program. The lab offers a fully-fledged technological innovation team and a workshop for the teams or individuals who receive the education grant then the idea-owners have six months to transform the idea into a prototype or a proof of concept.

These investments and business opportunities can help Magyar Telekom Group to develop innovative products and partnerships. The ideas in the laboratories inspire our colleagues who work in the business development area thereby provide a better insight into the environment where our products are designed.

Teachtoday - Telekom for the conscious use of the internet

As a responsible large enterprise it is among our tasks to help and promote the safe use of the internet. We use our best efforts to ensure that all age groups leverage the opportunities offered by the digital world in a smart and conscious way and we also work on the elimination of the digital divide between certain areas of Hungary. In November, 2017, similarly to other members of the company group, Magyar Telekom also joined Deutsche Telekom’s “Teachtoday” initiative to disseminate online education content with the objective to reach a broad audience.

On the Teachtoday website the relevant content is aligned to situations that we experience in our everyday lives, explaining how the young generations use the internet while taking into account potential differences in needs and living conditions. The platform offers practical tips and solutions to parents and children alike on topics like data protection, big data, social networks, use of mobile phones or popular applications. The topics are colorfully varied and the website offers case studies, interviews, tips, infographics, magazines and games, too. The site even offers media competence tests for two different age groups.

For parents

Sometimes it is hard for parents to understand the online world of children. On the Teachtoday platform parents may find useful information on the advantages and disadvantages of applications, for example they may learn why young people love Musical.ly so much. The website offers tips for meaningful conversations with children on data security or cyberbullying. It gives advice and support if we do not know at what age should we give mobile phones to our children and with the help of a draft mobile usage agreement it helps to encourage children to observe certain basic rules.

For teachers

Teachtoday helps the work of teachers with ready-made modules that can be immediately incorporated into the digital curriculum as well as best practices and examples. For example, teachers can set up a Media Adventure Park together with the students or may acquire new skills and knowledge with the use of the Be a meteorologist project.

For children

While browsing the Teachtoday website children may playfully acquire the skill of conscious use of devices. They may read about useful applications in the App Tips or may find ideas on how to make great videos through infographics.

The downloadable English language Scroller magazine is written for small children as another fun source of information about the digital world.
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 to make electronic data 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 LXIII of 2015 has significantly extended the scope of criminal offenses 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 precursor abuse,
- new psychoactive substance abuse,
- child pornography,
- criminal act against the state,
- act 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 Information Communications Authority (NMHH) and the internet service providers.

In 2014, in accordance with 159/B (3) of Act C of 2003 on Electronic Communications, the National Media and Information 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.

From January 1, 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 (OSZK) is also granted the right to temporarily block electronic data on non-authorized 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 Information 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 Information 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.

Prior to developing new products and during provision of services, Magyar Telekom considers the protection of its customers’ and business partners’ personal data as top priority. Magyar Telekom processes personal data in accordance with the applicable Hungarian legislation, the guidelines of the National Authority for Data Protection and Freedom of Information and the European Union directives regarding personal data protection.

A new general data protection regulation (GDPR) was enacted in the European Union in 2016 that is directly applicable in the Member States from May 25, 2018. Magyar Telekom pays particular attention to prepare itself for the application of the new general data protection regulation. Magyar Telekom ensures the highest standard of data-security and technical and organizational measures regarding personal data management/processing.

In case of contracting with data processors, Magyar Telekom requests from its contractors and subcontractors to process personal data according to the highest standard of data security and technical and organizational measures.
Conducting of the data protection trainings (face to face) for the employees in Point of Sales (the trainings will be recorded in employee’s personal files)

• Giving the opinions whether the data which are treated as a confidential communications according to Law on Electronic Communications, could be provided to the state authorities upon their request and interpretation of the relevant legal provisions that refer to the lawful interception

During the reporting period the following data protection audits/inspections were performed at MKT:

• Data Protection Audits conducted by DPO, based on Annual Plan for 2017

• Regular inspection by Directorate for Personal Data Protection (the conducting of this inspection started in 2016 and continued in 2017)

• Certain extraordinary inspections by Directorate for Personal Data Protection based on customers complaints (it should be emphasized that no penalty was imposed)

• Online Group Data Privacy Audit and Self Assessment

The main focus for 2018 is starting of the implementation of the new General Data Protection Regulation (GDPR).

Republic of Macedonia as a candidate country for EU membership has an obligation to transpose the GDPR into national legislation. The new Law on Personal Data Protection has an obligation to transpose the GDPR into the Republic of Macedonia as a candidate country for EU membership. The new General Data Protection Regulation (GDPR) was adopted by the European Parliament and the Council of the EU on April 14, 2016. It amends the existing Data Protection Directive (95/46/EC) and applies to all personal data processing activities and to all organizations in all member states.

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 applies the relevant Deutsche Telekom recommendation as mandatory regulation since 2004, while Makedonski Telekom 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 national and international developments and respond to the EMF-related queries of the authorities, residents or employees. Further information about Deutsche Telekom 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 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 passage ways do not cross the areas in question.

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

If a Magyar Telekom employee performing work in the vicinity of an antenna detects unidentified signal source, he will use his RADMAN personal radiation detector to determine the boundaries of 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 2017 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-ionizing electromagnetic radiation and electromagnetic fields has considerably increased in recent years. Since a civilized society cannot avoid the use of equipment emitting non-ionizing 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 Organization (WHO) and several other international organizations, 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 analyzed for more than twenty-five years. So far scientific researches have 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-ARC (International Agency for Research on Cancer) conducted with the participation of 13 countries, was closed in 2011. After closing the INTERPHONE project on May 31, 2011, WHARC classified electro-magnetic fields into the 2B potential carcinogenic category. According to the Chairman of the WHO-ARC working group “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 to 2B category: coffee, petrol, the exhaust of petrol-fueled engines, nickel and alloys, talcum powder, network frequency magnetic field and mobile phone use as well.

As a result of the three Hungarian mobile operators’ cooperation a new website – EMF portal – was created in 2006 and continued its operation throughout 2016 where questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements purchased by the operators from external organizations.
3. 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 significant impact on other stakeholders of the economy, thus the scope of its responsibilities cannot be limited to the company itself. Along 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 and Logistic Directorate, partly through the provision of centralized procurement services, and partly through the coordination of the member companies’ functional organizations.

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.

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

One of the main interfaces for supplier relations is the interactive internet site of the Procurement and Logistic Directorate, where suppliers - upon registration - can directly reach the newsletter service, the supplier qualification system, the OneSource system where quotations and auctions are managed, 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 and Logistic Directorate. 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. In 2017 we have informed our colleagues about these topics through several channels. The e-learning material is available on the intranet and contains all of the processes, their detailed description and contacts for every topic.

For the purpose of the sustainability evaluation of our active suppliers we use the internationally recognized 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 7 suppliers were directly and 15 suppliers were indirectly evaluated on social, environmental, economic and sustainable procurement aspects in 2017. These suppliers accounted for 40.59% of the overall procurement value, which value was 39.5% in 2014, 37.42% in 2015 and 33.23% in 2016.

An e-learning course is available for all Magyar Telekom employees about sustainable supply chain processes and in 2017 we have informed our colleagues about these topics through several channels. The e-learning material is available on the intranet and contains all of the processes, their detailed description and contacts for every topic.

Our 2016-2020 sustainability strategy’s objective is to ensure that Magyar Telekom’s commitment to sustainability becomes part of the suppliers business and that the supplier’s CO₂ should be reduced.
As part of the sustainable supplier chain management process, and in order to support effective operation 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 center, the Procurement and logistics directorate, the Corporate governance and General legal affairs department in addition to the employees working for the ordering organization 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 analyzes 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. Such process was not launched in 2017 because the analyses have not revealed any negative environmental, working condition, human rights or social non-compliance. Therefore no sanctions were imposed and no contracts have been terminated in 2017.

Deutsche Telekom provides significant support through initiatives within the sector (JAC – Joint Audit Cooperation) to transform supplier relations into sustainable ones, thanks to that audits are conducted worldwide for the selected suppliers. The integrated criteria of audits are promoting and securing compliance with the minimum social and environmental principles of suppliers, also in the case of common suppliers of different subsidiaries. Proving the compliance with the common group standards, in 2017 a total of 16 indirect Magyar Telekom suppliers were involved in Deutsche Telekom audits which is accounted for 36.91% of the overall procurement value; this value was 20.10% in 2014, 18.32% in 2015 and 15.05% in 2016. Depending on the results of the audits, corrective action plans are given to the poorly performing suppliers, followed by a re-audit if necessary.

In parallel to the sustainability process, our procurement and compliance organization has an ongoing monitoring process to identify non-compliance to law and/or economic cases. There were no such cases identified in 2017.

The procurement processes, that constitute a significant part of the vendor relations, 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 auction tool (OneSource), orders are also placed/confirmed through an electronic commerce solution (CPEx) or email, managing transactions growing from year to year.

These electronic solutions substantially reduce the processing time of the procurement processes and the e-mail based intervention in the procurement area was 83.89%, this value was 91.3% of all items ordered (in 2012: 59%, in 2013: 64%, in 2016: 89.8%).

Deutsche Telekom’s cross-border initiative, the ‘Together for Stronger Brands’ program was created in 2014, which is a supplier development program. Thanks to this action, three key ICT suppliers were invited for co-operation. The goal is to find common solutions to various problems whereas we create a win-win situation for everyone, which has positive results, such as employee loyalty, motivation, increased productivity and improved product quality. In 2017 further 3 suppliers have joined the program – having 14 members altogether. Main success of 2017 are 8.8% carbon emissions reduction, 7.4% staff turnover reduction due to improved working conditions, establishing sustainability management system, targets and concrete action plans.

The DT Group One.ERP was further developed in 2017, and we have been trying to make the orders running there smoothly. In PSL system (related on the network-based real estate assets and the tool area of the technology area) the proportion of electronically ordered requests was 95.4% in 2017. While in 2016 the total number of orders sent electronically without intervention in the procurement area was 83.89%, this proportion rose to 98.3% by 2017.

In 2017, we have began examining the possibility of robotization (such as supplier screening, reporting) to further improve procurement business processes.

In the office stationary catalogue the supplier already marks “green” products, and we encourage our colleagues to order such items.
Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local suppliers. In 2017 nearly 80% of our suppliers belonged to this category. By ordering products and services from local suppliers we significantly contribute to the retention of jobs.

As to products, there is a blacklist and a gray 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 (gray list) by Magyar Telekom.

In an effort to prevent any damage and minimize 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 (VMI 70.5%). We study the possibility of this jointly with the supplier when entering into the contract.

Magyar Telekom considers it a priority to make payments to its partners in compliance with the deadlines specified in the contracts, agreements.

At Makedonski Telekom with the support of the Procurement, Logistics and Real Estate Department, the organizational units in the company that initiate purchases of materials and products are responsible for the aspects of the environment when conducting procurements. Organizational units that initiate purchase of equipment need to pay attention in new investment projects to procure equipment that saves energy.

In course of vendor management there is also checking of social responsibility and environmental protection on supplier’s side, which is intended to become one of the evaluation criterias in future. All new as well as all existing suppliers are subject to pre and post qualification procedure which among other qualifications contains a sustainability self assessment. In this direction, Makedonski Telekom conducts business only with solvent, CSR-compliant and well reputed companies.

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

<table>
<thead>
<tr>
<th>SUBSIDIARIES</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magyar Telekom Plc.</td>
<td>74%</td>
<td>67%</td>
<td>74.5%</td>
<td>78.9%</td>
<td>77.8%</td>
</tr>
<tr>
<td>T-Systems Hungary</td>
<td>75%</td>
<td>80%</td>
<td>77.8%</td>
<td>78.46%</td>
<td>84.32%</td>
</tr>
<tr>
<td>Makedonski Telekom</td>
<td>79%</td>
<td>64%</td>
<td>65%</td>
<td>67%</td>
<td>65%</td>
</tr>
<tr>
<td>T-Mobile Macedonia</td>
<td>56%</td>
<td>46%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(13) Suppliers with headquarters in a given country.
(14) Magyar Telekom Group member companies with significant procurement value.
(15) T-Mobile Macedonia AD merged into Makedonski Telekom AD on 01.07.2015.
CUSTOMER SATISFACTION

Magyar Telekom performs complex customer satisfaction surveys on a quarterly basis among residential customers and in every six months among small and medium enterprise subscribers, with the worldwide used T*RIM customer satisfaction research method. Thanks to this the company can continuously monitor the expectations of subscribers as well as the level of satisfaction with its services.

These surveys produce a composite index reflecting customer satisfaction separately for the totality of customers as well as individual customer groups that enables tracing and easy interpretation of the changes over time. Detailed analysis of service elements enables detecting current perception of factors impacting customer satisfaction, identifying the fields where Magyar Telekom delivers outstanding performance according to the customers’ judgment, and the fields where actions are needed to improve quality against earlier own performance or even against the standard of competitors.

In 2017 the methodology of the T*RIM customer satisfaction survey was changed. Adjusting to the changed market conditions the level of satisfaction with mobile and fixed line telecommunication operators is not measured separately, instead, it is performed within the frame of an integrated measurement. The survey is conducted by eliciting answers via telephone, in the form of standard interviews, encompassing samples of a justifiable size, composition and weights. The content of the topics has not changed substantially, however, the change of methodology required to start a new timeline in 2017.

T*RIM - Residential customers

Based on the results in 2017 the level of satisfaction with Telekom is in line with the European industry average, what’s more, the Magenta 1 packages outperform the top 33% of the measured entities. In the last three quarters we received a very balanced feedback from our customers. Mobile subscribers demonstrated an increasing satisfaction rate. Thus, slightly more satisfied than fixed line customers whose feedback, however, shows a fundamentally stable picture in all three quarters.

The principal strengths of Telekom include the entirety of the product and service portfolio and their permanently renewing choice. There is a steady growth in the area of the stability and speed of the mobile internet connection. By the end of 2017 Magyar Telekom improved its results in the efficiency of ordering processes and also the service ordering and modification process proved to be more seamless than before.

T*RIM - Small and medium-sized enterprises

Due to the change of methodology of the satisfaction survey findings or conclusions can only be made in respect of the SMB sector solely on the basis of the Y2017 trends. Similarly to the results of the residential survey the level of satisfaction of mobile customers is higher than that of the fixed line subscribers. At the same time, the positive feedback of fixed line customers increasingly shows how they appreciate the extras that Magyar Telekom provide for loyal subscribers and we also measured significantly higher satisfaction with administrative processes.

In total the Magenta 1 customers were most satisfied with the service and the results were even showing an increasing trend compared to the beginning of the year. We achieved better average satisfaction rates in the vast majority of the surveyed factors.

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 extends to the residential and business customer base as well.

Overall satisfaction is measured in a scale from -200 to +200. The results of the TOP channels involved in the research:

<table>
<thead>
<tr>
<th>Channel</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fault repair</td>
<td>132</td>
<td>123</td>
</tr>
<tr>
<td>Residential call centre</td>
<td>140</td>
<td>142</td>
</tr>
<tr>
<td>Business call centre</td>
<td>158</td>
<td>156</td>
</tr>
<tr>
<td>Provisioning and</td>
<td>149</td>
<td>147</td>
</tr>
<tr>
<td>Shops</td>
<td>138</td>
<td>140</td>
</tr>
</tbody>
</table>

The overall customer satisfaction and the free text responses are continuously analyzed in their context thereby give a much more detailed picture about the customers feedbacks of Magyar Telekom.

T-Systems Hungary performs customer satisfaction measurements through multi-layer measurements.

Strategic satisfaction research

The annual satisfaction research is performed with the support of Magyar Telekom’s Group Strategic Directorate and the involvement of an external partner. Within the frame of the survey we inquire IT and Telco decision-makers of our customers about their satisfaction with T-Systems’ services and customer service.

Within the research we perform personal deep interviews and questionnaire based survey as well. The questionnaire-based survey is conducted on a random sample of the entire customer base where we contact approximately 400 companies. The deep interviews are taken in the top 50 segment of the large enterprise category whereas we measure the top 20 customers of the medium enterprise segment. 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 in respect to the entire T-Systems company, service areas and other areas and are presented to the representatives of the relevant professional areas.

The certain vertical sales and other service areas in T-Systems work on build up action plans based on the strategic satisfaction research results. The result and realization of action plans was summarized in case of every vertical sales and other service areas at the end of the year.

Based on the so far results of the T-Systems satisfaction survey we can state that the overall performance of the company is reliably high and balanced. Within the large enterprise segment the level of satisfaction of state-owned and top 50 customers tends to be outstanding whereas the satisfaction of non-governmental large enterprises and medium sized companies is generally high.

In 2017 the overall level of satisfaction increased in comparison to previous years which is attributable to the significantly stronger medium enterprise sector. The level of satisfaction is increasingly balanced among the various sectors.

Contact person satisfaction research

The contact person satisfaction survey is performed at the end of each quarter among customers who used 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 Corporate customer support department or the T-Systems Service Desk with fault reports or complaints.

The survey is performed with the involvement of a partner (Magyar Telekom Group’s Strategic Directorate) 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.

In 2017 both channels performed at an outstanding level and had a specifically positive impact on 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 complete with the SLAs undertaken by TSM as well as the expectations of customers.

Enterprise customer support unit (VÜK)

We measure our customers’ satisfaction with the activities of the business customer support area on a monthly basis. Within the frame of the measurement any customer can be interviewed who contacted the Call Center within the given period. When interviewing customers we also take into account whether the given customer has a dedicated contact person and whether the contact person agreed to contacting the customer for the purpose of the survey.

Customer satisfaction is measured with a questionnaire prepared on the basis of the ICCA methodology. In order to ensure the independency of the survey the measurement was performed by T-Systems’ market research partner. The partner performs 70-100 interviews per month and provides feedback to T-Systems measured in a scale from -200 to +200.

Customer satisfaction is measured with a questionnaire prepared on the basis of the ICCA methodology.
Measurement of customer satisfaction with the management of fault reports

The emails sent by T-Systems’ Service Desk notifying customers that their problem is resolved contain customized links to the questionnaire. The answers of customers are monitored and processed every day by a dedicated manager. If it is justified so the manager may initiate immediate investigation or measures.

We review the answers and evaluation of our services by our customers on a weekly basis and initiate actions or further measures to improve customer satisfaction.

At Makedonski Telekom we measure customer satisfaction with the TR’M and the NGICCA methods.

Makedonski Telekom, with NG ICCA currently measures customer satisfaction of the touch points, in retail: Telekom shops, Door to Door (D2D); Exclusive dealers; Customer Service: Inbound, Outbound, Tech Support, Business call center; Field Technicians: Installations and Faults; Self Service: IVR. The frequency of the survey is on a daily base.

ICCA is mostly focused on residential customers, while business customers participate in the survey only if make contact with Telekom in any of the touch points.

In general Makedonski Telekom keeps the same level of satisfaction in retail. The activities in Customer Service are stabilized after the migration on new platform in 2016, which ultimately has brought better performance in 2017. In addition, the redesign of IVR has contributed to increase the customer satisfaction, as well.

TR’M customer loyalty survey is another tool for measurement of the retention intensity and loyalty of the integrated customers of Makedonski Telekom. The TR’M survey is periodically performed both for residential and business customers, e.g. quarterly for residential and two times per year for business customers.

Makedonski Telekom remains on leading position among integrated providers, with highest TR’M index in the market, and among all nätcos in the DT group.

The quality of the network, internet connection stability and speed are definitely the strongest drivers which differentiate Telekom from the competitors. Among the services, Magenta 1 is absolute leader of customer satisfaction and loyalty reaching the average TR’M index value of 100 points.

4.2 CUSTOMER FEEDBACK MANAGEMENT

The customer’s voice and indication in any case is important for us to maintain the high quality of our services according to customers’ expectations. The feedbacks of Magyar Telekom are continually help us creating our services and processes and finding ways of improving.

At complaint handling we focus on our customers’ satisfaction and ensuring enhanced customer experience. Our task is to provide qualitative and comforting solution for our customers during the investigation and handling of complaints. Along it is, we form again the continued use of the experience of Magyar Telekom services to the customer with customized solutions.

It is important for us to provide high quality services to our customers and quick solutions when dealing with complaints. In 2017 compared to the previous year the number of complaints decreased by 19%. The calculation methodology has been changed compared to the previous years. In the current one transactions that had been solved by the operators directly during the call are included as well.

It is our prime objective to provide customized 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.

4.3 INVOLVEMENT OF OUR CUSTOMERS

Digital Bridge

The program was designed for residents of small settlements and has been running since 2004, offering free internet literacy lectures by Telekom employee volunteers. Our colleagues provide detailed information on topics such as how to fight the distances and keep contact online, providing useful information on the possibilities of making our everyday lives easier by using secure online shopping and payment options, or how to protect our personal data in the digital world.

In 2017 we had four Digital Bridge events and organized 3 Digital Bridge Daycare events.

Within the frame of the Digital Bridge initiative enthusiastic Telekom volunteers organized a Digital Daycare event in Debrecen, offering programs for children, like live coloring books, virtual talents or detective quests through the internet. The volunteers gave some hints and showed tricks of safe internet use in a playful and entertaining way, like searching for images or popular Hungarian children’s songs on the internet.

Within the frame of the Digital Bridge in Small Settlements program more than 5000 people have attended our volunteer lectures in more than 200 small settlements accompanied by famous Hungarian media personalities, like Péter Novák, Levente Harsányi or Péter Galambos.

In 2017 the Telekom volunteers organized Digital Bridge in Small Settlements events in Beszterec, Döge, Hajdúsámson and Nádudvar.

Earth Hour

Earth Hour, the largest voluntary initiative to fight climate change joined communities around the globe on March 25, 2017, from 08.30 pm to 09.30 pm. In a record-breaking 178 countries around the world, including Hungary, many people joined the cause with a symbolic switch-off of lights for an hour, shining a light on climate action. Across Hungary all of the Telekom shops took part in the effort which were open in time of the event. We switched off the lights and projected Earth Hour material on displays in the company’s shops.

hello holnap! mobile application

The application went online on Sustainability Day in 2014 and by the end of 2017 it was downloaded more than 11,000 times. In various software stores the hello holnap! application is rated very positively.

Users may collect points through the application that can be exchanged into money then donated to non-profit organizations available in the application.

The third period of the hello holnap! application was closed on December 31, 2017. Users collected thousands of points and donated HUF 700,000 to the beneficiaries. The donation period was re-opened on January 1 with the involvement of 11 NGOs.

Telekom Vivicittá

In 2017 the Telekom Vivicittá city run was organized for the 32nd time in Budapest - while this year two other cities, Pécs and Szeged, also joined the initiative. There were almost 30,000 runners at the two-day event in Budapest where the 2.5 km charity run was organized to support Magyar Telekom’s strategic NGO partner, the Autistic Art Foundation. Members of the charity run team included Olympians and Paralympians, athletes of the Ferencvárosi Sports Club, Balázs Somogyi, ultramarathon runner and members of the Sustainability Media Club, too. The run was started by Daniel Gyurta, László Cseh, ultramarathon runner and members of the Sustainability Media Club, too. The run was started by Daniel Gyurta, László Cseh, world champion swimmers. The objective of the team is to call public attention to autism which has an impact on an increasing number of persons.

The charity run could be virtually joined by anyone - through the social network space. Participants who wished to join the run through this channel only had to take a photo of themselves while running and wearing any of last year’s Telekom Vivicittá official jerseys then post this photo on Instagram with the #egyekvagyunk
Winners of the DELFIN Award in 2017 were:

- In „Sustainable innovation“ category:
  - Villam Translation Services
  - FORNAX ICT Infocommunication Solutions Ltd.
- In „Equal opportunity“ category:
  - Alko-soft Bt.
- In „Climate protection“ category:
  - Budapest Waterworks
- In „Sustainable awareness“ category:
  - ELTE Together for the Environmental Awareness
  - Impact HUB Budapest

In 2017 any Hungarian enterprise could apply for the DELFIN Award (Award for a Committed, Sustainable and Innovative Generation). The prize was established in 2008 and is open for already implemented projects or operating programs.

The DELFIN Award ceremony took place in June, as part of the 18th Sustainability Roundtable Discussion Day. The professional jury awarded best practices and leading examples of the 18th Sustainability Roundtable Discussion Day. The DELFIN Award ceremony took place in June, as part of the 18th Sustainability Roundtable Discussion Day. The professional jury awarded best practices and leading examples of the already implemented projects or operating programs.

The festival crowd of VOLT, Efott and Campus Festivals got a chance to sense the vibe of the Sustainability Day by the help of Quimby (at VOLT festival) and Irie Maffia (at Efott and Campus festivals). The bands threw the ball to the crowd, who by keeping the ball above their heads throughout the concert, kept “held Earth up!” (The Hungarian word for ‘sustain’ is ‘fenntart’, also meaning ‘holding something up/above’. Thus the symbolic act of keeping Earth up also stands for keeping Earth sustainable.)

The visitors of the 10th Sustainability Day (FN10) could meet and party with the members of Irie Maffia at the afterparty.

Carbon neutrality

Magyar Telekom Group has become entirely carbon neutral in 2017 too.

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

Along the modernization of the network and data centers and the increase of the proportion of hybrid and electric cars in its vehicle fleet the company applies more and more efficient tools and solutions. The energy needs of several telco infrastructures are supplied by wind and/or solar energy sources and the company gives priority to purchasing sustainable information products and services. Two leading projects have contributed to the achievement of carbon neutral operation. Telekom Group purchases its electric energy consumption from 100% renewable energy sources and the company’s emission from fossil energy has been neutralized with the support of green projects.

E-signature and e-GCC for electronic customer service

In order to reduce costs and simplify processes the company reorganized the shops’ operation. By the end of 2016 Telekom transformed 100% of its customer service activities into electronic processes, the first step of which was the implementation of e-signature on tablets. The objective is to reduce the amount of printed documents as well as printing, archiving and storage costs to a minimum thereby accelerating and automating document management and administration processes. Upon changes of the document the tablets are automatically updated and thanks to the online operation almost one ton of paper and printing costs can be saved per year, also, the document is now accessible for people living with with physical or sensory impairments.

The Sustainability Day 10’s earth ball was exhibited in festivals!

The festival crowd of VOLT, Efott and Campus Festivals got a chance to sense the vibe of the Sustainability Day by the help of Quimby (at VOLT festival) and Irie Maffia (at Efott and Campus festivals). The bands threw the ball to the crowd, who by keeping the ball above their heads throughout the concert, kept “held Earth up!” (The Hungarian word for ‘sustain’ is ‘fenntart’, also meaning ‘holding something up/above’. Thus the symbolic act of keeping Earth up also stands for keeping Earth sustainable.)

The visitors of the 10th Sustainability Day (FN10) could meet and party with the members of Irie Maffia at the afterparty.

Carbon neutrality

Magyar Telekom Group has become entirely carbon neutral in 2017 too.

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

Along the modernization of the network and data centers and the increase of the proportion of hybrid and electric cars in its vehicle fleet the company applies more and more efficient tools and solutions. The energy needs of several telco infrastructures are supplied by wind and/or solar energy sources and the company gives priority to purchasing sustainable information products and services. Two leading projects have contributed to the achievement of carbon neutral operation. Telekom Group purchases its electric energy consumption from 100% renewable energy sources and the company’s emission from fossil energy has been neutralized with the support of green projects.

E-signature and e-GCC for electronic customer service

In order to reduce costs and simplify processes the company reorganized the shops’ operation. By the end of 2016 Telekom transformed 100% of its customer service activities into electronic processes, the first step of which was the implementation of e-signature on tablets. The objective is to reduce the amount of printed documents as well as printing, archiving and storage costs to a minimum thereby accelerating and automating document management and administration processes. Upon changes of the document the tablets are automatically updated and thanks to the online operation almost one ton of paper and printing costs can be saved per year, also, the document is now accessible for people living with with physical or sensory impairments.

The Sustainability Day 10’s earth ball was exhibited in festivals!

The festival crowd of VOLT, Efott and Campus Festivals got a chance to sense the vibe of the Sustainability Day by the help of Quimby (at VOLT festival) and Irie Maffia (at Efott and Campus festivals). The bands threw the ball to the crowd, who by keeping the ball above their heads throughout the concert, kept “held Earth up!” (The Hungarian word for ‘sustain’ is ‘fenntart’, also meaning ‘holding something up/above’. Thus the symbolic act of keeping Earth up also stands for keeping Earth sustainable.)

The visitors of the 10th Sustainability Day (FN10) could meet and party with the members of Irie Maffia at the afterparty.

Carbon neutrality

Magyar Telekom Group has become entirely carbon neutral in 2017 too.

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

Along the modernization of the network and data centers and the increase of the proportion of hybrid and electric cars in its vehicle fleet the company applies more and more efficient tools and solutions. The energy needs of several telco infrastructures are supplied by wind and/or solar energy sources and the company gives priority to purchasing sustainable information products and services. Two leading projects have contributed to the achievement of carbon neutral operation. Telekom Group purchases its electric energy consumption from 100% renewable energy sources and the company’s emission from fossil energy has been neutralized with the support of green projects.
5. EMPLOYEES

5.1 Humanrights and equal opportunities .................................................. 38
5.2 Involvement of employees .................................................................. 42
5.1 HUMAN RIGHTS AND EQUAL OPPORTUNITIES

Policies and agreements

Code of Conduct

The Code of Conduct that has been renewed at the beginning of 2018 provides the framework of orientation for all employees of Deutsche Telekom Group and Magyar Telekom Group. Additionally, it applies to people who are viewed as equivalent to employees in functional terms, e.g. to temporary agency employees. It combines the joint requirement of compliance with legal obligations and acting with integrity and thus ensures that Deutsche Telekom and Magyar Telekom remain transparent and traceable enterprises for everybody. Deutsche Telekom and Magyar Telekom expect their suppliers and consultants to comply with the rules of behavior manifested in this Code of Conduct and to endeavor them to ensure that they are also obliged to abide to its regulation by contract.

Code of Human Rights and Social Principles

The Code of Human Rights and Social Principles and the Equal Opportunities Plan of Magyar Telekom set the general human rights principles of the group and guidance to their group-wide implementation. Magyar Telekom Group recognizes and respects the fact that the cultural, social and legal diversity of its employees provide the foundations of operations based on equal opportunities. It is also a competitive advantage that leads to business success. The Code of Human Rights & Social Principles has replaced the former Social Charter in November, 2017 and it now serves as the framework of the protection of human rights, diversity and inclusive corporate culture.

Diversity Policy

The Diversity Policy of Magyar Telekom Group underscores our commitment to consistently identify and utilize potential for improvement. We embrace, respect and acknowledge the diversity of our employees, the markets we serve, the suppliers we work with, our shareholders and the entire society we live in. We consider diversity to be our strength and this is the quality we work with, our shareholders and the entire society we live in.

UN Human Rights Treaties ratified by Hungary

Magyar Telekom Group is committed to respect and protect human rights and it expects its suppliers to comply with these rules of behavior. Prior to becoming authorized suppliers of Magyar Telekom and T-Systems our suppliers must register their enterprises at our vendors’ registration site.

As an obligatory part of the registration process vendors are obliged to understand and accept our Suppliers Code of Conduct that among other policies, entails our Code of Conduct, Code of Human Rights and Social Principles and Diversity Policy. Our suppliers must understand and accept these policies and obligatory frameworks for their behaviors as well.

Equal Opportunities Plan

Anti-discrimination and the safeguarding of equal opportunities is a key priority to Magyar Telekom Group. According to the act CXXV of 2003 on Equal Treatment and Promotion of Equal Opportunities, and the corporate protocol in place since 2010 Magyar Telekom Group has accepted its 4th Equal Opportunities Plan in order to secure the practices of equal treatment, the advancement of equal opportunities and the monitoring an improvement of the labor positions of particular disadvantaged employee groups. The Equal Opportunities Plan currently in force is valid between 2016 and 2020 and has been developed in close cooperation with the employee representative bodies.

The Diversity Charter of the European Union

Hungary has joined the Diversity Charter of the European Union in 2016 and, among 50 signatory companies Magyar Telekom has also declared its dedication to safeguard diversity as a fundamental value. Magyar Telekom has been among the signatory companies in 2017 too.

UN Guiding Principles on Business and Human Rights

According to the dedication of Magyar Telekom Group to safeguard and protect human rights along its operations as stated in the UN Guiding Principles of Business and Human Rights, the company considers the rights and guidelines stated in the Universal Declaration of Human Rights and in the ILO’s Declaration on Fundamental Principles and Rights at Work to be mandatory in its own practices.

Monitoring and auditing practices

Magyar Telekom Group’s Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conducts its entire operations and business practices in full accordance with the nationally ratified UN Human Rights Treaties.

The Compliance Program involves the Group Compliance Manager and compliance representatives of particular functional areas of operation, who are working together as members of the Group Compliance Committee. The Compliance Program has been designed to ensure that the Group conducts its business to the highest standards of awareness, transparency, accountability, commitment, and adherence to applicable laws and regulations. External audits or inspections could be initiated towards any employer in Hungary by the Hungarian Labor Inspectorate due to public interest complaints, inquiries or reports of concern. The institution supports employer-compliance with the relevant laws and regulations with counseling and supervision. The Equal Treatment Authority is the relevant authority responsible for issues concerning equal opportunities. The authority accepts direct appeals from employees. There were no equal opportunity proceedings initiated on account of Magyar Telekom in 2017.

As Deutsche Telekom’s subsidiary Magyar Telekom Group takes part in the annual internal survey, to ensure the compliance of the subsidiaries of the Deutsche Telekom Group with the social principles of DT. Since November 2017, the basic principles of Deutsche Telekom are no longer included in the Social Charter, but in the Code of Human Rights & Social Principles. The Social Charter has thus been replaced by the Code of Human Rights & Social Principles. The senior executive responsible for the confirmation of the observance of these principles is Magyar Telekom’s Chief Human Resources Officer, by way of providing the annual Human Rights and Social Performance Report.

New employees of Magyar Telekom Group as part of their orientation process in their first two months receive compulsory education about the company principles, guidelines and practices concerning social issues, labor standards and human rights. All employees must understand and accept these guidelines as the fundamentals of their own professional behavior and operations. Nevertheless, the company is aware of the fact that there could be situations in which it is harder to tell appropriate from inappropriate. In order to assist employees in making the right choices in these situations, the company offers an interactive advice portal, operated by the Corporate Compliance Department. “Kedezzel” (“Ask me!”) advice portal has been set up to help resolve uncertainties as far as compliance-relevant behavior is concerned. Serious misconduct must be announced for prevention purposes and for appropriate sanctions.

For this reason the “Tell me!” whistleblower portal has been established. The main principles and the detailed description of the internal inspection process is detailed in employee directives available on all employees on the shared intranet platform. Throughout the inspection process the whistleblowers’ anonymity, personal and data privacy are guaranteed and handled with utmost discretion.

Diversity and Equal Opportunities

One of the targets of our 2016-2020 Sustainability strategy was to measure and improve the diversity culture of Magyar Telekom. We measure the state of corporate diversity culture through an internal survey between December 2017 and January 2018. In the beginning of 2018 the results and findings of the survey have been used in the process of defining the strategic steps, targets and result indicators of the effective improvement of our corporate diversity and equal opportunities culture, the advancement of which is being carried out as of 2018 through the complex implementation of operative measures.

Employee expectations and equal opportunities

The pillars of our People Strategy are based on the aim to meet the needs of our employees, and to live up to the challenges of maintaining our company status as a highly competitive and future oriented employer. Our employees require security, stability, opportunities for advancement and competitive compensations. Magyar Telekom, as a company committed to provide equal opportunities to its employees, finds it especially important to harmonize wages and to terminate unjust wage gaps.

Our tiered wage system, built on the Hay methodology, serves the above purpose. Our remuneration system is fully transparent thus our base wage tables and the relevant policies are available for all employees. We pay special attention to avoid gender pay gap and any unjust discrepancies between the wages of colleagues doing similar jobs. We and that potential differences should solely be based on their performance and achievements.
As an employer dedicated to diversity as a core value, Magyar Telekom finds it important to raise the amount of women in leadership positions. As a member of Deutsche Telekom Group the objective in 2010 was to increase the proportion of female managers to 30% by 2020. Along the aim to contribute to reaching the defined target, the company strives to utilize the actual business benefits inherent to the advancement of corporate diversity culture.

In 2017 the ratio of female employees in the top management was 19.35% whereas the same ratio in the middle and senior management was 27.93%. The overall ratio of female employees in the management is 27.27%. Our objective is to bridge the current gap between managerial levels and to support female talents to reach higher level management positions.

Our policies, charters and initiatives do not only aim to ensure equal opportunities for employees but also to strengthen our engagement in this field, in line with our corporate sustainability strategy. The Equal Opportunities Principles (2016–2020) of Magyar Telekom Plc. and T-Systems Hungary Plc. are:

1. Enforcement of requirements pertaining to equal treatment and the prohibition of differentiation
2. Equitable and flexible treatment, diversity
3. Respect for human dignity, securing healthy and safe working environment
4. Partnership, cooperation
5. Social Solidarity

Plan for the period of 2016-2020 the employers especially plan to take measures to improve the situation of the following employee target groups:

a. Women
b. Employees with families in particular those who:
   - Raise three or more children under 18 years of age
   - Raise their children alone
   - Raise disabled children, and
   - Employees who care for a permanently ill family member
c. Employees on maternity leave or childcare benefit (GYED/GYES)
d. Disabled employees or whose ability to work has deteriorated
e. Career entrants
f. Employees above the age of 5
g. Female employees in leadership positions

On May 6, 2009 the company joined the UN Global Compact initiative and its 10 principles in the areas of human rights, labor, environment and anti-corruption. Our measures to maintain gender equality among employees are consistently taken in the spirit of the following Global Agreement Principles:

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that they are not complicit in human rights abuses
3. The elimination of all forms of forced and compulsory labour
4. The elimination of discrimination in respect of employment and occupation
5. The promotion of the highest attainable standard of health and essential medical services
6. The promotion of the right to work with freedom, dignity and remuneration
7. The promotion of just and favourable conditions of work
8. The effective abolition of child labour
9. The elimination of the worst forms of child labour
10. The right of workers to form and join trade unions and to bargain collectively

Along the implementation of accessibility into Magyar Telekom’s recruitment process the company finds it important to promote sensitization and involvement. In addition to the annual Have you ever tried? sensitization program series, organized with the help of NGOs and associations, we provide various further opportunities at our Kick-Off event, the Move Telekom! family and sports day and the autumn health days. Along these, our colleagues could gain personal experiences about the everyday challenges of people living with disabilities in an able-bodied environment. On other occasions our colleagues were inspired by Paralympic athletes’ personal stories about strength, stamina, will to fight, devotion and persistence in competition.

As member of HBLF’s Diversity HR work group, Magyar Telekom took part in the wheelchair basketball championship, also supported by HBLF. We took part in the event as supporters with two teams where traditionally teams of able-bodied colleagues compete under the leadership of wheelchair user team captains.

Magyar Telekom joined the “Girls’ Day” international initiative several times. Within the frame of the initiative various introduction programs were offered for secondary school-girls at the Telekom and T-Systems headquarters as well as at Kitchen Budapest. We aim to provide attractive introductions to the IT related professions, provide insights on how to manage a digital project, what is it like to be part of a working team as a female IT expert and we are also here to provide practice driven guidance to choosing the right career path within the IT universe.

The “Girls’ Day” is an interactive, open day, organized on the same day in all countries of the European Union, when girls interested in technical sciences can spend a day at a leading technical company or university laboratory. Participants may meet women who are successful in the field of research or engineering sciences.

Labor force inclusion of underprivileged groups

In the course of the implementation of the equal opportunities plan for the years of 2016-2020, the company as an employer has taken the following measures in 2016 to improve the situation of the employee groups. We continue to support the Hungarian Business Leaders Forum’s (HBLF) Romaster talent management program to contribute to the equal labor market opportunities of our fellow citizens from the Roma community.

To ensure equal opportunities for our future employees with reduced capacity to work or disability (since 2010) applicants with disabilities using Magyar Telekom’s electronic recruitment interface are invited to state if they have any special request based on their needs or circumstances in order to secure full accessibility of our career selection process.

Along the implementation of accessibility into Magyar Telekom’s recruitment process the company finds it important to promote sensitization and involvement. In addition to the annual Have you ever tried? sensitization program series, organized with the help of NGOs and associations, we provide various further opportunities at our Kick-Off event, the Move Telekom! family and sports day and the autumn health days. Along these, our colleagues could gain personal experiences about the everyday challenges of people living with disabilities in an able-bodied environment. On other occasions our colleagues were inspired by Paralympic athletes’ personal stories about strength, stamina, will to fight, devotion and persistence in competition.

As member of HBLF’s Diversity HR work group, Magyar Telekom took part in the wheelchair basketball championship, also supported by HBLF. We took part in the event as supporters with two teams where traditionally teams of able-bodied colleagues compete under the leadership of wheelchair user team captains.
Besides these activities – following the tradition of past years – the company organized very successful thematic employee fairs (Christmas Fair, „It Is Good To Give” cookie event) at various company sites. Magyar Telekom employs could give donations and buy items manufactured by persons with disabilities through the involvement of NGOs that support employment of people with autism.

Disability-friendly Workplace

The 2017 Disability-friendly Workplace Recognition awards were distributed at “The World is Better with Us” Gala the Gala Event organized on the International Day of Persons with Disabilities. There are already 50 Hungarian that have been found eligible to receive the award, and Magyar Telekom is proud to be one of them, being entitled to use the logo for another two years.

The award was being given by Salva Vita Foundation, the advocating organisation aiming to bring disability-friendly employers and job seeking people with disabilities together. Employers may apply to this title by expressing their commitment to the conscious improvement of their inclusive recruitment, employment and staff retention practices concerning people with disabilities. Regarding the practices of Magyar Telekom the awarding jury has evaluated the sensitivity programs of the company, such as educating able-bodied staff to the informed treatment of disabled colleagues, and the corporate efforts towards the development of a more inclusive working community.

Respecting human rights and fighting against child labor and all forms of forced labor

Magyar Telekom Group is an ICT company committed to respect and support human and social rights at all times in view of our tasks arising from technological development and digitalization. In line with the basic principles set out in the Code of Human Rights & Social Principles our company stands up for the protection of human rights as set forth in international human rights treaties, including the protection of freedom of speech and protection of the right for one’s own belief.

Furthermore, the company rejects child labor, all types of forced or compulsory labor, and uses all measures to fight any kind of human trafficking and modern slavery. Magyar Telekom Group, as our parent company is responsible for the maintenance and supervision of compliance of global suppliers through monitoring and audits. For further information of the method of classification of global suppliers and the relevant results, please click here.

Freedom of association and collective bargaining

Magyar Telekom Group has acknowledged the freedom of association and the right for collective bargaining in its Code of Human Rights and Social Principles. Magyar Telekom strives to maintain a dialogue and cooperation with employee representation bodies in the spirit of openness and trust. The Code of Human Rights and Social Principles and the long-standing relationship between Magyar Telekom’s management and the employee representation bodies are the guarantee that the relevant rights are observed. 100% of the employment contracts of Magyar Telekom Group employees operating in Hungary fall under collective bargaining agreements.

The agreement, which can be terminated by either party with three months’ notice, applies to all Magyar Telekom Plc. employees except the CEO, regardless of their union membership status. Wage terms in the collective bargaining agreement must be renegotiated annually. If the employment is terminated due to reasons related to the employer’s operation, employees are entitled to a specific amount of severance pay surplus, which depends on the tenure of the employee.

In addition to the collective bargaining agreement, employees of our Hungarian operations are generally covered by the Act I of 2012 on the Labor Code, which imposes various restrictions on the involuntary termination of employment. The Labor Code protects employee interests through two different labor organizations: the Trade Union and the Workers’ Council.

The Trade Union, as the official representative of employee interests in negotiations relating to the terms of employment, has the right to be informed of all corporate measures that may significantly affect the interests of employees and to commence legal action against the Company for employment-related conduct that infringes an employment rule. In addition, the Workers’ Council directly represents employee interests in dealings with management and decides jointly with management on matters involving employee welfare funds and institutions. The Workers’ Council must be informed semi-annually on issues affecting our economic performance and changes in wages, employment conditions and working hours. The Workers’ Council must also be consulted on corporate measures affecting employees.

We believe that our relations with our employees are good. We have not experienced any labor strikes or disruptions since our formation.

Workforce Reduction and Redeployment

Magyar Telekom – in order to ensure the resources related to the Company’s strategic objectives – has reached an agreement with the trade unions on headcount reduction and wage increase measures for 2018. According to the terms of the agreement, the Company plans to make ca. 350 parent company employees redundant. In addition, around a further 160 employees are expected to leave the Company as a result of a number of discontinued corporate projects. The majority of these employees in question have left the Company by the end of 2017. In the framework of the successful Opportunity Program the company provides support by active job search, labor market training and one-on-one counselling to the colleagues laid off. Through these available assistance practices we aim to support these skilled employees to continue their careers as soon as possible.

It is planned to reinvest a significant proportion of the expected employee cost savings in resources related to the Company’s strategic objectives. As from January 1, 2018, the company payed an average of 5% rise in employee wages.

Work-life balance

Magyar Telekom considers stress, overload and burnout related risk-reduction as its priority duty in relation to its employees. In order to take charge of these risks by securing an empowering environment to develop and maintain a healthy lifestyle, employees are also provided with coaching and training opportunities that help in the advancement of their task-management skills.

Through the implementation of particular forms of non-regular employment the company aims to provide support to maintain a healthy work-life balance and is also dedicated to reduce the possibilities of working overtime. While offering flexible working hours through part-time, flexible-time and unrestricted employment it is strategically important for the company to build teleworking into the company’s culture. It is supported by a number of daily operation practices, such as the development of our large, spatial office (Future Work, Futurelab) that further promotes teleworking and flexible working solutions. Since introducing our „Work from home” campaign in 2012, there has been a continuous increase in the number of employees who chose to work remotely on specific days.

In 2017 our employees have worked a total of 123,227 days remotely, saving 4 million kilometers or 26 years of travel.

5 days off for rehabilitation. Additionally we credit the voluntary social contribution of our employees by providing days off, the proportion of which is being precisely regulated in internal corporate directives. In order to prevent cases of burnout and support the restoration of work-life balance, the company offers the partly financed opportunity of a “sabbatical” leave for a period of 1-6 months, since 2016.

### Tables

**Gender Mix of Non-Traditional Forms of Employment at Magyar Telekom Plc. in 2017**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.60</td>
<td>3.84</td>
</tr>
<tr>
<td>2014</td>
<td>3.20</td>
<td>3.84</td>
</tr>
<tr>
<td>2015</td>
<td>3.76</td>
<td>3.45</td>
</tr>
<tr>
<td>2016</td>
<td>4.46</td>
<td>3.76</td>
</tr>
<tr>
<td>2017</td>
<td>4.76</td>
<td>3.44</td>
</tr>
</tbody>
</table>

**Non-Traditional Forms of Employment at Magyar Telekom Plc. in Percentage of the Total Headcount**

<table>
<thead>
<tr>
<th>Year</th>
<th>Teleworking</th>
<th>Flexible work</th>
<th>Part-time work</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.98</td>
<td>30.10</td>
<td>48.90</td>
</tr>
<tr>
<td>2014</td>
<td>2.05</td>
<td>30.45</td>
<td>48.90</td>
</tr>
<tr>
<td>2015</td>
<td>2.12</td>
<td>30.90</td>
<td>48.90</td>
</tr>
<tr>
<td>2016</td>
<td>2.20</td>
<td>31.10</td>
<td>48.90</td>
</tr>
<tr>
<td>2017</td>
<td>2.30</td>
<td>31.30</td>
<td>48.90</td>
</tr>
</tbody>
</table>
### Family friendly Telekom and T-Systems Hungary

In 2017, in order to support employees on maternity leave (young parents on child care allowance/child care benefit/maternity leave), the “Young Mother” program supported young parents to stay in contact with the company. Telekom continuously informs inactive colleagues through newsletters, the regularly updated Young Mother information intranet-page, dedicated e-mail accessibility and a closed Telekom private social media group “Families at Telekom”. Colleagues with children can take part in numerous company events together with their families. At the Move It Telekom Family Day there was a separate venue offered by our Young Mother Program where families could compete with each other in a playful sensitization challenge.

In order to support a healthy balance between work and private life it is necessary to reorganize the workload within families. The „Daddy, it begins!” program tries to raise awareness of the father’s role within the family.

The internal communication portal of the company has published and information kit for young fathers („Daddy News”) since 2010, collecting useful information and tips for young fathers. All new Fathers of our company receive a congratulating e-mail and are informed about the extra holiday available for newborn-care.

Both in 2014 and 2015 Magyar Telekom and T-Systems jointly and successfully applied for the Family Friendly Company award and the Three Princes and Three Princesses Movement gave a special “Family Friendly” award to the company as an acknowledgement of its family-friendly initiatives and efforts. The Group elevated the qualification into a higher level and concluded a strategic frame agreement with the Movement. As a result we could share our best practices at various professional events and based on our activities in 2016 we were given the Family Friendly Company Mentor Organization title, too. As a result we could share our best practices at various professional events in 2017.

In 2017 Dimenzió Mutual Insurance and Self-help Association’s Family Support initiative has provided assistance to the families in the Telekom community by offering discounted summercamp opportunities for their children during the long summer holiday season.

Our four child friendly offices offer solutions to colleagues who need to manage family-situations related to childcare during their office-related duties. Those childfriendly workstations and office spaces offer support, when the employee has to take care of a child for a couple of hours or days during one of the short school holidays or when the child recuperates from an illness thus parents can be together with their children.

Efficient work-life balance of employees with families is further supported by our childfriendly offices and the available, tax-free nursery and/or kindergarten financial support that could be selected from our cafeteria benefit scheme, thus contributing to the reduction of expenses.

A considerable proportion of employees in the company group take advantage of telework thus actively working parents and still actively working grandparents can successfully harmonize their family life and professional duties.

The company employs various generations simultaneously thus personal fulfillment and the realization of the full potential of our colleagues is an important goal for Telekom.

### Generations at Magyar Telekom

As a next step of the well-designed internship program, the Group offers jobs to many young people starting their career.

The family-friendly atmosphere of the company offers various ways of support to young employees with families and it also tries to help them in the challenging times of becoming a parent. Teleworking is not just attractive for colleagues taking care of a baby, but it also offers a flexible way to manage work and life to our single colleagues as well, who can thus be more successful while managing their time in a flexible way.

The majority of our employees fall into the mid-aged category of experienced professionals. They experience a slightly narrowing career path, while also having opportunity to obtain marketable experience along various horizontal career tracks. This is supported by the company’s significant resources for external and internal trainings and in-house job advertisements. Telekom expresses its appreciation towards the experienced workforce with numerous acknowledgments, like the Loyalty Award and the Lifetime Achievement Award.

### Distribution of employees by region

<table>
<thead>
<tr>
<th>Year</th>
<th>Hungary</th>
<th>Macedonia</th>
<th>Montenegro</th>
<th>Other foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0%</td>
<td>91%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2014</td>
<td>0%</td>
<td>91%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>0%</td>
<td>91%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2016</td>
<td>0%</td>
<td>91%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2017</td>
<td>0%</td>
<td>91%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
In certain cases those who approach retirement age (50+) may choose to enter the company’s standby pool. With this initiative, among others, Telekom would like to take care of its employees and provide an interim solution for the period between work and retirement. Thus the employee could be reactivated from the standby pool if their extended employment is of mutual benefit for both parties.

5.2 INVOLVEMENT OF EMPLOYEES

Mobile Market

The Mobile Market visited the company’s headquarters first in December 2014 where the employees could buy agricultural products directly from the farmers. As the initiative received a very positive feedback from the employees, we have continued with the events in support of buying local products from local farmers. In 2017 employees could buy fresh farm-food in two company sites and the T-Systems headquarters.

Earth Hour

Magyar Telekom has been actively participating in the WWF Earth Hour campaign since 2008. On March 25, 2017 between 8:30 PM and 9:30 PM the employees turned off the lights in Telekom shops and properties.

TeleBike

The employees of the company can use TeleBikes from March 30 until October 30, in the springtime there is a longer availability of the bikes from 7:30 AM to 6:30 PM. In 2017 the bikes were used on 3800 occasions between Telekom office buildings traveling a distance of 5000 kilometers thereby preventing the emission of 1 ton of CO2.

We presented the awards of the hello holnap! point collection campaign

Each year we organize the hello holnap! point collection campaign where employees may participate in sustainability activities and receive points in return. In the point collection period between 1 April, 2016 and 31 March, 2017 a total of 2547 employees took part in the activities and collected 7023 points. The most active participants were awarded. Oliver Papp was placed third, the second was Levente János Erdéy and the most active hello holnap! member in 2017 was Béla Králl who collected 43 points. Members of the Management Committee awarded the winners with voucher for buying Csepel bicycle or using electric car on May 2nd.

Move Telekom! Sports and Family Day

Following our traditions we have organized our corporate Sports and Family event ‘Move Telekom!’ in 2017 as well. A day full of sports and excitement for our colleagues and their family members. The participants could challenge themselves in family sports competitions, and try new ways of exercising their bodies. In 2017 we had 1600 adults and 1100 children moving together. The children were entertained by amusing and colorful programs at the Gyermekliget-Park, and the playful adults could also hang out and play on a digital playground. We have also paid attention to healthcare and prevention on the event, providing opportunities for melanoma screening and various health condition tests. Colleagues in need of a chill-out could register for a massage. In 2018 we had 1892 adults and 1143 children moving together.

Telekom Volunteer Day

Magyar Telekom and its member company T-Systems Hungary organized a volunteer day on October 13, 2017. Almost 1,000 employees of the Group participated in the nationwide action that resulted in the renewal and maintenance of 32 locations. We have cleaned the close vicinity and green areas around of numerous Telekom sites, several public areas, as well as kindergartens, schools, social institutions and parks of residency centers of people living with disabilities.

In the 2016-2020 sustainability strategy the Group’s objective is to further increase the contribution to the society; the Group plans to contribute about 50 thousand dedicated volunteer hours end of 2020.

Sustainability survey among employees

In 2017 our employees were surveyed for the seventh time on sustainability issues. The survey is performed in November each year and this year 73% of the respondents answered that Telekom is a leading company in the field of sustainability. The awareness on sustainability is currently at a level of 81% within the company.

It is good to give! charity cookie market

As part of the World Volunteer Day initiative, on December 4, several Magyar Telekom office buildings have welcomed our “it is good to give!” charity cookie market. Employees of the company and the members of the Sustainability Media Club were selling homemade cookies in the office buildings. The income was donated to the Autistic Art - Smile Foundation thus buyers supported autistic young people and their art therapy.

In 2017 four registered charitable team buildings were organized and 363 colleagues donated blood during 33 organized blood donation events in Budapest and in the countryside. In 2017 more than 1200 Magyar Telekom volunteers contributed their workforce in 13 641 hours. With these programs we provided HUF 58.7 million worth of theoretical contribution to society.

In 2017 we had 1600 adults and 1100 children moving together. The children were entertained by amusing and colorful programs at the Gyermekliget-Park, and the playful adults could also hang out and play on a digital playground. We have also paid attention to healthcare and prevention on the event, providing opportunities for melanoma screening and various health condition tests. Colleagues in need of a chill-out could register for a massage. In 2018 we had 1892 adults and 1143 children moving together.

Several thousands of employees purchased cookies from 240 colleagues and donated to the charity. A total of HUF 1.7 million was raised in 16 venues for the fund.
6. SOCIAL ENGAGEMENT

6.1 Community investments ................................................................. 44
6.2 Our employees and social responsibility ....................................... 46
6.3 Sponsorship .................................................................................. 48
offers practical tips and solutions to parents and children alike on topics like data protection, big data, social networks, use of mobile phones or popular applications. Teachtoday helps the work of teachers with ready-made modules that can be immediately incorporated into the digital curriculum as well as best practices and examples.

The most important objective of the program is to provide a scope of opportunities within the choice of an IT related career for the young, career entrant generation, using our expertise and volunteer initiatives. Our Become an IT expert! website is an organic part of the program offering useful information on the IT profession, expert competitions and new trainee positions. Through the Become an IT expert! Facebook site we continuously provide information on the technological developments of our digital future.

In 2017 the program was elevated one level higher and Telekom - T-Systems announced a programmer competition for high school students under the name of "Challenge". Teams from more than 100 schools enrolled into the Become an IT expert! online programmer Challenge. Due to the huge number of applications the organizers increased the original number of eligible high school teams from 20 to 40. The students from grade 9-12 could compete with each other under the mentoring of their teachers and could playfully compete in the field of computer coding. They had to solve various challenges that required algorithm based thinking and programmer knowledge, too. The Challenge was a great opportunity for students and their teachers to combine their knowledge in a team and take part in the competition together. One of the challenges was wrapped in the story of an intergalactic journey. The teams were "dropped" into an imaginary space mission where they could only travel from one place to the other if they completed the programmer challenge by the relevant deadline. Finally, the teams had to develop their own program while challenging another team in the process. While solving the tasks the participants had to use a programming language - freely accessible to anyone - thereby the students almost unconsciously acquired new skills that they can also use in the future in other areas of their lives.

The tasks in the Challenge helped students to look at programming not as a complicated and abstract knowledge, but rather as a skill that helps to pursue interesting and useful activities.

Last year we integrated certain elements of the Smart Digital Program into the Become an IT expert! career guidance program thus the enhanced curriculum offers a higher number of potential contacts.

Since November, 2017, the Deutsche Telekom’s Teachtoday initiative is available with the objective to foster the safe and conscious use of the internet and to disseminate online education content to a broad audience. Teachtoday was established in 2008 upon the European Union’s initiative, under the patronage of Viviane Reding, then member of the European Commission, within the frame of the European Schoolnet (EUN) program and was implemented by numerous leading European internet-, mobile telephone and telecommunication operators. In the spring of 2014 the Teachtoday initiative was taken over by Deutsche Telekom AG and since then the program has been maintained by the company. The content on the Teachtoday website is aligned to situations that we experience in our everyday lives; explaining how young generations use the internet, while taking into account potential differences in various needs and living conditions. The online interface offers practical tips and solutions to parents and children alike to develop digital skills which is getting more and more important because in our future world, built on the 5G network technology, digitally literate people will be the most successful.

As the member of the jury, Christopher Matthiesen, Magyar Telekom’s CEO, said at the announcement of the results: “Since the launch of the “Become an IT expert!” program, the company’s volunteers reached out to more than 21,000 students and with the organization of the game the initiative is enriched with true engagement and experience-based elements. The game proved that there is openness among students to develop digital skills which is getting more and more important because in our future world, built on the 5G network technology, digitally literate people will be the most successful.”

The most important objective of the program is to provide a scope of opportunities within the choice of an IT related career for the young, career entrant generation, using our expertise and volunteer initiatives. Our Become an IT expert! website is an organic part of the program offering useful information on the IT profession, expert competitions and new trainee positions. Through the Become an IT expert! Facebook site we continuously provide information on the technological developments of our digital future.

In 2017 the program was elevated one level higher and Telekom - T-Systems announced a programmer competition for high school students under the name of "Challenge".

Teams from more than 100 schools enrolled into the Become an IT expert! online programmer Challenge. Due to the huge number of applications the organizers increased the original number of eligible high school teams from 20 to 40. The students from grade 9-12 could compete with each other under the mentoring of their teachers and could playfully compete in the field of computer coding. They had to solve various challenges that required algorithm based thinking and programmer knowledge, too. The Challenge was a great opportunity for students and their teachers to combine their knowledge in a team and take part in the competition together. One of the challenges was wrapped in the story of an intergalactic journey. The teams were “dropped” into an imaginary space mission where they could only travel from one place to the other if they completed the programmer challenge by the relevant deadline. Finally, the teams had to develop their own program while challenging another team in the process. While solving the tasks the participants had to use a programming language - freely accessible to anyone - thereby the students almost unconsciously acquired new skills that they can also use in the future in other areas of their lives.

The tasks in the Challenge helped students to look at programming not as a complicated and abstract knowledge, but rather as a skill that helps to pursue interesting and useful activities.

More than 150 students wrote 16,000 lines of program code at the Telekom Challenge - the programming game is publicly available at the Become an IT expert! website thus we encourage everyone to try if programming is to his or her taste.
The special prize of T-Systems Hungary was given out by Zoltán Kaszás, CEO of the company, to the team from Batthyányi Lajos High School from Nagykanizsa. Their award was an invitation to the Y2017 first creative intellectual summer camp, organized at the T-Systems Idea Campus.

Our achievements in 2017:
- 10,400 art in our presentation sessions
- 504 presentations were delivered at schools
- 54 settlements and
- 382 schools were involved

The special prize of T-Systems Hungary was given out by Zoltán Kaszás, CEO of the company, to the team from Batthyányi Lajos High School from Nagykanizsa. Their award was an invitation to the Y2017 first creative intellectual summer camp, organized at the T-Systems Idea Campus.

Our achievements in 2017:
- 10,400 art in our presentation sessions
- 504 presentations were delivered at schools
- 54 settlements and
- 382 schools were involved

In relation to the world day of autism (April 2) Telekom donated a BOOKR Kids Tale Tablet to the Foundation after each Kids Tale Tablet purchased in April in Telekom shops. The donation helps the work of occupation workshops in autist homes with digital tools.

However, the initiative extends far beyond the simple donation of tools. The associated social sensitization initiative also acquired the renown of the communication profession and was awarded in 2017 with the silver Prism Award.

Magyar Telekom, BOOKR Kids, Autistic Art and the Sustainability Media Club jointly announced a superhero drawing contest for children. A new tale was included in the Mesetár (Tale Book) application to show in what way an autist child is different from the others and how we can accept this difference. The tale was written by a József Attila awardee writer, poet, János Lackfi, under the title of "Otter Love and Diamond Rain" and the book was illustrated by children, taking part in a drawing contest. The tale is available in the application free of charge and is narrated by Dorka Gryllus, actress, charity ambassador of the Autistic Art Foundation.

Within the frame of the cooperation with the Autistic Art Foundation Telekom uses its best efforts to call public attention to autism, as a social problem, and exerts efforts to help people living with autism to communicate with others as much as possible thereby reducing the distance between autists and other people.

The Otter Love and Diamond Rain and the two games designed for autist persons can be freely downloaded from the BOOKR Kids Mesetár (Google Play, App Store):

"Almost 40% of young people with autism never speak and it is hard to find out what is going on in their closed world. For the majority of young people living in autist homes it is not easy to understand the intentions of others or to decode emotions. The special applications installed on smart devices can help them in their everyday lives and can play an important role in the course of occupation workshops organized in autist homes" - explained Viktória Bella, managing director of the Autistic Art Foundation.

Participants of the 32nd Telekom Vivicittá city run could join the charity run initiative, organized by Telekom and the Sustainability Media Club, whereby they could support Magyar Telekom’s non-profit strategic partner, the Autistic Art Foundation, by completing the 2.5 km distance run. Members of the charity run team included Olympians and Paralympians, athletes of the Ferencvárosi Sports Club, Balázs Somogyi, ultramarathon runner and members of the Sustainability Media Club, too. The run was started by Dániel Gyurta, László Cseh, world-class swimmers. The objective of the team is to call public attention to autism which has an impact on an increasing number of persons.

The charity run could be virtually joined by anyone in the social space. Participants who wished to join the run through this channel only had to take a photo of themselves while running and wearing any of last year’s Telekom Vivicittá official jerseys then post this photo on Instagram with the #egyekvagyunk hashtag. By joining the initiative the participants also raised donations as Telekom donates HUF 100 to the Autistic Art Foundation for each uploaded photo.

The total amount of the charity income, raised as a result of the kilometers run and the hashtag initiative, was a total of 2 million HUF.

The Become an IT expert! - Challenge campaign was awarded with the European Excellence Award, the Silver Effie in the Services/telecommunication category and the Two Gold Prisms both in the “Influencer PR campaign” and the “IT/Telecommunication” categories.
He supports autistic persons shown on the Y2017 official Telekom Vivicittá jersey: the back of the T-shirt features the graphical design of Máté Varga, autist artist.

It is good to give! cookie campaign

On December 4, 2017, we organized our traditional charity cookie campaign with the members of the Sustainability Media Club on the International Volunteer Day. A new program was started last year in the spirit of “#mindenke belead” (“everybody contributes”); some of our colleagues entertained the participants of events in Budapest and the countryside with live music. 60 volunteers helped in 16 locations with cookies made by 300 colleagues. In a few hours’ time we raised HUF 1.7 million donation for our strategic civil partner, Autistic Art Foundation.

At the end of 2017, as part of Telekom’s marketing communication campaign, even more people could familiarize with and support the Foundation. Within the frame of the campaign we raised donations through various means: Telekom donated 100 HUF for each photo posted on Instagram with #mindenkebelead hashtag, after devices sold in Telekom shops in the Christmas holiday season and greeting messages sent from Telekom’s Christmas postcard sending microsite. The company’s donations could be supplemented by Telekom employees and the members of the Sustainability Media Club. This way the stakeholders donated a total of 5,233,000 HUF to the Foundation, raised during the Christmas campaign.

The Autistic Art Foundation’s mission is to improve the living conditions in autistic homes and to improve the autist persons’ social acceptance. In the frame of the art program autists can take part in art therapy workshops in six autist homes. Sometimes art is the only way to express themselves because in most cases their communication skills are limited and special. The exceptional pieces of art created in their workshops could be purchased under the Autistic Art brand, uniquely merging art, design, charity and raising funds to maintain autistic homes.

6.2 OUR EMPLOYEES AND SOCIAL RESPONSIBILITY

What does volunteering mean to us?

"It is a great honor to be a volunteer!" - said Zuzsa Friedl, Magyar Telekom’s Chief HR Officer in relation to the 2017 Volunteer Day, which is the biggest volunteer event of the year. On a single day 920 employees performed volunteer work in 15 cities, in 32 locations across the country, building a playground that can be used both by children with disability and their healthy peers as well, we built the first forest playground for people using wheelchair, decorated healthcare facilities, autist homes and helped to preserve the nature in nature reserve areas.

In 2017 the second Telekom Volunteer Day was a great success where almost one thousand employees took part in 32 locations.

As a responsible large enterprise, employing several thousands of employees, Magyar Telekom encourages its workforce to step up their social responsibility efforts by way of offering and supporting 14 different types of volunteer programs. We find it important that our colleagues may choose from various volunteer activities that best fit their preferences.

Civil and CivilNet Tariff Package

Magyar Telekom launched its Civil Tariff Package service in March, 2004. The Civil Tariff Package provides 500 minutes of free calls without monthly fee and connection fee in the domestic wireline network. The tariffs of usage exceeding 500 minutes contain an average of 30% discount on the call charge of the basic package. The organizations can use the money so saved for their socially useful programs.

In 2009 – responding to the demands of the NGOs – Magyar Telekom extended its Civil Tariff Package service to Internet access as well, by launching its CivilNet Tariff package, which provides Internet access service without connection fee and monthly fee to public benefit organizations selected through applications. Applications can be submitted for the CivilNet tariff package along with the Civil tariff package.

In 2017 we provided discount priced fixed line telephone and internet services to 35 organizations for 12 months in the value of HUF 4.4 million.

In 2017 T-Systems started to support organizations that fit into Magyar Telekom Group’s sustainable strategy. The fulfillment of the objectives of these programs help to build a renewing society and environment. In cooperation with the Hungarian Interschurch Aid we donated a total of 5 million HUF to equip the social and developer center in Olaszliszka with digital tools and we also supported the purchase of a microvan to help offering equal opportunities for local children.

This is much more than simple work. The company offers the opportunity to help; it was priceless to see the joy of those who were helped. I do hope that there will be similar occasions!"

“We learned and received a lot, and did not only give. It was great to be a Telekom employee and to help others. We were very much needed.”

“If you meet children with illness you reevaluate the gravity of your problems. I sincerely thank the company that I could take part.”
Magyar Telekom has been a key supporter of the “Vivicitta” city run since its beginning. In 2017 as many as 900 colleagues worked, helped and completed the run to make the event as popular and successful as in previous years. Besides offering the entry-fee to charities our company’s volunteers helped to organize the event, too. Our charity runner team undertook to raise awareness for people living with autism.

The volunteers were not only active in the international event but also supported the company’s internal events, like the “Move Telekom” sport day and helped to make it an entertaining and relaxing event.

Almost 100 Telekom employees had the opportunity to offer more than 500 hours of volunteer work to contribute to the successful organization of one of the biggest events of the previous year, the FINA water sports world championship.

The traditional “It is good to give! cookie campaign was organized in December at the company’s sites. Our volunteers offered 240 trays of cookies, organization work, donations - some by playing music - and raised 1,7 million HUF donation that was offered to improve the living conditions of people living with autism.

There are other popular forms of volunteer activities that help the customer service staff, the shops’ staff and our customers’ convenience at the busiest peak times. In 2017 there were two occasions where colleagues working in various departments helped Telekom experts in the technical connection of customers to our network, fault clearance activities, to respond to call center calls and to help the staff’s work in crowded shops.

The new program was named “Supplemented Voluntary Donations” and its key concept is that in addition to financial donations employees are also expected to commit themselves to the supported NGO with offering voluntary work.

The hello holnap! supplemented voluntary donations program is to enhance the culture of corporate citizenship among the employees, strengthen the relationship between the individual and the NGOs, raise awareness of the support objectives of Magyar Telekom and, last but not least, increase employee loyalty.

Voluntary work beyond working hours at the chosen NGO is a compulsory element of the program. The employee is requested to describe the voluntary work, as part of his voluntary donation, in the annex of the form provided under the hello holnap! website. The voluntary work may be physical or intellectual contribution, but the request to do voluntary work must come from the supported NGO.

In the hello holnap! supplemented voluntary donations program we leverage the power of communities. We support the initiatives of the local communities so we encourage our colleagues to help some civil program in their own neighborhood by offering voluntary work.

For the purpose of the financial support of the above voluntary work we set up two categories:

- The employee’s own initiative - in this case the maximum amount of company support is HUF 50 000. Supplementary support is provided as follows:
  - employee donations up to HUF 15 000 the company is adding double of the amount;
  - employee donations between HUF 15 001 and HUF 50 000 the company donates an equal amount.
- Collective initiative of employee groups - in this case the maximum amount of company support is HUF 200 000. Supplementary support is provided as follows:
  - in case of the collective initiative of employee groups, where at least 4 Telekom employees are involved in the donation and the connected voluntary work, and the amount of the donation paid by the employees is at least HUF 50 000, the company supplement will be HUF 200 000;
  - in case of the collective initiative of employee groups, where fewer than 4 Telekom employees are involved in the donation and the connected voluntary work, and the amount of the donation paid by the employees is at least HUF 25 000, the company supplement will be HUF 100 000.

Magyar Telekom takes note of and appreciates voluntary work, helping its employees to carry out their good intentions and encourages them to do so with the collection of hello holnap! points. The company’s management is committed to support voluntary work and its active personal participation motivates employees to join these programs.

“It is important that from time to time we see the life of people who live with problems and disabilities and actively help their integration and the improvement of their living conditions. The work for the society and the community forms valuable communities from those who take part in it.”

Chris Mattheisen, Magyar Telekom’s CEO

In 2017, 14 such programs were organized. All together more than 1200 Magyar Telekom volunteers contributed their workforce in 13 641 hours. With these programs we provided HUF 58.7 million worth of theoretical contribution to society.
6.3 SPONSORSHIP

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

The Group, as a major sponsor of Hungarian culture as well as musical and social life, is devoted to support high profile events, performers and productions that represent top quality in their area or genre. In its sponsorship activity the Company plays a role in the implementation of social initiatives in a manner and to an extent worthy of its economic significance.

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

As another important element of the sport sponsoring strategy Magyar Telekom is the main sponsor of Ferencvarosi Torna Club’s football team, one of the most prestigious and internationally successful Hungarian teams, but also supports the development of the Hungarian football player succession program.

As the most loyal sponsor of the TELEKOM Veszprém handball team the company has been sponsoring the club for 20 years, thereby contributing to the success of the world-class club, like playing in the Champion’s League finals or winning the SEHA league. Magyar Telekom believes that such world-class achievements and accomplishments significantly help promoting sports and a healthy lifestyle among young people.

From the view of sports the biggest event of 2017 was unquestionably the FINA water sports world championship where Magyar Telekom was the National Main Sponsor. The VB 88 event (morning and afternoon events in all 6 sports) were visited by 473,950 persons. Our company provided external sales points, hello holnap! photo activity, and mobile telephone charging services at events with the participation of almost one hundred Telekom employees.

In 2017 we upgraded the Telekom Electronic Beats program through which the Gorillaz band gave a live concert. We also presented the The Lenz application, developed by Deutsche Telekom, that can transform any magenta interface into a virtual portal - with Gorillaz content in the background. In 2017 our festival activities were performed under the Electronic Beats initiative, including various university roadshows, like the “Travelling Electronic Beats” roadshow.

Magyar Telekom is also a sponsor of big summer music festivals in Hungary, like the VOLT in Sopron, the Balaton Sound, the Sziget Festival, the Campus and the EFFOTT. In relation to sponsoring festivals we reviewed some of our BTL activities and realized them together with the organizers in order to reduce our energy consumption both in terms of human resources (i.e. traveling and number of hostesses) and assets. As a result we mainly support the events with our info-communication devices and services while observing sustainability considerations. We called all our partners’ attention that it is essential to perform their work in accordance with all three pillars of sustainability.

Telekom also finds it important to support mass sports and has been sponsoring for more than 20 years the Telekom Vivicity city run where - besides professional sportmen - a lot of amateurs and families take part to popularize sports and leading an active lifestyle.

Similarly to the reduction of our trucks’ mileage we successfully reduced the use of paper: the majority of our formerly printed documents (e.g. regulations, promotion material) was released in a digital form. Almost 80% of the furniture that we used in festivals were recycled items: they were built from old palettes and used interior-design elements of Telekom shops.

Our close cooperation with the organizers of festivals helped us to optimize the number of trucks used to manage the logistics of our BTL activities and transport of brand tools to festivals without unnecessary trips, thereby we managed to reduce carbon dioxide emission.
7. CORPORATE GOVERNANCE

7.1 Sustainability coordination ................................................................. 50
7.2 Regulatory compliance ....................................................................... 51
7.3 Corporate compliance ......................................................................... 51
7.4 Risk management ................................................................................ 51
Public companies are increasingly expected to clearly state their corporate governance principles and to what extent those principles are implemented. As a company listed on the Budapest Stock Exchange, Magyar Telekom is highly committed to come up to these expectations and to meet legal and stock exchange requirements.

To increase the transparency of the company’s corporate governance practices Magyar Telekom provides several information on this website.

Information on annual general meetings and the resolutions adopted at them is available on this website.

### 7.1 SUSTAINABILITY COORDINATION

The group-level governance of corporate sustainability operations is shown on the diagram below. The group-level coordination is continued to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). The levels of development and management of the corporate sustainability strategy are separated from the operative implementation level within the operation of the GSCC, thus the process of implementing sustainability activities is divided to the following levels:

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

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

The GSCC’s operation is regulated by a group level directive on the regulation of Magyar Telekom Group’s sustainability operation and the responsibilities and competence of stakeholders.

The operative management of Magyar Telekom Group, the Management Committee (MC) receives at least once a year a report on the implementation of the tasks of the Group Sustainability Strategy and other ongoing significant sustainability activities, results, potential exposures and opportunities.

The MC is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The MC keeps contact with the stakeholders through the GSCC. Incoming inquiries are received by the respective professional areas and critical comments regarding sustainability are transferred to the responsible staff members by the GSCC members. According to the relevant group directive the strategic tasks are allocated to the respective Chief Officers.

Communication is based upon the results of the above activities and one of the most important elements of communication is the annually released Sustainability Report which is supervised by the Chief Human Resources Officer while the professional management of the report is performed by the Corporate Sustainability Center.

The Chief commercial officer’s governance area SMB terminated in November 2017.

<table>
<thead>
<tr>
<th>COMPETENCE</th>
<th>RESPONSIBLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>determination of main directions, decision on key issues</td>
<td>Management Committee (MC)</td>
</tr>
<tr>
<td>ensuring the necessary framework and supervision of the activities</td>
<td>responsible senior manager - Chief Human Resources Officer (CHRO), member of the MC</td>
</tr>
<tr>
<td>making the decisions and resolutions necessary for the operation, ensuring the coordination for the performance of tasks</td>
<td>Group Sustainability Coordination Council (GSCC)</td>
</tr>
<tr>
<td>professional management; harmonized implementation of group level tasks; participation in the Hungarian and international professional activities</td>
<td>GSCC manager - leader of the HR-VFK</td>
</tr>
<tr>
<td>implementation of tasks of the management area/organization/member company, information, participation in meetings, data supply, implementation of operative tasks</td>
<td>GSCC members</td>
</tr>
</tbody>
</table>

**Hierarchy of the sustainability activities**

The hierarchy of the sustainability activities of Magyar Telekom Group has not changed lately, only the structure of the Group changed that can be followed in the annual sustainability reports. The sustainability strategy was determined in line with various policies of the Group, Hungarian and international trends (climate protection, electromagnetic fields, responsible content services, etc.) and in consideration of the stakeholders’ expectations (i.e. proposals made had roundtable discussions and at various sustainability forums, email messages, survey results, etc.). The continuously updated strategy then served as a basis of our tasks and objectives.

All our activities are supervised by the Management Committee, based on our regular reports. In order to manage risks that may have an impact on the business we established the sustainable supplier chain management process. Incidents are managed by a work group established by the GSCC and based on them we elaborate measures to mitigate potential future exposures.
7.2 REGULATORY COMPLIANCE

Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions we always strive to ensure Magyar Telekom’s compliance with the effective laws and manage conflicts - besides harmonizing our processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations.

In order to ensure compliance with the sector-specific regulations we operate the so-called Compliance Coordination Forum to help the share of information within the company and the preparation of the necessary changes (the activities of the Forum are regulated by Magyar Telekom through internal policies).

Magyar Telekom can comment and propose the modification of industry-specific policies, strategic material and draft legislation through the telecommunication interest representation organizations. e.g. Communications Reconciliation Council (CRC).

The permanent professional consultation partner of the Hungarian Government regarding the implementation of the Digital Welfare Program (DWP) is the CRC.

The achievements of the consultation partner role include the promulgation of the first legislation package with bureaucracy reducing measures and their entry into force that support the broadband network infrastructure building efforts (e.g. acceleration of the authority permit procedures) within the Broadband Internet Project, implemented under the auspices of the DIP.

7.3 CORPORATE COMPLIANCE

Magyar Telekom Group’s Corporate Compliance Program has been elaborated with the aim to ensure that Magyar Telekom Group conducts its business with maximum consciousness and commitment, in accordance with relevant laws and regulations, in harmony with the strictest possible business ethics standards. To this end we have issued directives addressing the potential compliance risks, operate the procedures contained by them and provide continuous training for our employees. Clear processes are in place for the whistle-blowing, investigation, monitoring and remedy of suspected cases of non-compliance.

The Corporate Compliance Program is supervised by the Group Compliance Manager. The Group Compliance Manager reports directly to the Audit Committee, and is in direct contact with the Board of Directors, the Supervisory Board and the management.

The centerpoint of the Compliance Program is the Code of Conduct that summarizes the relevant requirements and the applicable ethical norms. Employees may ask compliance related questions through the Ask me portal.

The Company verified the cases of unethical conduct reported during the year, and launched appropriate investigations if it was considered necessary. In the cases where the action of fraud was verified, the necessary remedial actions were duly taken. Complaints and comments related to issues and violations of internal and external regulations can be submitted to Magyar Telekom Group’s Tell me portal.

7.4 RISK MANAGEMENT

As a result of the corporate environment becoming more risky, in more and more European countries it was made compulsory for listed companies to operate a risk management system and to make risk reports for the information of their investors. Establishing a comprehensive risk management system the Company complies with national provisions such as the recommendations of Budapest Stock Exchange, as well as with international standards.

It is our policy that all disclosures made by us to the shareholders and the investment community be accurate and complete, and fairly present our financial condition and results of operations in all material respects. Such disclosures should be made on a timely basis as required by the applicable laws, rules and regulations. To achieve these objectives, we developed and have continuously enhanced its risk management policies.

Our risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results. For risk management to be effective, we must ensure that management take business decisions with full understanding of all relevant risks. In 1999 we established a formal risk management system. This system has been operating in an integrated way with the risk management system of Deutsche Telekom since 2002.

All risks related to material internal and external operations, financial and legal compliance and certain other risks are evaluated and managed by a well-defined internal mechanism. A risk management handbook and an internal regulation on risk management were issued. A risk management course was developed for employees responsible for risk management in all organizational areas.

Risk items affecting our operations are reviewed quarterly throughout the Company. All of our subsidiaries, business units, divisions and entities are obliged to identify and report their operational risks on a quarterly basis. After evaluation of these risks, results are reported to our management, to the Board of Directors and to the Audit Committee.

For the sake of prompt disclosure of all risk items influencing investors’ decisions, we complemented our quarterly risk reporting system with a continuous reporting procedure which requires all of our departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the CFO is notified when a new material risk or information is identified. An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.
# KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP 2017

## KPI INFORMATION ON MOBILE SERVICES IN HUNGARY, MACEDONIA AND MONTENEGRO

<table>
<thead>
<tr>
<th>KPI Information</th>
<th>2016 31 December</th>
<th>2017 31 December</th>
<th>2017/2016 (% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HUNGARY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of subscribers</td>
<td>5,331,986</td>
<td>5,293,328</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Number of mobile broadband subscriptions</td>
<td>2,554,703</td>
<td>2,845,079</td>
<td>11.4</td>
</tr>
<tr>
<td>Population-based outdoor 3G coverage (%)</td>
<td>86.2</td>
<td>86.2</td>
<td>n.a.</td>
</tr>
<tr>
<td>Population-based outdoor 4G coverage (%)</td>
<td>98.0</td>
<td>99.0</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>MACEDONIA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penetration (%)</td>
<td>105.8</td>
<td>106.1</td>
<td>n.a.</td>
</tr>
<tr>
<td>Total number of subscribers</td>
<td>1,257,887</td>
<td>1,203,228</td>
<td>(4.3)</td>
</tr>
<tr>
<td>SIM market share (%)</td>
<td>52.0</td>
<td>48.6</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

## KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT

<table>
<thead>
<tr>
<th>Key Operating Statistical Figures</th>
<th>2016 31 December</th>
<th>2017 31 December</th>
<th>2017/2016 (% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MOBILE SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of customers (RPC)</td>
<td>5,331,986</td>
<td>5,293,328</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Post-paid share in the RPC base (%)</td>
<td>59.2</td>
<td>64.5</td>
<td>n.a.</td>
</tr>
<tr>
<td>MOU</td>
<td>191</td>
<td>199</td>
<td>4.1</td>
</tr>
<tr>
<td>Post-paid ARPU</td>
<td>4,873</td>
<td>4,833</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Pre-paid ARPU</td>
<td>1,119</td>
<td>1,073</td>
<td>(4.1)</td>
</tr>
<tr>
<td>ARPU (HUF)</td>
<td>3,302</td>
<td>3,392</td>
<td>2.7</td>
</tr>
<tr>
<td>Post-paid (%)</td>
<td>10.1</td>
<td>8.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>Pre-paid (%)</td>
<td>30.7</td>
<td>33.5</td>
<td>n.a.</td>
</tr>
<tr>
<td>Overall churn rate (%)</td>
<td>18.7</td>
<td>17.8</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

---

(16) Data published by Macedonian Agency for Electronic Communications (AEC)
(17) Based on active RPC
(18) Calculation methodology has been changed, data based on NMIAH reports
<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2017/2016 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December</td>
<td>31 December</td>
<td></td>
</tr>
<tr>
<td><strong>MOBILE SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of customers (RPC)</td>
<td>1,257,887</td>
<td>1,203,228</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Postpaid share in the RPC base (%)</td>
<td>41.9</td>
<td>47.2</td>
<td>n.a.</td>
</tr>
<tr>
<td>MOU (outgoing)</td>
<td>215</td>
<td>219</td>
<td>1.9</td>
</tr>
<tr>
<td>ARPU (HUF)</td>
<td>1,671</td>
<td>1,692</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>FIXED-LINE SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MARKET DATA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-line penetration (%)</td>
<td>10.8</td>
<td>10.5</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>VOICE SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total voice customers</td>
<td>216,832</td>
<td>210,889</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Total outgoing traffic (thousand minutes)</td>
<td>176,369</td>
<td>151,862</td>
<td>(13.9)</td>
</tr>
<tr>
<td><strong>INTERNET SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of retail DSL customers</td>
<td>165,770</td>
<td>168,552</td>
<td>1.7</td>
</tr>
<tr>
<td>Number of wholesale DSL access</td>
<td>23,678</td>
<td>20,965</td>
<td>(11.5)</td>
</tr>
<tr>
<td>Number of total broadband access</td>
<td>189,448</td>
<td>189,517</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>TV SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of IPTV customers</td>
<td>107,672</td>
<td>117,481</td>
<td>9.1</td>
</tr>
</tbody>
</table>
ASSURANCE STATEMENT

INDEPENDENT ASSURANCE REPORT

To the Management of Magyar Telekom Nyrt.

This report is produced in accordance with the terms of our Contract dated 28 February 2017 for the purpose of reporting to Magyar Telekom Nyrt. (the “Company”) in connection with the 2017 Sustainability Report.

Management’s Responsibility

The Management of Magyar Telekom Nyrt. (“Responsible party”) is responsible for the preparation of the Sustainability Report ("Subject matter") in accordance with the GRI guidelines – “Comprehensive” option – as set out in Sustainability Reporting Guidelines of Global Reporting Initiative Standards version (“GRI criteria”).

This responsibility includes the selection and application of appropriate methods to prepare the Sustainability Report and the use of assumptions and estimates for individual Sustainability disclosures which are reasonable in the circumstances.

Description of the Subject Matter and Identification of the Criteria

The aim of this limited assurance engagement is to express a conclusion whether the selected information and data (marked with the check symbol (\("\)) in the Sustainability Report of the 2017 Sustainability Report is prepared by the Management of Magyar Telekom Nyrt. in line with the GRI criteria.

Our Responsibility

Our responsibility is to report the selected information and data in the 2017 Sustainability Report based on our work performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 1500 Assurance Engagements other than Audits or Reviews of Historical Information ("ISAE 1500"). This Standard requires that we comply with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We have complied with the Independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is based on fundamentally principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Summary of the work performed

Within the scope of our work we performed, among others, the following procedures:

- Inquiries of the management as well as personnel of the central unit responsible for the reporting of sustainability information and the preparation of the Sustainability

Report to examine that the relevant processes for gathering and analyzing the information and data marked with the check symbol (\("\)) in the Sustainability Report are in line with the GRI criteria;

- Examination whether the information and data marked with the check symbol (\("\)) are disclosed in line with the GRI criteria, for example:
  - whether the indicators (profile indicators) of the company are fully (included in the report);
  - whether the management approach and principles are presented for each major topic;
  - whether the material indicator-specific GRI criteria are included in the report. If not, proper explanation has been included;
  - whether the supplemental indicator-specific to the telecommunications sector are also included in the report;

- Analytical review which contains key trends, management of a crisis or changes in assumptions of data and information marked with the check symbol (\("\)), for example by inspecting statistical reports, accounting records, documents from external service providers, conduct of site visits.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our limited assurance engagement, nothing comes to our attention that causes us to believe that the selected information and data (marked with the check symbol (\("\))) in the 2017 Sustainability Report has not been prepared, in all material respects, in accordance with the GRI criteria.

Budapest, 22 May 2018

Arpad Bolz
Partner, registered auditor
License number: 2008/1558
Kiskunmajsa Kft.
2015 Budapest, Régis-Szabó tér 78.
Registration number: 0010424

Note:

Our report on the Sustainability Report will be published together with the GRI guidelines – “Comprehensive” option – as included in the Report of the Management of Magyar Telekom Nyrt. We do not assume responsibility for any changes to it in connection with the Sustainability Report and the GRI criteria described in the Sustainability Reporting Guidelines of Global Reporting Initiative Standards version – “Comprehensive” option – after our report was published.

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, terms or opinions, the Hungarian version of our report takes precedence over the English version.

The Management of Magyar Telekom Nyrt is responsible for the website and we do not accept responsibility for any changes to it in connection with the Sustainability Report and the GRI criteria described in the Sustainability Reporting Guidelines of Global Reporting Initiative Standards version – “Comprehensive” option – after our report was published.
### GRI CONTENT INDEX

GRI STANDARDS USED:
- GRI 101: FOUNDATION 2016
- GRI 102: GENERAL DISCLOSURES 2016
- GRI 103: MANAGEMENT APPROACH 2016
- GRI 200: ECONOMIC 2016
- GRI 300: ENVIRONMENTAL 2016
- GRI 400: SOCIAL 2016
- GRI TELECOMMUNICATION SECTOR SPECIFIC INDICATORS

GRI (Global Reporting Initiative) is an international organization the purpose of which is to provide a standard framework of guidelines and indicators for preparing sustainability reports, thus ensuring comparability and promoting transparency among companies. The following table helps the reader to find the information attached to specific GRI indicators. You can read more about the guidelines and the indicators on the following website: https://www.globalreporting.org/standards/

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-1</td>
<td>Name of the organization</td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom">http://www.telekom.hu/about_us/about_magyar_telekom</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom">http://www.telekom.hu/about_us/about_magyar_telekom</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom">http://www.telekom.hu/about_us/about_magyar_telekom</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom">http://www.telekom.hu/about_us/about_magyar_telekom</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-5</td>
<td>Ownership and legal form</td>
<td><a href="http://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/ownership_structure">http://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/ownership_structure</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. Magyar Telekom’s shares were introduced at the Budapest and at the New York Stock Exchange in 1997. Magyar Telekom delisted in 2010 and deregistered in 2012 form the New York Stock Exchange maintaining an American Depository Receipt program on a Level I basis with American Depository Shares (“ADSs”) traded on OTC markets. The majority shareholder of Magyar Telekom (59.21%) is Deutsche Telekom Europe B.V., which is indirectly owned exclusively by Deutsche Telekom AG. Deutsche Telekom Europe B.V. (formerly called CMobil B.V.) is 100% owned by Deutsche Telekom Europe Holding B.V. (formerly called T-Mobile Global Holding No. 2 GmbH) and Deutsche Telekom Europe Holding GmbH (100% owned by Deutsche Telekom AG), as a result Deutsche Telekom AG has 59.21% indirect ownership and voting rights in Magyar Telekom Plc. In 2017 Deutsche Telekom AG is the only shareholder of Magyar Telekom Group with ownership of more than 5% of shares. All other shareholders hold shares below 5%.
In 2015 GTS Hungary appeared as new data provider.
T-Mobile Macedonia AD merged into Makedonski Telekom AD (with effect 01.07.2015). Thereafter, only the data of Makedonski Telekom AD is quoted under the name of MakTel.
The data of Makedonski Telekom AD and T-Mobile Macedonia AD are quoted under the name of MakTel.
In 2017 the 76.53% shareholding in Crnogorski Telekom AD Podgorica has been transferred to Hrvatski Telekom d.d.
From 27.03.2013 Budakalász Kábel TV provides its services under the name of KalászNet.
In 2016 100% of Origo shares sold to the New Wave Media Hirdetészavó és Reklámértékesítő Szolgáltató Korlátolt Felelősségű Társaság.

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-6</td>
<td>Markets served</td>
<td></td>
<td></td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group.html">http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group.html</a></td>
</tr>
<tr>
<td>Disclosure Number</td>
<td>Disclosure Title</td>
<td>Chapter in Sustainability Report 2017</td>
<td>Page Number</td>
<td>Website</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------</td>
<td>---------------------------------------</td>
<td>-------------</td>
<td>---------</td>
</tr>
<tr>
<td>102-11</td>
<td>Precautionary principle or approach</td>
<td>Our Approach (Sustainability strategy)</td>
<td>5</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals">http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Climate- and environmental protection</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Values, principles, and norms of behavior</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.1. Human rights, equal opportunities</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. Employees</td>
<td></td>
<td>37</td>
</tr>
<tr>
<td>102-12</td>
<td>External initiatives</td>
<td>Our approach</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stakeholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-13</td>
<td>Membership of associations</td>
<td>Our approach</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stakeholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. STRATEGY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>Letter from the CEO</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>102-15</td>
<td>Key-impact, risks, and opportunities</td>
<td>Our approach (Sustainability strategy)</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. ETHICS AND INTEGRITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-16</td>
<td>Values, principles, standards, and norms of behavior</td>
<td>Our approach</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.1. Human rights, equal opportunities</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.1.1. Values, principles, standards, and norms of behavior</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5.1.1. Human rights, equal opportunities</td>
<td>5</td>
<td>29</td>
</tr>
<tr>
<td>102-17</td>
<td>Mechanisms for advice and concerns about ethics</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals">http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals</a></td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. GOVERNANCE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table of Contents

102-19 Delegating authority
102-20 Executive board members for economic, environmental, and social topics
102-21 Consulting stakeholders on economic, environmental, and social topics
102-22 Composition of the highest governance body and its committees
102-23 Chair of the highest governance body
102-24 Nominating and selecting the highest governance body
102-25 Conflicts of interest
102-26 Role of highest governance body in setting priorities, values, and strategy
Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. The performance of the top management (Chief Executive Officer, Chief Officers) is incentivized through the Lead to Win motivation system. The incentive system has a short-term incentive (bonus) and a long-term share-based incentive (share benefit program - SBP) element. The Remuneration and Nomination Committee of Magyar Telekom Group’s Board of Directors makes proposals both for the annual targets and the evaluation of their implementation. The Committee Member, independent from the majority owner, shall provide for the representation of the minority owners’ interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives’ salary is fixed, while 45% is variable pay (bonus). The annual bonus is payable provided to the evaluated performance of the partly collective, partly individual targets set at the beginning of the year and derived from Magyar Telekom Group’s strategic targets. In case of the collective targets no bonus is payable. If performance is below a certain minimum limit, defined in advance, no bonus is payable. If performance exceeds this limit, an additional bonus is paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance. The framework of bonus target setting (bonus amount, structure and material amount of additional bonus) is defined by the strategic investor’s compensation guidelines (Deutsche Telekom Global Compensation Guidelines). In addition to the annual target setting, evaluation and bonus payment used as short-term incentive, the Company also lays emphasis on long-term performance stimulation. The first package of this 7 years program – as part of the Lead to Win system – was introduced in 2015 so as to stimulate the contribution of the top management to the achievement of the strategic objectives more effectively. With the 4 year term Telekom focuses on the increase of sustainable performance. It is the competence of the General Meeting to approve the “Remuneration Guidelines” that sets forth the remuneration principles and components for the top management and members of corporate bodies. Besides, as part of the Corporate Governance Report, Telekom each year discusses the previous year’s remuneration for the top management and corporate bodies in the Remuneration Statement. The conditions of selecting the members of Magyar Telekom Group’s Board of Directors, Supervisory Board and Audit Committee were amended by the Remuneration and Nomination Committee in April 2016, as new elements diversity and the reciprocal supplementation of competences are also taken into account. In order to fulfill the sustainability objectives, the responsible middle managers and experts are incentivized directly through the TM system.
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-36</td>
<td>Process for determining remuneration</td>
<td>4.3. Involvement of our customers</td>
<td>35</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Members of the Committee may request presence of external invitees (e.g., experts) who can attend parts or the entire meeting related to the agenda item.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-37</td>
<td>Stakeholders’ involvement in remuneration</td>
<td>5.1. Human rights, equal opportunities</td>
<td>38</td>
<td><a href="http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf">http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf</a></td>
<td>The Annual General Meeting, held on April 11, 2014, determined the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee, where stakeholders could express their opinions. The Annual General Meeting, held on April 15, 2013, approved the amendments of the Remuneration Guidelines, where stakeholders could express their opinions. The guidelines of remuneration accepted in 2015 were still in effect in 2017.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-38</td>
<td>Annual total compensation ratio</td>
<td>5.2. Involvement of our employees</td>
<td>34</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Information disclosed on remuneration of Board of Directors, Supervisory Board, Audit Committee and Management (the members of the Management Committee of the Company) is available in Corporate Governance and Management Report prepared on the basis of the provisions of the Civil Code and the Corporate Governance Recommendations of the Budapest Stock Exchange (BSE).</td>
<td>Partial disclosure</td>
<td>✓</td>
</tr>
<tr>
<td>102-39</td>
<td>Percentage increase in annual total compensation ratio</td>
<td>5.3. Involvement of our customers</td>
<td>35</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Information disclosed on remuneration of Board of Directors, Supervisory Board, Audit Committee and Management (the members of the Management Committee of the Company) is available in Corporate Governance and Management Report prepared on the basis of the provisions of the Civil Code and the Corporate Governance Recommendations of the Budapest Stock Exchange (BSE).</td>
<td>Partial disclosure</td>
<td>✓</td>
</tr>
</tbody>
</table>

5. STAKEHOLDER ENGAGEMENT

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-40</td>
<td>List of stakeholder groups</td>
<td>5.1. Human rights, equal opportunities</td>
<td>38</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Stakeholders</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-41</td>
<td>Collectives bargaining agreements</td>
<td>5.2. Involvement of our employees</td>
<td>34</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Stakeholders</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
<td>5.3. Involvement of our customers</td>
<td>35</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Stakeholders</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td>5.4. Involvement of our employees</td>
<td>42</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Stakeholders</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-44</td>
<td>Key topics and concerns raised</td>
<td>5.5. Our employees as corporate citizens</td>
<td>46</td>
<td><a href="http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf">http://www.telekom.hu/static/tr/file/20150324_AGM_submission_LR_vadalmazasi_iranyelvek_ENG.pdf</a></td>
<td>Stakeholders</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

6. REPORTING PRACTICE

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
<td>6.1. Closing the digital divide</td>
<td>23</td>
<td><a href="http://www.telekom.hu/static/tr/file/8_javadalmazas_19March2014_1592.pdf">http://www.telekom.hu/static/tr/file/8_javadalmazas_19March2014_1592.pdf</a></td>
<td>Telekom uses its best efforts to ensure completeness of the report therefore includes all member companies that are of key importance from a sustainability point of view. The data disclosed in the report are comparable to the changes of the composition of the Group which is supported by the table in the direct answers to the 102-10 indicator.</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-47</td>
<td>List of material topics</td>
<td>6.3. Involvement of our employees</td>
<td>42</td>
<td><a href="http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf">http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf</a></td>
<td>Our approach (Materiality)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-48</td>
<td>Restatements of information</td>
<td>6.4. Involvement of our employees</td>
<td>46</td>
<td><a href="http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf">http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf</a></td>
<td>Our approach (Materiality)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-49</td>
<td>Changes in reporting</td>
<td>6.5. Involvement of our employees</td>
<td>46</td>
<td><a href="http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf">http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf</a></td>
<td>Our approach (Materiality)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-50</td>
<td>Reporting period</td>
<td>6.6. Involvement of our employees</td>
<td>46</td>
<td><a href="http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf">http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf</a></td>
<td>Our approach (Materiality)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-51</td>
<td>Date of most recent report</td>
<td>6.7. Involvement of our employees</td>
<td>46</td>
<td><a href="http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf">http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf</a></td>
<td>Our approach (Materiality)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
<td>6.9. Involvement of our employees</td>
<td>46</td>
<td><a href="http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf">http://www.telekom.hu/static/tr/file/kozgyulesi_hatarozasok_2015AGM/20140414_uralkodas_ENG.pdf</a></td>
<td>Our approach (Materiality)</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
This report has been prepared in accordance with the GRI Standards: Comprehensive option.

In order to ensure credibility and transparency, the Company continued to rely upon the support of an experienced and respected, external, independent third party. The purpose of the assurance procedure that they conducted is to determine the compliance, authenticity, completeness, structural integrity, accountability and verifiability of the Sustainability Report. The report has been audited by PwC, and they assure the information contained therein to be reliable. The assurance process has been designed and conducted in accordance with the ISAE3000 standard, defined by the International Federation of Accountants. The respective limited assurance engagement report can be found in the ‘Assurance Statement’ chapter. Data and information audited are indicated by a ✓ symbol in the report and in the GRI content index.

Sources of the data included in the report:
- The business data are from the Group’s year-2017 Annual Report and Quarterly Reports and data collection conducted within the Group.
- The data of social nature are collected within the Group partly with the support of an online reporting tool, while the rest was supplied by the affiliates and organizational units.
- The environmental protection data are partly from a process-wise transparent, online data provision system, as well as data collection conducted within the Group.

**GRI 200: ECONOMIC PERFORMANCE 2016**

**GRI 2011: ECONOMIC PERFORMANCE 2016**

**201-1** Direct economic value generated and distributed

**Creating Value for our Stakeholders**

<table>
<thead>
<tr>
<th>Disclosures</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-1</td>
<td>Direct economic value generated and distributed</td>
<td>201-1</td>
<td>3</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

**201-2** Financial implications and other risks and opportunities due to climate change

<table>
<thead>
<tr>
<th>Disclosures</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-2</td>
<td>Financial implications and other risks and opportunities due to climate change</td>
<td>201-2</td>
<td>5</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

**201-3** Defined benefit plan obligations and other retirement plans

<table>
<thead>
<tr>
<th>Disclosures</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>201-3</td>
<td>Defined benefit plan obligations and other retirement plans</td>
<td>201-3</td>
<td>15</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

Next to legal obligations of employer’s contributions to the national healthcare system, eg. pension and unemployment support systems, we also contribute to our employees’ savings through voluntary pension funds, healthcare and employee funds that supplement the national pension and medical care services while offering private pension and social security services and social benefits. However, we do not guarantee that members of these funds receive payment. On December 31, 2017 approximately 59% of Magyar Telekom Plc’s employees were members of the private pension fund, 36% of the mutual fund and 6% of the healthcare fund.
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>Financial assistance received from government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 202: MARKET PRESENCE 2016**

<table>
<thead>
<tr>
<th>103 1 2 3</th>
<th>Management approach</th>
<th>Our approach</th>
<th>37</th>
</tr>
</thead>
<tbody>
<tr>
<td>103 1</td>
<td>Ratios of standard entry level wage by gender compared to local minimum wage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>202 2</td>
<td>Proportion of senior management hired from the local community</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 203: INDIRECT ECONOMIC IMPACTS 2016**

<table>
<thead>
<tr>
<th>103 1 2 3</th>
<th>Management Approach</th>
<th>Our approach</th>
<th>23</th>
</tr>
</thead>
<tbody>
<tr>
<td>203 1</td>
<td>Infrastructure investment and services supported</td>
<td></td>
<td></td>
</tr>
<tr>
<td>203 2</td>
<td>Significant indirect economic impacts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 204: PROCUREMENT PRACTICES 2016**

<table>
<thead>
<tr>
<th>103 1 2 3</th>
<th>Management Approach</th>
<th>Our approach</th>
<th>29</th>
</tr>
</thead>
<tbody>
<tr>
<td>204 1</td>
<td>Proportion of spending on local suppliers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 205: ANTI-CORRUPTION 2016**

<table>
<thead>
<tr>
<th>103 1 2 3</th>
<th>Management Approach</th>
<th><a href="http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance">http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance</a></th>
<th>29</th>
</tr>
</thead>
<tbody>
<tr>
<td>205 1</td>
<td>Proportion of spending on local suppliers</td>
<td><a href="http://www.telekom.hu/static/tr/sw/file/Anti_corruption_clause_en.pdf">http://www.telekom.hu/static/tr/sw/file/Anti_corruption_clause_en.pdf</a></td>
<td></td>
</tr>
</tbody>
</table>

**SUBSTANTIAL FINANCIAL SUPPORT FROM STATE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax credit utilization</th>
<th>Film and sport subsidies</th>
<th>Tax benefit on wage cost of software developers</th>
<th>Tax impact of tax base decreasing item on donations</th>
<th>Tax impact of tax base decreasing item on R&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1628 HUF million</td>
<td>285 HUF million</td>
<td>0</td>
<td>4 HUF million</td>
<td>48 HUF million</td>
</tr>
<tr>
<td>2015</td>
<td>3011 HUF million</td>
<td>723 HUF million</td>
<td>0</td>
<td>8 HUF million</td>
<td>2 HUF million</td>
</tr>
<tr>
<td>2016</td>
<td>4946 HUF million</td>
<td>409 HUF million</td>
<td>0</td>
<td>8 HUF million</td>
<td>58 HUF million</td>
</tr>
<tr>
<td>2017</td>
<td>3323 HUF million</td>
<td>584 HUF million</td>
<td>0</td>
<td>400 HUF thousand</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>5493 HUF million</td>
<td>664 HUF million</td>
<td>0</td>
<td>300 HUF thousand</td>
<td>546 HUF million</td>
</tr>
<tr>
<td>2019</td>
<td>1914 HUF million</td>
<td>395 HUF million</td>
<td>0</td>
<td>114 HUF thousand</td>
<td>189 HUF thousand</td>
</tr>
<tr>
<td>2020</td>
<td>3208 HUF million</td>
<td>546 HUF million</td>
<td>0</td>
<td>189 HUF thousand</td>
<td>189 HUF thousand</td>
</tr>
</tbody>
</table>

Magyar Telekom Group pays at least the minimum wage as required in the relevant legislation of its nations of operation. In addition, the salary of new entrants is exclusively determined by the value of the advertised position. Magyar Telekom is an equal opportunity employer. The salary brackets are determined on the basis of the actual market benchmark regardless of the gender of the employees. The lowest base wage as stated in the Collective Agreement is 100% of the minimum wage.
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>205-1</td>
<td>Operations assessed for risks related to corruption</td>
<td>1.2.2. Fleet management, fuel consumption</td>
<td>15</td>
<td><a href="https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance">https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>205-2</td>
<td>Communication and training about anti-corruption policies and procedures</td>
<td>1.2.5. Paper consumption, 1.3.2. Producer's responsibility</td>
<td>20</td>
<td><a href="https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance">https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>205-3</td>
<td>Confirmed incidents of corruption and actions taken</td>
<td>1.3.2. Producer's responsibility</td>
<td>20</td>
<td><a href="https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance">https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance</a></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016**

- **Management Approach**
  - http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance
  - Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws, in order to prevent potential authority penalties and sanctions. The company always strives to ensure Magyar Telekom’s compliance with the effective laws and manages conflicts - besides harmonizing our processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations. The antitrust policy covers price fixing, bid rigging, market allocation scheme. The antitrust policy applies to employees, contractors, suppliers. The company publicly report on breaches of its antitrust policy. Measures are taken to promote and ensure antitrust compliance.

- **Legal actions for anti-competitive behavior, antitrust, and monopoly practices**
  - In 2017 no fines were imposed due to anti-competitive conduct or violation of antitrust or antimonopoly statutes. The proceeding that has been opened in 2015 is still pending, and another case has been opened by the Hungarian Competition Authority, none of which have been closed in 2017.

**GRI 300: ENVIRONMENTAL 2016**

- **Management Approach**
  - http://www.telekom.hu/about_us/about_magyar_telekom/principles/management_systems
  - Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection
  - http://www.telekom.hu/about_us/about_magyar_telekom/principles/environmental_compliance

- **Materials used by weight or volume**
  - Our approach
  - 1.2.5. Paper consumption
  - 1.3.2. Producer’s responsibility
  - http://www.telekom.hu/about_us/about_magyar_telekom/principles/environmental_compliance

- **Recycled input materials used**
  - 1.2.5. Paper consumption
  - 1.3.2. Producer’s responsibility
  - http://www.telekom.hu/about_us/about_magyar_telekom/principles/environmental_compliance

- **Reclaimed products and their packaging materials**
  - 1.3.2. Producer’s responsibility
  - http://www.telekom.hu/about_us/about_magyar_telekom/principles/environmental_compliance

**GRI 302: ENERGY 2016**

- **Management Approach**
  - http://www.telekom.hu/about_us/about_magyar_telekom/principles/energy_consumption_within_the_organization

- **Energy consumption within the organization**
  - 1.1. Climate protection and energy efficiency
  - 1.2. Resource management

- **Energy consumption outside of the organization**
  - 1.1.3. Equipment in customers’ premises
  - 1.2.2. Fleet management, fuel consumption
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>302-3</td>
<td>Energy intensity</td>
<td>1.1.2. Energy efficiency</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>302-4</td>
<td>Reduction of energy consumption</td>
<td>1.1. Climate protection and energy efficiency</td>
<td>16, 17</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>302-5</td>
<td>Reductions in energy requirements of products and services</td>
<td>1.1.2. Energy efficiency</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 303: WATER 2016**

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>303-1</td>
<td>Water withdrawal by source</td>
<td>1.2.6. Biodiversity (Water consumption)</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>303-2</td>
<td>Water sources significantly affected by withdrawal of water</td>
<td>1.2.6. Biodiversity (Water consumption)</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>303-3</td>
<td>Water recycled and reused</td>
<td>1.2.6. Biodiversity (Water consumption)</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 304: BIODIVERSITY 2016**

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>304-1</td>
<td>Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</td>
<td>1.2.6. Biodiversity</td>
<td>19</td>
<td><a href="http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf">http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>304-3</td>
<td>Habitats protected or restored</td>
<td>1.2.6. Biodiversity</td>
<td>19</td>
<td><a href="http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf">http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>304-4</td>
<td>IUCN Red List species and national conservation list species with habitats in areas affected by operations</td>
<td>1.2.6. Biodiversity</td>
<td>19</td>
<td><a href="http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf">http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf</a></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI 305: EMISSIONS 2016**

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>305-1</td>
<td>Direct (Scope 1) GHG emissions</td>
<td>1.1. Climate protection and energy efficiency</td>
<td>16, 17</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>305-2</td>
<td>Energy indirect (Scope 2) GHG emissions</td>
<td>1.1. Climate protection and energy efficiency</td>
<td>16, 17</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>305-3</td>
<td>Other indirect (Scope 3) GHG emissions</td>
<td>1.1. Climate protection and energy efficiency</td>
<td>16, 17</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>305-4</td>
<td>GHG emissions intensity</td>
<td>1.1.2. Energy efficiency</td>
<td>17</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>305-5</td>
<td>Reduction of GHG emissions</td>
<td>1.1. Climate protection and energy efficiency</td>
<td>16, 17</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>305-6</td>
<td>Emissions of ozone-depleting substances (ODS)</td>
<td>1.3. Emissions into the air</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Magyar Telekom does not produce, export or import substances that damage the ozone layer. No leakage was detected from air conditioning equipment. Due to the very low number of occurrences Telekom does not report this item.**
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 306: EFFLUENTS AND WASTE 2016</td>
<td>Management Approach</td>
<td>Our approach (Sustainability strategy, Environmental policy)</td>
<td>5</td>
<td><a href="http://www.telekom.hu/about_us/society_and_environment">http://www.telekom.hu/about_us/society_and_environment</a></td>
<td>Magyar Telekom Group only uses potable water for social purposes (we do not use water for technology purposes). Therefore, the quantity of sewage water output is the same as the potable water consumption.</td>
<td>✔</td>
</tr>
<tr>
<td></td>
<td>Water discharge by quality and destination</td>
<td>1.2.6. Biodiversity (Water consumption)</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Waste by type and disposal method</td>
<td>1.3.1. Waste</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.3.2. Producer’s responsibility</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Significant spills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.3.3. Transport of hazardous waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water bodies affected by water discharges and/or runoff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Climate and environmental protection</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-compliance with environmental laws and regulations</td>
<td>1.4. Environmental objectives, costs and compliance</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016</td>
<td>Management Approach</td>
<td>Our approach (Sustainability strategy)</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Suppliers</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>New suppliers that were screened using environmental criteria</td>
<td>3. Suppliers</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Negative environmental impacts in the supply chain and actions taken</td>
<td>3. Suppliers</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 400: SOCIAL 2016</td>
<td>Management Approach</td>
<td>Our approach (People strategy)</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Suppliers</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. Employees</td>
<td>37</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 401: EMPLOYMENT 2016</td>
<td>Management Approach</td>
<td>Our approach (People strategy)</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Suppliers</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. Employees</td>
<td>37</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>401-1</td>
<td>New employee hires and employee turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| FLUCTUATION AT MAGYAR TELEKOM GROUP | | | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2013 (Plc./Group) | 2014 (Plc./Group) | 2015 (Plc./Group) | 2016 (Plc./Group) | 2017 (Plc./Group) |
| Total fluctuation | 12,26% | 10,81% | 21,00% | 8,96% | 3,81% |
| Terminations initiated by the employer | 16,00% | 9,80% | 6,00% | 52,15% |

| FLUCTUATION AT MAGYAR TELEKOM GROUP IN 2017 | | | | | | |
|-----------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total fluctuation | 12,26% | 12,80% | 11,97% | 11,60% | 12,26% |
| Terminations initiated by the employer | 16,00% | 9,80% | 6,00% | 52,15% |

| AGE GROUPS AND GENDER DISTRIBUTION OF NEW HIRES AT MAGYAR TELEKOM PLC. IN 2017 | | | | | | |
|-----------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Age group | 19-25 | 26-30 | 31-35 | 36-40 | 41-45 | 46-50 | 51-55 | 56+ | Total |
| Male | 64 | 81 | 63 | 23 | 41 | 17 | 9 | 6 | 304 |
| Female | 48 | 63 | 37 | 19 | 23 | 6 | 6 | 6 | 208 |
| Total headcount | 112 | 144 | 100 | 42 | 64 | 23 | 15 | 12 | 512 |
401-1 New employee hires and employee turnover

Our approach (human resources strategy) 3.1. Human rights, equal opportunities 38

Magyar Telekom provides a broad range of welfare and social benefits. Some of them are provided automatically whereas others can be obtained upon satisfying certain conditions while there are insurance types of benefits, too. The provision of certain benefits is subject to the employee’s own contribution. The provision of social benefits and benefits that are not provided automatically is regulated in the Collective Agreement and the relevant policies. We also provide telecommunication discounts, meal allowances, interest free housing loans (such loans are not offered or provided to the members of the Board of Directors), discount-priced holiday opportunities as well as various other benefits. Besides our legally required contributions to the state owned healthcare, pension and unemployment support systems we also contribute to our employees’ savings in voluntary pension, healthcare and mutual funds that supplement the pension and medical care services provided by the state while providing entitlement to private pension and social security services and social benefits. However, we do not guarantee that members of these funds receive payment. On December 31, 2017 approximately 59% of Magyar Telekom Plc.’s employees were members of the private pension fund, 36% of the mutual fund and 65% of the healthcare fund.

401-3 Parental leave 3.1. Human rights, equal opportunities 38

Magyar Telekom looks at health and safety as a precondition of the success of the company that play an important role in the satisfaction of our employees as well as in the quality of work and corporate culture. That is the reason why the company is committed to operate the Workplace Healthcare and Occupational Safety Management System that ensures the successful fulfillment of the objectives. The results justify Telekom’s work, i.e. as a result of the year 2016 audit the company successfully renewed the MEBIR certification. Magyar Telekom has long traditions of negotiation with employee representative bodies. Employee representation bodies are treated as partners in the operation of the company. At present two unions and a works council operate at Magyar Telekom, communication with them runs on two levels. Central decisions concerning the whole company, when the employee representation bodies need to be consulted, are deliberated with the Central Workers Council and the representatives delegated by the trade unions, either in the frame of joint consultation (Interest Reconciliation Council), or separately, depending on the nature of the matter discussed. Central consultation is managed both verbally (negotiation) and in writing. The Chief HR Officer and the HR Strategic Director are responsible for centralized communication with the employee representation bodies. Interest enforcement issues concerning a given governance area are also discussed locally with the representatives of the trade unions and the local works council. The HR Business Partners of the governance area are responsible for communication with the local employee representation bodies.

In line with the provisions of Act V of 2013 on the Hungarian Civil Code one third of Supervisory Board members are employee representatives. The employee representatives of the Supervisory Board are nominated by the Central Works Council, in consideration of the opinion of trade unions operating at the company. The General Meeting is obliged to elect persons nominated by the Central Works Council to the Supervisory Board unless there are underlying circumstances that serve as grounds for exclusion. On December 31, 2017 the Supervisory Board had four employee representatives: Tamás Lichnovszky, Zsolti Varga, Evi Öko and Sándor Harty.

401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

**Disclosure**

<table>
<thead>
<tr>
<th>Title</th>
<th>Disclosure</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>401-1</td>
<td>New employee hires and employee turnover</td>
<td>3.1. Human rights, equal opportunities</td>
<td>38</td>
<td><a href="http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees">http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees</a></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>401-3</td>
<td>Parental leave</td>
<td>3.1. Human rights, equal opportunities</td>
<td>38</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

**GRI 402: LABOR/MANAGEMENT RELATIONS 2016**

**Management Approach**

Trade union and the workers council (Central Workers Council) must be consulted and their opinion solicited on significant decisions resulting in organizational changes or changes affecting a large group of employees. In organization restructuring decisions the collective bargaining bodies have 7 days to submit their comments, in other cases 15 days. The measure in question may not be implemented during this 15-day period. Trade unions and works councils (Central Workers Council) must be consulted with regard to draft resolutions, aiming at organizational changes without regard to the number of employees concerned.

**GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016**

**Management Approach**

Workers representation in formal/joint management-worker health and safety committees

- Depending on the risk category of the respective areas the occupational safety risks - and interests - are weighted. In general the technical areas have the highest representation rate in the weighted structure.
- Magyar Telekom Plc. 11% (72 persons), T1 Systems: 16.68% (25 persons).
**ACCIDENT RATIO FOR ONE THOUSAND EMPLOYEE AT MAGYAR TELEKOM GROUP**

<table>
<thead>
<tr>
<th>Year</th>
<th>Magyar Telekom</th>
<th>Makedonski Telekom</th>
<th>T-Systems Hungary</th>
<th>Crnogorski Telekom</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>4/3/1/7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>4/3/2/8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>3/2/0/11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>3/7/0/6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>4/6/2/0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**WORKPLACE ACCIDENTS AT MAGYAR TELEKOM GROUP**

There were no occupational diseases or fatal accidents in 2017. Most frequent injuries are bruises and dislocation of limbs. Magyar Telekom Plc.: 55 injuries (14 female, 41 male): 18 cases involved the loss of more than 3 workdays, 7 cases involving the loss of 1 to 3 workdays, 27 cases that did not involve loss of workdays, 3 unsubstantiated accidents, i.e. a total of 1213 lost workdays. Distribution of injury types: 39 technical and 16 office injuries. T-Systems Hungary: 5 injuries (2 female, 3 male): 0 case involved the loss of more than 3 workdays, 3 cases involving the loss of 1 to 3 workdays, 2 cases that did not involve loss of workdays, 0 unsubstantiated accident, i.e. a total of 12 lost workdays. Distribution of injury types: 1 technical and 4 office injuries. Magyar Telekom does not keep records on injuries of its suppliers.

**Workers with high incidence or high risk of diseases related to their occupation**

Prevention and screening examinations are important part of Magyar Telekom’s prevention system. Within the frame of the system the Company requires the vaccination of employees who are exposed to tick bites. It is also important that within aptitude tests Telekom performs hearing and eye examinations. The company pays special attention to locomotor screening examinations too. Independently from the activities performed Telekom provides opportunities for heart and cardiovascular examinations as well. The Company elaborates technological processes to avoid electric shock accidents and to ensure the safety of work performed in heights. In the case of business trips abroad - if necessary - the relevant vaccination is determined.

We provide special, extended healthcare examination packages to our managers (77 managers) to help them maintaining their health. We regularly distribute healthcare newsletters to our employees providing information on how to keep a healthy diet, to prevent diseases and avoid harmful environmental impacts. Similarly to other member companies of the Group we provide special trainings to those employees who are exposed to dangers and perform strict examinations of the work tools used by employees working at heights in the entire territory of Macedonia.
Besides determining the tasks and responsibilities of occupational safety representatives in the Occupational Safety Rules and Regulations, the competencies of the Central Works Council also includes participation in measures to provide healthy and safe workplaces and to avoid accidents and occupational diseases. The regulatory function of the Central Works Council (Occupational Safety Rules and Regulations) guarantees that employees may work in a healthy and safe environment and the Council also has the right to express its opinion in such matters. The Occupational Safety Rules and Regulations determines the scope of personal protective equipment, the environment to provide healthy and safe workplaces that also ensures compliance with the effective legislation as well as the MSZ 280001 MEBIR safety standards.

Magyar Telekom Group lays much emphasis on constant training, development of its employees and supports the use of the acquired knowledge. Magyar Telekom Group is a key organization of Hungary’s ICT sector. In this industry it is imperative to know and apply new trends, research results both at employee and managerial levels. Our training development strategy, in line with that of Deutsche Telekom, has been established in accordance with predefined business objectives. Upon definition of the training requirements for our business goals we also specify the most suitable training programs for the employee target groups. The Group Learning Synergies are those joint-focused training areas that are specified and made available at group level. At specific times of the year we monitor the success of these programs with a predefined methodology, and if necessary, we fine-tune them to more effectively fulfill our business and individual development objectives. After this trainings we perform satisfaction measurements and - where possible - we measure the ROI too. A key effectiveness improvement component of our training strategy is the promotion of e-learning courses thus we strive to increase the overall proportion of digital training material. In order to support effective work we provide various online and classroom trainings in our training portfolio (e.g. time management, assertivity, conflict management, etc.). As a caring company Magyar Telekom offers activities for employees affected by downsizing within the frame of the outplacement program that supports their reintegration into the labor market.
Table of Contents

Discolsure Number | Disclosure Title | Chapter in Sustainability Report 2017 | Page Number | Website | Direct answer | Omission | External Assurance
--- | --- | --- | --- | --- | --- | --- | ---
404-1 | Average hours of training per year per employee | | | | | | |
404-2 | Programs for upgrading employee skills and transition assistance programs | | | | | | |
404-3 | Percentage of employees receiving regular performance and career development reviews | | | | | | |

ANNUAL AVERAGE TRAINING HOURS PER CAPITA, BROKEN DOWN TO EMPLOYEE GROUPS, MAGYAR TELEKOM GROUP 2017

The company's management has been using its best efforts to devote 1.5-2% of the personnel expenses to the training and development of managers and employees. Telekom has strengthened the internal knowledge sharing system (Knowledge Stock Exchange, Employee Academy). Training plans at business unit level define the direction of development activities, professional training courses, skills and cooperation development programs, management development events and conferences of the given year. Coaching is a key management development and culture forming tool at Magyar Telekom both for individuals and groups. Telekom elaborated the corporate mentoring system with the focus on knowledge sharing and self-development. The company also supports its employees in their studies, pursued in the framework of the state education system by concluding study contracts with them, thus providing financial subsidy and some reduction of working hours. In 2016, Magyar Telekom concluded a total of 118 study contracts. Out of them 15 covered school training, the others were related to training courses or agreements containing mutual commitments.

Upon registration the employees involved in downsizing could use the following services: two-day labor market training course in groups, support in active job search, financial support to training and retraining activities to meet labor market requirements, personal psychological and labor law consulting, as well as follow-up activities and monitoring participants' potential placement are also granted.

In 2017 almost 100% of Magyar Telekom Plc. employees participated in the centrally operated performance management system (TM). The majority of the member companies apply the same TM-KMR system as the parent company does, or run their own performance assessment system to assess the employees' performance and professional development. In the career management (KMR) system not only the employees' professional performance, but also their personal competences and the performance-potential are assessed and the areas of future development are also planned jointly by the relevant manager and the employee. The system does not store information on the gender of employees therefore it is not possible to assess the male - female ratio of the evaluated staff.

In order to effectively develop Magyar Telekom's Diversity and Equal Opportunities efforts in November and December 2017 we prepared an anonymous, voluntary employee diversity and equal opportunities attitude survey that was completed in January 2018. The results of the survey were used as the basis of the Diversity and Equal Opportunities Plan prepared at the beginning of 2018.

In 2017 there were no complaints issued against the company by the Equal Opportunity Authority for Discriminative Practices (EBH).
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>Omission</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>410-1</td>
<td>Security personnel trained in human rights policies or procedures</td>
<td></td>
<td></td>
<td>Security personnel of the company do not receive particular training on human rights procedures, since the thorough knowledge of human rights policies in relation to their professional fields is a mandatory ethical requirement of their partners. As partners of Magyar Telekom they are too obliged to thoroughly comprehend and comply with the contents of Magyar Telekom Group Code of Business Conduct and Ethics and the code of Human Rights and Social Principles.</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>411-1</td>
<td>Incidents of violations involving rights of indigenous peoples</td>
<td></td>
<td></td>
<td>In Hungary there is no adequate denotation of the group 'Indigenous Peoples'.</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>412-1</td>
<td>Operations that have been subject to human rights reviews or impact assessments</td>
<td>3. Suppliers</td>
<td>38</td>
<td><a href="http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegeyenlosegi_Terv_2016_2020_en.pdf">http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegeyenlosegi_Terv_2016_2020_en.pdf</a></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Disclosure Number</td>
<td>Disclosure Title</td>
<td>Chapter in Sustainability Report 2017</td>
<td>Page Number</td>
<td>Website</td>
<td>Direct answer</td>
<td>Omission</td>
<td>External Assurance</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------------</td>
<td>--------------------------------------</td>
<td>-------------</td>
<td>---------</td>
<td>---------------</td>
<td>----------</td>
<td>--------------------</td>
</tr>
<tr>
<td>412-2</td>
<td>Employees training on human rights policies or procedures</td>
<td>3. Suppliers</td>
<td><a href="https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf">https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf</a></td>
<td>As the member of Deutsche Telekom Group Magyar Telekom Group uses its best efforts to comply with the requirements contained in the Code of Human Rights &amp; Social Principles, including the requirement that employees may acquire basic knowledge on human rights and the protection of these rights. In order to fulfill this objective in 2017 all members of Deutsche Telekom Group could freely access an English language eLearning material on the group’s intranet site.</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>413-1</td>
<td>Operations with local community engagement, impact assessments, and development programs</td>
<td>2.1. Closing the digital divide</td>
<td><a href="http://www.telekom.hu/about_us/company/telekom-for-digital-hungary">http://www.telekom.hu/about_us/company/telekom-for-digital-hungary</a></td>
<td>In some cases of network development processes the physical construction of the network might cause temporary inconvenience to residents.</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>413-2</td>
<td>Operations with significant actual and potential negative impacts on local communities</td>
<td>2.5. Involvement of our employees</td>
<td><a href="http://www.telekom.hu/about_us/company/telekom-for-digital-hungary">http://www.telekom.hu/about_us/company/telekom-for-digital-hungary</a></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>414-1</td>
<td>New suppliers that were screened using social criteria</td>
<td>3. Suppliers</td>
<td>29</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>414-2</td>
<td>Negative social impacts in the supply chain and actions taken</td>
<td>3. Suppliers</td>
<td>29</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>415-1</td>
<td>Political contributions</td>
<td>2.4. Protection of our children in the digital age</td>
<td><a href="http://www.telekom.hu/about_us/company/telekom-for-digital-hungary">http://www.telekom.hu/about_us/company/telekom-for-digital-hungary</a></td>
<td>The Company has no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2017, which is in full compliance with the detailed stipulations set forth in the Code of Conduct - Paragraph [2.15]. If it would have done so the operation would have been in full compliance with the relevant international bookkeeping regulations.</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**GRI CONTENT INDEX**
GRI 417: MARKETING AND LABELING 2016

1.3.1. Waste

The information related to electromagnetic fields (EMF) values can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.

1.3.2. Producer’s responsibility

The Company did not identify such incidents.

2.2. ICT for sustainability

Magyar Telekom Group is making ongoing efforts to simplify its propositions as much as possible and to make them available to the widest possible scope of customers. We offer detailed information about the services and tariff packages of Magyar Telekom Plc.’s business units and information about the services of our most important member companies on the listed websites. Customers can inquire about Telekom tariff packages and services or even request modifications 24 hours a day through the customer service call center, which can be called toll-free from Telekom’s Hungarian mobile network at 1414 or the 1777 (Domino prepaid center) number. We have made Telekom website more user-friendly, among others by highlighting search keywords and developing the webshop service to enable quick and simple purchase. These services are available on the following website: http://www.telekom.hu/lakossagi/english/plans/mobile https://www.telekom.hu/lakossagi/english/plan(phone https://www.telekom.hu/ufeli/main/ http://www.sistem.hu/home-page http://ab.hu/ http://www.balazsnet.hu/ (only HU) https://www.telekom.mk/prepaid-en.mxpx https://www.telekom.my/

417-1 Requirements for product and service information and labeling

In 2015 one and in 2016 four consumer protection - e.g. marketing communication - proceedings were initiated against Telekom before the Competition Office (GVH) due to the alleged breach of the relevant regulations. The proceedings were closed in 2017. In two cases the Competition Office accepted Telekom’s undertaken commitment and closed the case without defining an infringement.

417-2 Incidents of non-compliance concerning product and service information and labeling

The Group Compliance Officer is responsible for operation and monitoring the Compliance Programme.

417-3 Incidents of non-compliance concerning marketing communications

In 2015 one and in 2016 four consumer protection - e.g. marketing communication - proceedings were initiated against Telekom before the Competition Office (GVH) due to the alleged breach of the relevant regulations. The proceedings were closed in 2017. In two cases the Competition Office identified an infringement and imposed a fine of 600m HUF and 35m HUF respectively. Magyar Telekom requested the judicial review of the authority’s resolution and the administrative actions are in progress. Two cases were terminated while in one case the Competition Office accepted Telekom’s undertaken commitment and closed the case without defining an infringement.

GRI 418: CUSTOMER PRIVACY 2016

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data

In 2017, Magyar Telekom received requests and complaints either from the National Authority for Data Protection and Freedom of Information or either directly from customers, which were duly investigated by the Data Protection Unit of Magyar Telekom, and the findings were reported to the complaining customer and the authority. In 2017 we received 7 requests, to investigate personal data management complaints and only 4 of these were found to have grounds. Based on the results of the investigation, we review our processes and make the necessary adjustments.

GRI 419: SOCIOECONOMIC COMPLIANCE 2016

103 1 2 3 Management Approach

The Management and Board of Magyar Telekom Group are unanimous in their commitment that the Magyar Telekom Group (hereinafter ‘Magyar Telekom’ or ‘Group’) will conduct all business activities in accordance with the highest legal and ethical standards. In support of this commitment the Magyar Telekom Corporate Compliance Program (hereinafter ‘Compliance Program’) has been developed to create an internal culture where ‘Respect and Integrity’ is one of the most crucial values. The Compliance Program is enacted at all members companies of the Group where Magyar Telekom has effective control. The Compliance Program applies to all bodies, organizations, directors, officers and employees of the Magyar Telekom Group, as well as to consultants, agents, representatives, and all other persons or bodies who carry out work on behalf of any company within the Group. Additionally, we expect our business partners, suppliers and customers to do so in this effort by acting in a similarly ethical manner. As such, certain aspects of the Compliance Program, apply not just to Magyar Telekom Group employees, but also to third parties with whom we do business. The Compliance Program has been designed to ensure that the Group conducts its business to the highest standards of awareness, transparency, accountability, commitment, and adherence to applicable laws and regulations. To do so requires the implementation of policies and procedures that address potential compliance risk areas together with identifiable mechanisms for reporting, investigating, monitoring, and correcting cases of suspected or actual non-compliance. The elements of Compliance Program is continuously tailored to the changes in the business sector, location of operation, business circumstances, culture and risk, international best practices.

The Compliance Program is reflected in the Code of Conduct which is accepted internally by all employees, and by all suppliers through Magyar Telekom Procurement Intranet site. The Group Compliance Officer is responsible for operation and monitoring the Compliance Programme.
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>419.1</td>
<td>Non-compliance with laws and regulations in the social and economic area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws, in order to prevent potential authority penalties and sanctions. The Company always strives to ensure Magyar Telekom's compliance with the effective laws and maintains legal - besides harmonizing processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations. In 2017 the National Media and Info-Communications Authority conducted several individual complaint and general overall market supervision proceedings against the Company. Within the frame of general market supervision proceedings the authority imposed 67 million HUF whereas in the case of subscriber complaints a total of 184,675 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2017 the total amount of fines were HUF 16.45 million. Our clients have used the services of alternative dispute resolution fora, in relation to which there were a total of 208 cases handled with the assistance of the Media and Communications Commissioner, and 69R cases in which dispute resolution plans provided assistance.

**GRI G4: TELECOMMUNICATION SECTOR SPECIFIC INDICATORS**

**CATEGORY: INTERNAL OPERATIONS**

**ASPECT: INVESTMENT**

**IO 1.** Capital investment in telecommunication network infrastructure broken down by country/region.

- **Letter from the CEO**
  - Our approach: 1, 5
  - 2.1. Closing the digital divide: 419

**IO 2.** Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describes relevant legislative and regulatory mechanisms.

- **http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety**

In accordance with the Partnership for digital Hungary document Telekom’s investments are intended to make high-speed broadband internet available for Hungarian consumers as soon as possible. The intensive use of new technologies and info-communication solutions greatly contribute to the improvement of the Hungarian people’s quality of life, effectiveness of their businesses and the international competitiveness of the Hungarian economy. Another objective of the company is to spread digital literacy and knowledge on the safe use of the internet throughout the entire country.

**ASPECT: HEALTH AND SAFETY**

**IO 3.** Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals.

- **2.6. Safe mobile use, electromagnetic field**: 28

The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/519/EC 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.

**IO 4.** Compliance with ICNIRP (International Commission on Non-Ionizing Radiation Protection) standards on exposure to radiofrequency (RF) emissions from base stations.

- **2.6. Safe mobile use, electromagnetic field**: 28

The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/519/EC 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.

**IO 5.** Compliance with ICNIRP (International Commission on Non-Ionizing Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.

- **2.6. Safe mobile use, electromagnetic field**: 28

The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/519/EC 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.

**IO 6.** Policies and practices with respect to Specific Absorption Rate (SAR) of handsets.

- **2.6. Safe mobile use, electromagnetic field**: 28

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. The information related to electromagnetic fields (SAR values) can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.

**TABLE OF CONTENTS**
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID 7.</td>
<td>IO 7. Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible.</td>
<td>1.2.6. Biodiversity</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID 8.</td>
<td>IO 8. Number and percentage of stand-alone sites, shared sites, and sites on existing structures.</td>
<td>1.2.6. Biodiversity</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**CATEGORY: PROVIDING ACCESS**

**ASPECT: ACCESS TO TELECOMMUNICATION PRODUCTS AND SERVICES: BRIDGING THE DIGITAL DIVIDE**

| PA 1. | Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. Include an explanation of business models applied. | 2.1. Closing the digital divide | 23 | http://www.telekom.hu/about_us/company/telekom-for-digital-hungary | | |
| PA 2. | Policies and practices to overcome barriers for access and use of telecommunications products and services including: language, culture, literacy, and lack of education, income, disabilities, and age. Include an explanation of business models applied. | 2.1. Closing the digital divide | 23 | http://www.telekom.hu/about_us/company/telekom-for-digital-hungary | | |
| PA 3. | Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time. | | | http://www.telekom.hu/rolunk/szolgaltatasok/aszf (only HU) | | |
| PA 4. | Policies and practices to ensure availability and reliability of telecommunications products and services in areas where the organisation operates. Examples include: customer numbers/market share, addressable market, percentage of population covered, percentage of land covered. | 2.1. Closing the digital divide | Key operating statistics of Magyar Telekom Group | | | |

**GRI CONTENT INDEX**
<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA 5.</td>
<td>Number and types of telecommunication products and services provided to and used by low and no-income sectors of the population.</td>
<td>2.1. Closing the digital divide: Key operating statistics of Magyar Telekom Group</td>
<td>23</td>
<td><a href="http://www.telekom.hu/about_us/company/telekom-for-digital-hungary">http://www.telekom.hu/about_us/company/telekom-for-digital-hungary</a></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>PA 6.</td>
<td>Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief.</td>
<td>Our approach</td>
<td>5</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>PA 7.</td>
<td>Policies and practices to manage human rights issues relating to access and use of telecommunication products and services.</td>
<td>2.4. Protection of our children in the digital age</td>
<td>26</td>
<td><a href="http://www.telekom.hu/static/uty/folyosok/etikaikodex_en.pdf">http://www.telekom.hu/static/uty/folyosok/etikaikodex_en.pdf</a></td>
<td>There is an effective service contract and a Code of Ethics in place between the content providers and Magyar Telekom that regulate the terms and conditions of providing services, however, it does not contain provisions on the content.</td>
<td>✔</td>
</tr>
<tr>
<td>PA 8.</td>
<td>Policies and practices to publicly communicate on EMF related issues. Includes information provided at points of sale material.</td>
<td>2.6. Safe mobile use, electromagnetic field</td>
<td>28</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>PA 9.</td>
<td>Total amount invested in programmes and activities in electromagnetic field research. Includes description of programmes currently contributed to and funded by the reporting organisation.</td>
<td>2.6. Safe mobile use, electromagnetic field</td>
<td>29</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>PA 10.</td>
<td>Initiatives to ensure clarity of charges and tariffs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>

**ASPECT: ACCESS TO CONTENT**

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA 7.</td>
<td>Policies and practices to manage human rights issues relating to access and use of telecommunication products and services.</td>
<td>2.4. Protection of our children in the digital age</td>
<td>26</td>
<td><a href="http://www.telekom.hu/static/uty/folyosok/etikaikodex_en.pdf">http://www.telekom.hu/static/uty/folyosok/etikaikodex_en.pdf</a></td>
<td>There is an effective service contract and a Code of Ethics in place between the content providers and Magyar Telekom that regulate the terms and conditions of providing services, however, it does not contain provisions on the content.</td>
<td>✔</td>
</tr>
</tbody>
</table>

**ASPECT: CUSTOMER RELATIONS**

<table>
<thead>
<tr>
<th>Disclosure Number</th>
<th>Disclosure Title</th>
<th>Chapter in Sustainability Report 2017</th>
<th>Page Number</th>
<th>Website</th>
<th>Direct answer</th>
<th>External Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA 8.</td>
<td>Policies and practices to publicly communicate on EMF related issues. Includes information provided at points of sale material.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>PA 9.</td>
<td>Total amount invested in programmes and activities in electromagnetic field research. Includes description of programmes currently contributed to and funded by the reporting organisation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>PA 10.</td>
<td>Initiatives to ensure clarity of charges and tariffs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------</td>
<td>----------</td>
<td>---------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>PA 11.</td>
<td>Initiatives to inform customers about product features and applications that self-promote responsible, efficient, cost-effective, and environmentally preferable use.</td>
<td>TECHNOLOGY APPLICATIONS</td>
<td>RESOURCE EFFICIENCY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1.</td>
<td>Climate protection and energy efficiency</td>
<td>Climate protection and energy efficiency</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2.</td>
<td>Producer’s responsibility</td>
<td>ICT for sustainability</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.</td>
<td>ICT for sustainability</td>
<td>ICT for sustainability</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3.</td>
<td>Innovation for sustainability</td>
<td>ICT for sustainability</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Website Links:**
- [https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)]
- [https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/fenntarthatosag_hakanyaklasseszkeknekek (only HU)]
- [http://www.t-systems.hu/a-t-systemsrol/iranyelveink/gyartoiktajekoztato (only HU)]

**GRI CONTENT INDEX**

**TA 1.** Provide examples of the resource efficiency of telecommunication products and services delivered.

**TA 2.** Provide examples of telecommunication products, services and applications that have the potential to replace physical objects (e.g. a telephone book by a database on the web or travel by videoconferencing).

**TA 3.** Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above. Provide some indication of scale, market size, or potential savings.

**TA 4.** Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development. This may include social consequences as well as environmental.

**TA 5.** Description of practices relating to intellectual property rights and open-source technologies.

Magyar Telkom respects intellectual property and observes the provisions of the relevant law. All software used by Magyar Telkom are procured from lawful sources and are used in accordance with the provisions of law.
On May 6, 2009 the company joined the UN Global Compact initiative and its 10 principles in the areas of human rights, labor, environment and anti-corruption.

The Report complies with the principles set forth by the UN Global Compact, and is also to be considered as Magyar Telekom Group’s Communication on Progress Report.

The following table shows the occurrence of information in the report relating to the principles.

<table>
<thead>
<tr>
<th>GLOBAL COMPACT PRINCIPLES</th>
<th>CHAPTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Support and respect the protection of internationally proclaimed human rights</td>
<td>3, 5.1</td>
</tr>
<tr>
<td>2. Make sure that they are not complicit in human rights abuses</td>
<td>3, 5.1</td>
</tr>
<tr>
<td>3. The freedom of association and the effective recognition of the right to collective bargaining</td>
<td>5.1</td>
</tr>
<tr>
<td>4. The elimination of all forms of forced and compulsory labour</td>
<td>3, 5.1</td>
</tr>
<tr>
<td>5. The effective abolition of child labour</td>
<td>3, 5.1</td>
</tr>
<tr>
<td>6. The elimination of discrimination in respect of employment and occupation</td>
<td>Our Approach, 3, 5.1</td>
</tr>
<tr>
<td>7. Support a precautionary approach to environmental challenges</td>
<td>Our Approach, 1, 3</td>
</tr>
<tr>
<td>8. Undertake initiatives to promote greater environmental responsibility</td>
<td>Our Approach, Stakeholders, 1, 2, 3, 4, 3, 5.2, 6.1, 6.2</td>
</tr>
<tr>
<td>9. Encourage the development and diffusion of environmentally friendly technologies</td>
<td>Our Approach, 1, 2.2</td>
</tr>
<tr>
<td>10. Work against corruption in all its forms, including extortion and bribery</td>
<td>3, 7.3</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full name</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>AD</td>
<td>private company limited by shares Macedonia</td>
</tr>
<tr>
<td>ADSL</td>
<td>asymmetric digital subscriber line</td>
</tr>
<tr>
<td>AG</td>
<td>Aktiengesellschaft (Company limited by shares)</td>
</tr>
<tr>
<td>AOSZ</td>
<td>National Association of autism</td>
</tr>
<tr>
<td>AR</td>
<td>Augmented Reality</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to Business</td>
</tr>
<tr>
<td>BCM</td>
<td>Business Continuity Management System</td>
</tr>
<tr>
<td>BAE</td>
<td>Budapest University of Technology and Economics</td>
</tr>
<tr>
<td>BSG</td>
<td>Business Support System</td>
</tr>
<tr>
<td>BL</td>
<td>Limited Partnership</td>
</tr>
<tr>
<td>BTL</td>
<td>Below the line</td>
</tr>
<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
</tr>
<tr>
<td>CEERIUS</td>
<td>Central and Eastern European Responsible Investment Universe</td>
</tr>
<tr>
<td>CEO</td>
<td>chief executive officer</td>
</tr>
<tr>
<td>CER</td>
<td>Certified Emission Reduction</td>
</tr>
<tr>
<td>CHRO</td>
<td>Chief HR officer</td>
</tr>
<tr>
<td>CO2</td>
<td>carbon dioxide</td>
</tr>
<tr>
<td>CPE</td>
<td>Customer Premise Equipment</td>
</tr>
<tr>
<td>CfEx</td>
<td>Customer Profile Exchange</td>
</tr>
<tr>
<td>CRM</td>
<td>customer relationship management</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DEFFRA</td>
<td>Department for Environment, Food &amp; Rural Affairs</td>
</tr>
<tr>
<td>DELFTN Award</td>
<td>Award for a Committed, Sustainable, Innovative Generation</td>
</tr>
<tr>
<td>DN</td>
<td>Do It Yourself activity</td>
</tr>
<tr>
<td>DNP</td>
<td>Digital National Development Program</td>
</tr>
<tr>
<td>DPO</td>
<td>Data Protection Officer</td>
</tr>
<tr>
<td>DSL</td>
<td>digital subscriber line</td>
</tr>
<tr>
<td>DT</td>
<td>Deutsche Telekom</td>
</tr>
<tr>
<td>DWPs</td>
<td>Digital Welfare Program</td>
</tr>
<tr>
<td>EBH</td>
<td>Equal Treatment authority</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full name</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC</td>
<td>economic performance indicators</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>EPOESZ</td>
<td>Hungarian Association for Persons with Intellectual Disability</td>
</tr>
<tr>
<td>EIT</td>
<td>European Institute of Innovation and Technology</td>
</tr>
<tr>
<td>EMF</td>
<td>electromagnetic fields</td>
</tr>
<tr>
<td>EN</td>
<td>environmental performance indicators</td>
</tr>
<tr>
<td>EöCuM</td>
<td>Ministry of Health, Welfare and Family Affairs</td>
</tr>
<tr>
<td>ETNO</td>
<td>European Telecommunications Network Operators' Association</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FGSM</td>
<td>Fixed Global System for Mobile Communications</td>
</tr>
<tr>
<td>FINA</td>
<td>International Swimming Federation</td>
</tr>
<tr>
<td>FMS</td>
<td>Fixed Mobile Substitution</td>
</tr>
<tr>
<td>FN</td>
<td>Sustainability Day</td>
</tr>
<tr>
<td>FTC</td>
<td>Ferencvárosi Torna Club (a Hungarian football team)</td>
</tr>
<tr>
<td>FTSE4GOOD</td>
<td>Financial Times Stock Exchange</td>
</tr>
<tr>
<td>Gbps</td>
<td>gigabit (1 000 000 000 bits)</td>
</tr>
<tr>
<td>GDPR</td>
<td>General Data Protection Regulation</td>
</tr>
<tr>
<td>GHS</td>
<td>Green House Gases (megachloroethane plume)</td>
</tr>
<tr>
<td>GJ</td>
<td>giga joule</td>
</tr>
<tr>
<td>GPON</td>
<td>gigabit passive optical network</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>GSDCC</td>
<td>Group Sustainability Coordination Council</td>
</tr>
<tr>
<td>GSMA</td>
<td>Global System for Mobile Communications</td>
</tr>
<tr>
<td>GSMA</td>
<td>Global System Association</td>
</tr>
<tr>
<td>GSH</td>
<td>Hungarian Competition Authority</td>
</tr>
<tr>
<td>GWh</td>
<td>gigawatthour</td>
</tr>
<tr>
<td>HBLF</td>
<td>Hungarian Business Leaders Forum</td>
</tr>
<tr>
<td>HI</td>
<td>Hello Hello!</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>HSE</td>
<td>Health, Safety and Environment (Egészség, biztonság és környezetvédelem)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full name</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUF M</td>
<td>million forints</td>
</tr>
<tr>
<td>ICCA</td>
<td>International Customer Contact Analysis</td>
</tr>
<tr>
<td>ICNRP</td>
<td>International Commission on Non-Ionizing Radiation Protection</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and communication technology</td>
</tr>
<tr>
<td>IOS</td>
<td>International Organization for Standardization</td>
</tr>
<tr>
<td>IOT</td>
<td>internet of things</td>
</tr>
<tr>
<td>IP</td>
<td>internet protocol</td>
</tr>
<tr>
<td>IPTV</td>
<td>internet protocol TV</td>
</tr>
<tr>
<td>IT</td>
<td>Information technology</td>
</tr>
<tr>
<td>IUON</td>
<td>International Union of Conservation of Nature</td>
</tr>
<tr>
<td>IVR</td>
<td>interactive voice response</td>
</tr>
<tr>
<td>IV/SZ</td>
<td>ICT Association of Hungary</td>
</tr>
<tr>
<td>JAC</td>
<td>Joint Audit Cooperation</td>
</tr>
<tr>
<td>Kft</td>
<td>Limited liability company</td>
</tr>
<tr>
<td>kg</td>
<td>kilogram</td>
</tr>
<tr>
<td>KIBU</td>
<td>Kitchen Budapest</td>
</tr>
<tr>
<td>KKV</td>
<td>SME - small and medium-sized business</td>
</tr>
<tr>
<td>km</td>
<td>kilometer</td>
</tr>
<tr>
<td>KPI</td>
<td>key performance indicators</td>
</tr>
<tr>
<td>kW</td>
<td>kilowatt</td>
</tr>
<tr>
<td>kWh</td>
<td>kilowatt-hour</td>
</tr>
<tr>
<td>L</td>
<td>litre</td>
</tr>
<tr>
<td>LTE</td>
<td>long-term evolution</td>
</tr>
<tr>
<td>LTi</td>
<td>Legális Teljes Információk!</td>
</tr>
<tr>
<td>M3</td>
<td>cubic metre</td>
</tr>
<tr>
<td>MakedonTel</td>
<td>Makedonski Telekomunikacii</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Full name</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Mbps</td>
<td>mega bit per second</td>
</tr>
<tr>
<td>MEOSZ</td>
<td>National Federation of Disabled Persons' Associations</td>
</tr>
<tr>
<td>MMO</td>
<td>Multiple Input Multiple Output</td>
</tr>
<tr>
<td>MCT</td>
<td>Macedonian Telecommunications</td>
</tr>
<tr>
<td>MOB</td>
<td>Hungarian Olympic Committee</td>
</tr>
<tr>
<td>MT</td>
<td>Magyar Telekom</td>
</tr>
<tr>
<td>MVGYOSZ</td>
<td>Hungarian Federation of the Blind and Partially Sighted</td>
</tr>
<tr>
<td>mWh</td>
<td>megawatt-hour</td>
</tr>
<tr>
<td>NAV</td>
<td>Hungarian Tax Office</td>
</tr>
<tr>
<td>NG</td>
<td>next generation</td>
</tr>
<tr>
<td>NMHH</td>
<td>National Media and Infocommunication Authority</td>
</tr>
<tr>
<td>NOx</td>
<td>nitrogen oxide</td>
</tr>
<tr>
<td>Nyrt.</td>
<td>(PLC) public limited company</td>
</tr>
<tr>
<td>OHSAS</td>
<td>Occupational Health and Safety Management System</td>
</tr>
<tr>
<td>OSS</td>
<td>open source software</td>
</tr>
<tr>
<td>OSSKI</td>
<td>Frédéric Joliot-Curie National Research Institute for Radiobiology and Radiohygiene</td>
</tr>
<tr>
<td>PR</td>
<td>public relations</td>
</tr>
<tr>
<td>PSTN</td>
<td>public switched telephone network</td>
</tr>
<tr>
<td>PwC</td>
<td>PricewaterhouseCoopers Könyvvizsgáló Kft.</td>
</tr>
<tr>
<td>QR</td>
<td>2-dimensional barcode</td>
</tr>
<tr>
<td>SaTV</td>
<td>satellite TV</td>
</tr>
<tr>
<td>SIM</td>
<td>subscriber identity module</td>
</tr>
<tr>
<td>SLA</td>
<td>Service Level Agreement</td>
</tr>
<tr>
<td>SOx</td>
<td>Sulfur oxide</td>
</tr>
<tr>
<td>T</td>
<td>ton</td>
</tr>
<tr>
<td>TCN</td>
<td>Telekom Crna Gora/Crnogorski Telekom/Telekom Montenegro</td>
</tr>
<tr>
<td>TM</td>
<td>Performance Evaluation System</td>
</tr>
<tr>
<td>TRIPM Index</td>
<td>a standardized indicator system to explore customer satisfaction and customer loyalty</td>
</tr>
<tr>
<td>TSM</td>
<td>T-Systems Hungary</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full name</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environmental Programme</td>
</tr>
<tr>
<td>VDSL</td>
<td>Very high bit rate Digital Subscriber Line</td>
</tr>
<tr>
<td>VRK (CSC)</td>
<td>Corporate Sustainability Centre</td>
</tr>
<tr>
<td>VMI</td>
<td>Vendor-managed Inventory</td>
</tr>
<tr>
<td>VoCa</td>
<td>voice over cable TV</td>
</tr>
<tr>
<td>VoIP</td>
<td>voice over internet protocol</td>
</tr>
<tr>
<td>VR</td>
<td>Virtual Reality</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>WWF</td>
<td>World Wide Fund for Nature</td>
</tr>
<tr>
<td>Zrt.</td>
<td>PLC</td>
</tr>
</tbody>
</table>
Magyar Telekom Public Limited Company
Magyar Telekom Group Center: 1013 Budapest, Krisztina krt. 55.
Postal address: 1519 Budapest, Pf. 434
Telefon: + 36 1 458 0000
Internet: www.telekom.hu

Published by:
© Magyar Telekom Plc.
Corporate Sustainability Center
Budapest, 2018

Officer responsible for edition:
Christopher Mattheisen, CEO

Creative concept and design:
Escript Design

Information on sustainability:
http://www.telekom.hu/about_us/society_and_environment

Corporate Sustainability Center
Address: 1013 Budapest, Krisztina krt. 55.
Postal address: 1519 Budapest, Pf. 434
e-mail: sustainability@telekom.hu