

SUSTAINABILITY REPORT 2013



EGYÜTT. VELED





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LETTER FROM THE CEO



Being a leading ICT provider of the region, we shall set an example and provide opportunities by our forward-looking thinking, innovative, sustainable products and services and responsible conduct, we shall contribute to the establishment of a renewable society and environment.

Dear Reader,

Let me take this opportunity to inform you about the achievements we accomplished and the developments of last year. When you read these words, you might realize how difficult, at the same time how pleasant this task of enumerating so many successes is, as the list of memorable moments and great experiences shared with our customers is really a very long one.

But let's see what happened in 2013!

First of all, let me tell you, on behalf of all of my colleagues, how happy we are that, as a result of our focused strategic efforts, Magyar Telekom retained its leading position on the Hungarian fixed-line, mobile, internet and ICT markets in 2013. Despite the uncertainties of the macroeconomic and the market environment, we managed to increase our revenues, to improve our customer retention capability and to achieve significant overall growth. We gradually widened the range of our network and customer service capabilities, also proactively exploiting the opportunities offered by different partnership models. We are also prompted by the changes of our external environment to apply new approaches in our business and customer service.

The efforts made were not in vain, as we won last year the Customer Service Excellence Award in the Large Enterprise Telephone Call Center category, which is a great privilege and an important recognition of our work done in this area. By that, Magyar Telekom is proven to be the best among Hungary's large enterprises at telephone customer service activities, thus

demonstrating significant improvement compared to the second place achieved in 2012 among telecommunication companies.

We also performed very well in another area especially important for us. In 2013, it was the first time that we received the Disability-friendly Workplace Award, we also won the Family-friendly Employer Award and, due to the success of TeleBike, the Biker-friendly Employer Award, too. We are very proud of all of them, as they prove that last year was a great success for us, as an employer, too.

Our Montenegrin affiliate, Crnogorski Telekom achieved a great success, too, when it won the Best Company at Corporate Responsibility Award in Montenegro.

Of course, Magyar Telekom has been part of many other developments of key importance in this past period of time. The most important perhaps is that in February 2014, we concluded the Partnership Agreement for a Digital Hungary with the Government. As part of the document, we declared our long-term commitment to Hungary, digital literacy, equal opportunity and the improvement of the quality of life, the accessibility of e-government and e-services, as well as social and economic development.

I can proudly claim that Magyar Telekom continued to play a leading role in the area of corporate sustainability in 2013. We also continued to take a comprehensive approach to sustainability, i.e. put the same emphasis on the economic and environmental pillars as on the social one.

We continued to implement the objectives set forth by our five-year Sustainability

Strategy laid down in 2011, focusing on the main goal defined therein, namely that sustainability must become an inherent component of Magyar Telekom's identity, to thus provide a long-term competitive advantage to the company. The question may arise how we plan to achieve that goal.

Briefly:

- Being a leading ICT provider of the region, we shall set an example and provide opportunities by making the idea of sustainable growth an important, understandable and adoptable concept.
- By our forward-looking thinking, innovative, sustainable products and services and responsible conduct, we shall contribute to the establishment of a renewable society and environment.

We strive to involve our employees and customers in our sustainability initiatives. Our activities in this area are based on personal involvement, learning, community experience and community building. The very popular TeleBike service is an initiative that meets all the above criteria and was very well received among employees: following its introduction in May 2013, close to 1100 colleagues rented bikes 6000 times by the end of the year. In course of the 'hello holnap!' game started in March last year and aimed at sustainability loyalty and rewards, more than 2600 colleagues got at least one point each in the first year. At the same time, 662 employees volunteered to put in 5204 working hours as part of our volunteer work initiative.

Our volunteer work initiatives were recognized by the Corporate Volunteer Work Program Award granted to our Mobile School program.

I am proud to tell you that our company's sustainability activities were highly

appreciated internationally, too: at the start of the year, it was for the fifth time that we were selected to be among the companies comprising the CEERIUS (Central and Eastern European Responsible Investment Universe) sustainability index of the Vienna Stock Exchange, while the German Oekom Research, an independent agency analyzing investment target companies from the aspect of sustainability, rated Magyar Telekom as a responsible company recommended to investors.

However, in addition to our achievements, let's also address the tasks that will impact our common future. The list of tasks to be accomplished by the end of 2015 includes ones that have already been completed at the end of last year. An example is the 20% CO₂ emission decrease. Therefore, we have modified the relevant target to decrease our CO₂ emission by 25% by 31 December 2015. There are many things for us to do elsewhere, too. As to Magyar Telekom's reputation as a sustainable company, we set the target that by the end of 2015, 25% of responders should mention Magyar Telekom as the most sustainable Hungarian company. We have modified the target to 10% to align it with our budget.

We do not abandon our efforts of increasing awareness about sustainability and its importance, but shall strive to get the message across to existing and future customers by elaborating and communicating relevant innovative initiatives. Our innovation efforts are justified by the fact that the target set by the Sustainability Strategy of spending 10% of our R&D budget on innovative developments aimed at environmental or social objectives until the end of 2015 had tripled by the end of 2013.



Our mid-term strategic goal is to become a more efficient and agile organization, to simplify our product and service portfolio and to make our processes more automated. We exploit our capabilities to assume a leading role in providing digital services to homes for consumers and partners alike. The activities beyond our core ones, like energy, e-health, financial and insurance services serve the purpose of retaining customers and generating new revenue streams.

I find it very important to declare again that Magyar Telekom remains committed to the 10 principles laid down by the Global Compact in the area of human rights, environment and anticorruption, about the improvements achieved, in which the report also includes information.

As to the company in comprehensive terms, we do continue our transformation to thus become the most highly regarded service provider on the telecommunication and related industries' markets. The faster accomplishment of these initiatives is served by our business and operational model, which is based on our strategic foci, i.e. renewing, growing and extending the core activities, which, parallel to increasing revenues, promote the establishment of a more agile organization. Our strategy enables us to exploit and develop our already extensive customer base, to significantly improve our efficiency and to seize growth opportunities. All these lead

to further stable cash generation in the long run.

As you can see, we have achieved a lot, but have still much to do. Our goal is to become one of Hungary's most highly regarded service providers, to simplify our operations, to make the lives of our customers easier and to make the digital world synonymous with opportunities for everyone. In the achievement of all that, I count on the cooperation of my colleagues and the support of our customers.

Best regards,

Christopher Mattheisen
Chief Executive Officer

Budapest, 30 June 2014



ABOUT THE REPORT

By publishing the 11th edition of its Sustainability Report, Magyar Telekom strives again to present its sustainability activities and the related achievements in an integrated format, while making the Group's environmental, social and business operations transparent for everyone.

In 2013, we continued to pursue our sustainability activities according to our third Sustainability Strategy, encompassing the period of 2011–2015. Therefore, the structure of the document remained unchanged compared to that of the previous years, as we continue to present our sustainability performance against key challenges.

For the seventh year, the report applies the third-generation principles of the Global Reporting Initiative (GRI G3) when presenting the corporate group's sustainability performance. In total, we continued to apply the principles on A+ level.

When compiling the report, we focused on comprehensiveness, precision, comparability, timeliness and the interrelations of sustainability aspects.



The most important business data are included in the chapter titled 'About the Group', however, we do not repeat any data related to business performance that we had already provided in previous years. Further details of our business performance in 2013 and previous years can be found in Magyar Telekom's Annual Reports.

The report encompasses the calendar year 2013 and includes many data from the previous five years for the sake of transparency and comparability of the achievements addressed. In order to keep the report up-to-date, we also address changes that occurred in the period when the report was compiled, as well as enumerate several tasks set forth for the future, as they constitute an integral part of strategic goals defined for a multiple-year period.



ÉVA SOMORJAI
Chief HR Officer

“ Sustainability is an opportunity for the young of today to make decisions about their future in the present. The generation I am talking about is a much more sensitive customer group of Magyar Telekom and in the context of the digital world. People of this generation demonstrate a totally different social pattern than the ones we usually see among members of previous generations.

It is also shown by what type of employer brands they can relate to. In this area, it is becoming increasingly important how companies approach sustainability and to what extent they take substantial measures aimed at shaping the future in meaningful ways.

The report covers Hungary, Macedonia and Montenegro, and encompasses the corporate group's every activity.

We strive to provide a comprehensive view by covering foreign subsidiaries, too. As a result, many chapters cover an even greater part of the Group than before and there are even fewer gaps in the data provided by Hungarian and foreign subsidiaries, too. All affiliates of significant relevance from sustainability aspects were involved in the collection of data. The data published in the report are historically comparable along the structural changes of the Group, details of which are included in the section titled 'About the Group'.

In order to ensure authenticity, we continued to rely upon the support of an external, independent third party. The report has been audited by PricewaterhouseCoopers Auditing LLC and they certified the information contained therein to be reliable. The certification process has been designed and conducted in accordance with the ISAE3000 standard defined by the International Federation of Accountants. The respective certificate can be found in the 'Assurance Statement' chapter. Data and information audited are indicated by a ✓ symbol. We also contributed data to Deutsche Telekom's CR Report, in course of the auditing of which the German PricewaterhouseCoopers entity also checked the validity of the energy, waste and car fleet data provided.

Sources of the data included in the report:

- The business data are from the Group's year-2013 Annual Report, data collection conducted within the Group and external surveys.



KATALIN SZOMOLÁNYI
Head of Corporate
Sustainability Center

“ Main stakeholders of sustainable development are future generations. They are the ones for whom we need to make daily life sustainable. And they are also the ones whom, along with other stakeholders, we need to involve in shaping the future. Active and effective work done for a sustainable future is a clear indication about us to those who assess companies primarily on that basis. They are the responsible investors, whose expectations we also need to fulfill. In case of Magyar Telekom, this group is represented by the foreign owners, holding a total of 80% stake. In addition, the best possible business perception is also important for us, which we can achieve by letting the market know that we are a company that takes sustainability aspects into account and is able to do so even under often difficult conditions. We address all the above each year in our Sustainability Report, in which we put the future into the context of the present, thus holding a mirror reflecting our past, present and the extent of development achieved.

- The data of social nature were 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.



Our Sustainability Report was compiled in a way to contain information primarily relevant for our shareholders, investors, especially responsible investors and sustainability analysts, however, we have also striven to involve all stakeholders and help them obtaining the information they need. The full report is available exclusively on the internet.

The Report complies with the principles set forth by the UN Global Compact, and includes the statement of sustainable development, too. We wish to continue the joint thinking process and cooperation with our stakeholders, thus, we encourage everyone to share their comments and ideas with us by writing to the sustainability@telekom.hu address.

Budapest, July 09, 2014.

Éva Somorjai
Chief HR Officer
Top executive in charge of sustainability

Katalin Szomolányi
Head of Corporate Sustainability Center
Directly in charge of sustainability activities



OUR APPROACH

VISION

First now first forever!

MISSION

Our mission is to make the digital world more understandable and accessible for everyone. We enable people to have a more effortless, colourful and successful life.

CORPORATE STRATEGY

As a result of our focused strategic efforts, Magyar Telekom has maintained leading positions in its Hungarian fixed-line, mobile, internet and ICT businesses in 2013. Even under uncertain macroeconomic and market conditions, we managed to increase revenues, we successfully improved customer retention and delivered strong volume figures. We have also gradually extended our network and offering capabilities proactively leveraging on various partnering models as well. The evolving external environment continues to drive the need for changes in our approach to our customers and our business.

We continue our transformation to become the most highly regarded service company in an extended market of telecommunications and related industries. To accelerate our efforts,

we have developed a business and operating model, based on our strategic imperatives to innovate, grow and extend the core business—thus growing revenue whilst becoming a more agile organization. This enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities that secure stable cash generation in the long run. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio and increase process automation. We aim to exploit our abilities to become a leader in all digital services around the home for both consumers and third parties. Our non-core areas, such as energy, e-health, finance and insurance services, support customer retention and new revenue streams.

SUSTAINABILITY APPROACH

SUSTAINABILITY STRATEGY

Having realized the importance of sustainable development, as well as the fact that it is essential for future business activity, Magyar Telekom Group undertakes commitment, responsibility that it will pursue its operation, corporate governance and activities in this spirit in Hungary, and in every other country where it has business presence or some form of cooperation. This is the key not only to the long-term success of the Group, but through its role in the region and through its services it also has positive impact on the society, environment and economy.

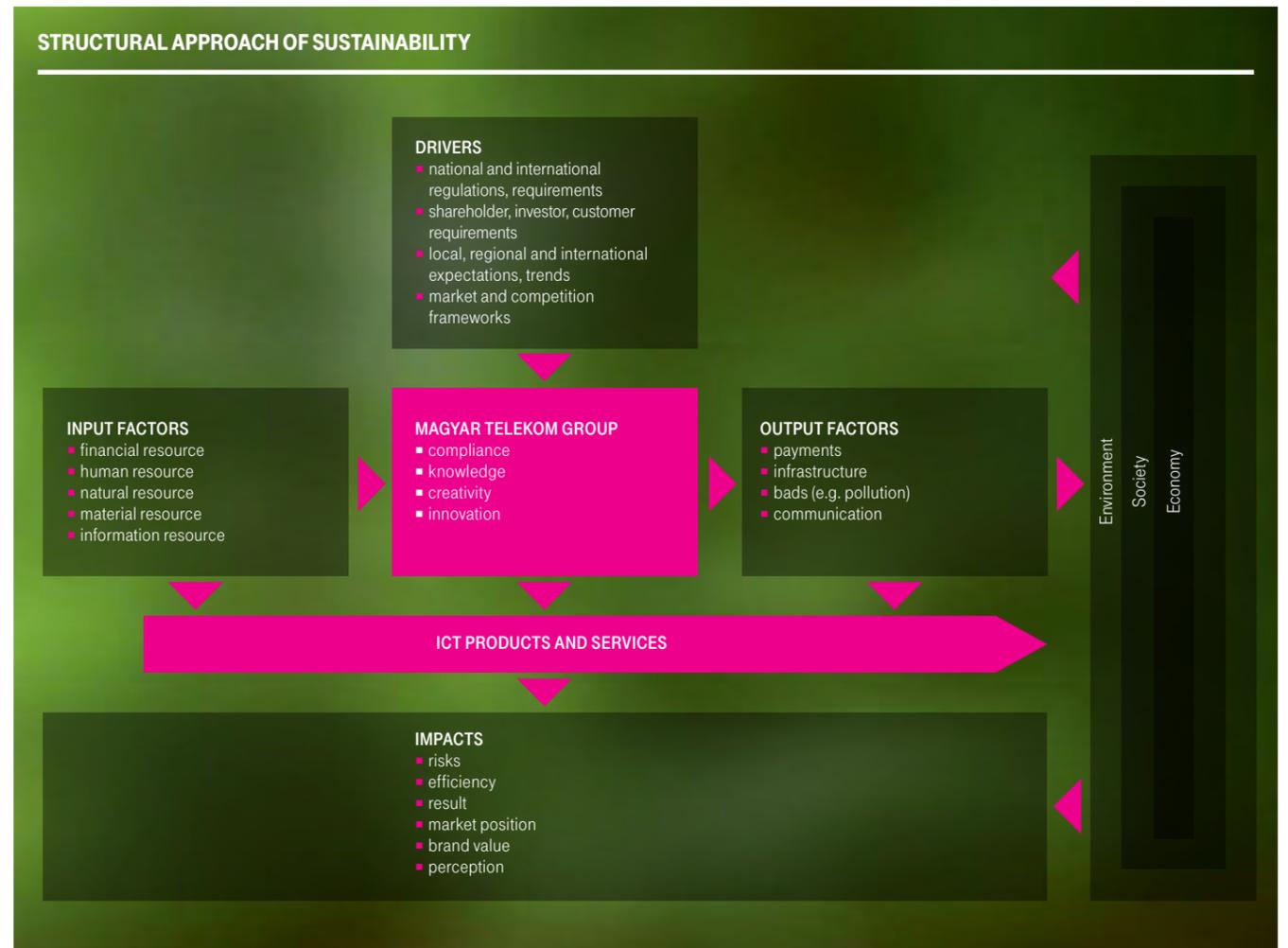
The figure below presents the complex relationship of the Group with sustainability on the triple pillar of environment-society-economy. We bore this in mind when developing the sustainability approach of Magyar Telekom Group, which centers around the following three guidelines, that are closely related and not implemented separately.

Sustainability values

Within the three dimensions of sustainability the following values characterize the sustainability tasks:

Economic dimension

- Company, integrity, transparency
- Vision, innovation
- Employees, team, dynamism
- Customer





The key objective of our Sustainability strategy is to make sustainability part of the identity of Magyar Telekom so as to earn competitive edge for the company in the long term.

Social dimension

- Democracy, information society
- Future generations, sustainable society
- Diversity, social solidarity, quality of life
- Partnership, talent, creativity

Environmental dimension

- Earth
- Livable, healthy environment
- Nature, biological diversity
- Natural resources

Sustainability permeates the entire texture of the organization, so it cannot be treated as the task of a specific organization unit. The tasks affect different areas of the Group, and often require the cooperation of distant units. Sustainable development is not a one-man challenge, it affects everyone in person.

Sustainability strategy 2011–2015

Key objective: To make sustainability part of the identity of Magyar Telekom so as to earn competitive edge for the company in the long term.

Vision: Magyar Telekom, as leading Central and East European infocommunication provider, enables also its partners to consciously participate in sustainable development, realized in the framework of hello holnap! initiative. In its everyday activities, the company takes committed, proactive and transparent actions to make sustainability part of its identity, and also to forge a competitive edge out of it. With its forward-looking attitude, innovative and sustainable products and services, and with its responsible approach, it creates possibility for the establishment of a renewed society and environment.

Approach: The priority issues of the new strategy have been determined on the basis of the performance of the past three years, the Dow Jones Sustainability Index and the study of the trends. In the new strategy it is our goal to convey more powerfully to the stakeholders our commitment to sustainability. This cannot be reached without new and ambitious objectives, pursuit of the best practices and powerful and well-targeted communication.

At the time of writing this report the top management of Magyar Telekom Group gave full power of responsibility for the implementation of the Sustainability Strategy approved by them earlier to the Chief Human Resources Officer. The Corporate Sustainability Center is responsible for the technical guidance of the implementation.

KEY PRIORITY TASKS OF MAGYAR TELEKOM GROUP'S SUSTAINABILITY STRATEGY 2011–2015

Key priority KPI-s till the end of 2015	Status of the key priority tasks at the end of 2013
<p>Brand management–focus: introduction, exploitation of the term of sustainability, category building</p> <ul style="list-style-type: none"> ▪ Perception of the term of sustainability KPI: population: 20%, employees: 80% ▪ Magyar Telekom's sustainability perception KPI: 25% of the population, 50% of the employees name Magyar Telekom as the most sustainable company (We have modified these KPIs to 10%¹ [population] and 60% [employees] in 2014.) 	<p>Brand management:</p> <ul style="list-style-type: none"> ▪ According to 2013 researches, the perception of the term 'sustainability' was 19% among the population and 74% among the employees. ▪ Sustainability perception of Magyar Telekom: population: 6% (85% cannot name a company), employees: 60% (20% cannot name a company). ▪ Involvement of the media in the hello holnap! initiative through the Sustainability Media Club is continuous.
<p>Innovation management–focus: social and environmental innovations</p> <ul style="list-style-type: none"> ▪ Social and environmental innovations KPI: 10% of the R&D value 	<p>Innovation management:</p> <ul style="list-style-type: none"> ▪ In 2013 we experienced considerable growth in the respect of social and environmental innovations; 36% of the overall R&D spending can be connected to this. ▪ The T-City and the e-health projects continue to be important focus areas.
<p>Climate strategy–focus: gain reputation through meeting EU expectations, credibility and ICT applications</p> <ul style="list-style-type: none"> ▪ Reduction of CO₂ emission KPI: 20% by taking 2004 as base year (We have modified this KPI to 25% in 2014.) ▪ Broken down compared to 2010 together with the eco-efficiency objectives: <ul style="list-style-type: none"> ▪ Electric energy consumption: -5% ▪ Energy efficiency indicator: 48 Gbit/kWh ▪ Green energy: 46 GWh ▪ Gas consumption: -5% ▪ Heating energy: -5% ▪ Paper consumption: -30% ▪ Fuel consumption of the fleet: -5% ▪ Percentage of hybrid, electric cars among the vehicles of personal use: 20% (We have modified this KPI to 6% in 2014.²) 	<p>Climate strategy:</p> <ul style="list-style-type: none"> ▪ In 2013 our CO₂ emission was 108,358 tons, which is 22.4% down on the 2004 base year (139,691 tons). ▪ As part of its overall energy consumption in 2013, Magyar Telekom purchased 34 GWh renewing energy. The Sustainability strategy targeted the use of 46 GWh green energy by the end of 2015. ▪ In 2013 we have done CO₂ deactivation for the very first time, which we managed from the income of our bonus-malus system and we deactivated 3520 tons CO₂ through supporting two Indian projects. ▪ As a result of a successful project in 2013, one Nissan Leaf and one Opel Ampera were added to the electric cars' fleet, which is now integral part of the whole fleet. ▪ Besides, in 2013 we launched the Iszkahegy pilot project, which involved the installation of a vertical windmill and solar collector system on the transmission tower.
<p>Supplier standards–focus: sustainable supplier</p> <ul style="list-style-type: none"> ▪ KPI: development of the process of a sustainable supplier chain 	<p>Supplier standards:</p> <ul style="list-style-type: none"> ▪ The development of a sustainable supplier chain started in 2011. In 2013, the model was developed, but it has to be reviewed because of the adoption of the DT system. We continue to rate our TOP 12 suppliers against sustainability criteria. It is expected to be introduced to the directive level in 2014.
<p>Impact of telecommunications services–focus: sustainable competitive edge</p> <ul style="list-style-type: none"> ▪ Increase revenue from sustainable services KPI: 20% of the annual revenue ▪ Sustainable products KPI: their share in the portfolio: 25% 	<p>Impact of telecommunications services:</p> <ul style="list-style-type: none"> ▪ In 2013 Magyar Telekom generated 15.9% of its revenues in Hungary from sustainable products and services. (Last year the corresponding percentage was 14.7%.) ▪ The product share is continuously changing thanks to the service simplification project, that is why we are focusing to enhance this ratio in 2014.

THEMES, KPI-S, TASKS, KEY AREAS OF SUSTAINABILITY

SUSTAINABILITY = **RESPONSIBILITY** + **POSSIBILITY**

ECONOMY

- Brand management
- Innovation management

ENVIRONMENT

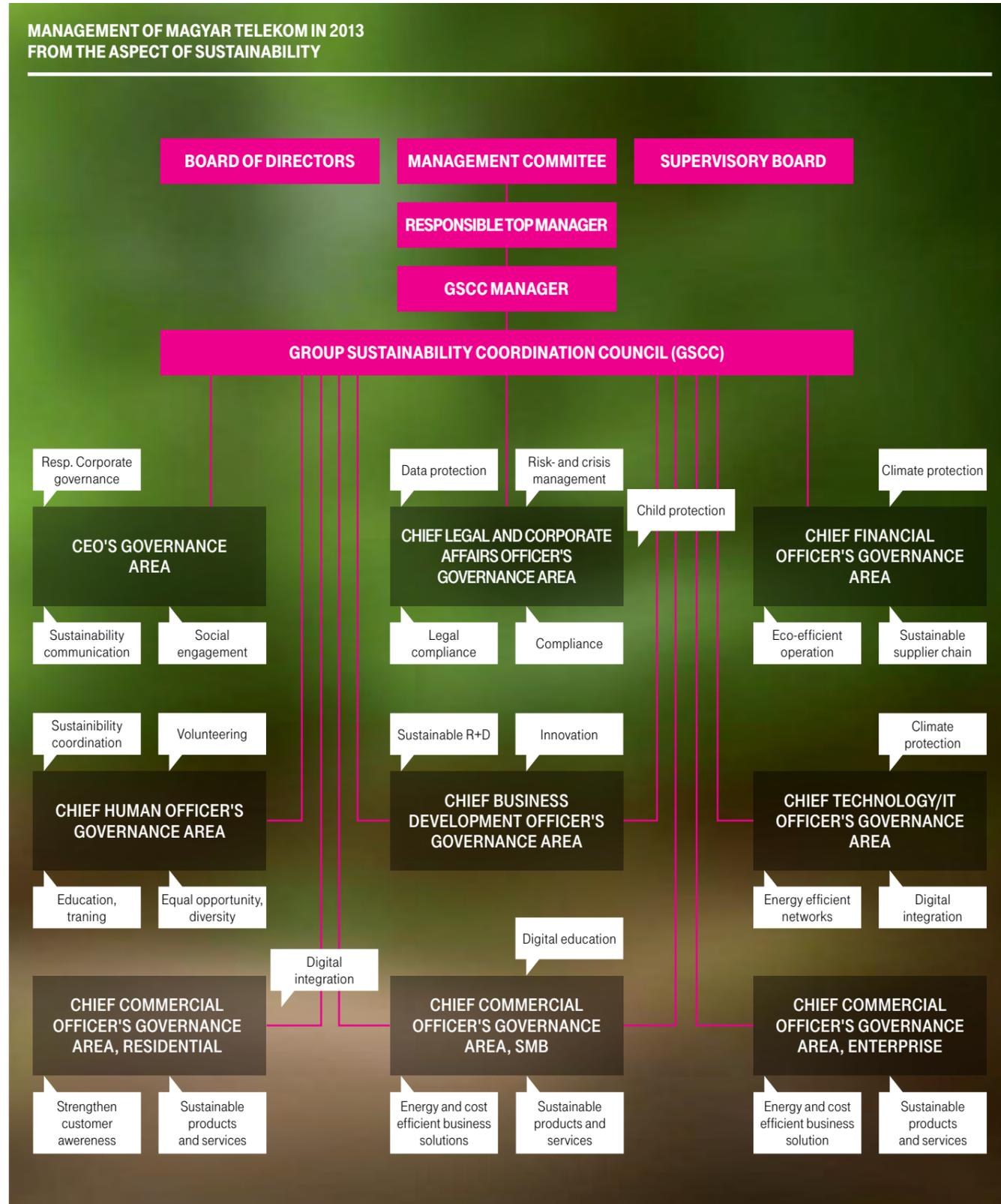
- Climate strategy

SOCIETY

- Supplier standards
- Impacts of the telecommunication services

- Share
- Brand
- Market

1 The reason behind the reduction is that, in 2014-2015 we would like to focus on gaining perception for our sustainability activities, so with that we can increase the reputation and the sustainability perception of Magyar Telekom.
2 The KPI has been modified due to the high prices and narrow choice of hybrid cars.



SUSTAINABILITY COORDINATION

The group-level governance of the sustainability activity in 2013 is shown on the diagram below. Group-level coordination is continued to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). In the operation of the GSCC we discontinued the separation of strategy development and strategy management and returned to the earlier method of implementing sustainability activities on two levels:

1. Strategy development and management

Strategic concepts are being developed, and the implementation of the strategy, the relevant communication with the national and international organizations is managed under the auspices of the GSCC.

2. Operative implementation level

Similarly to the earlier practice, the operative activities, tasks, data provision etc. are performed in the relevant organizations of the governance areas and business units.

Hierarchy of the sustainability activities

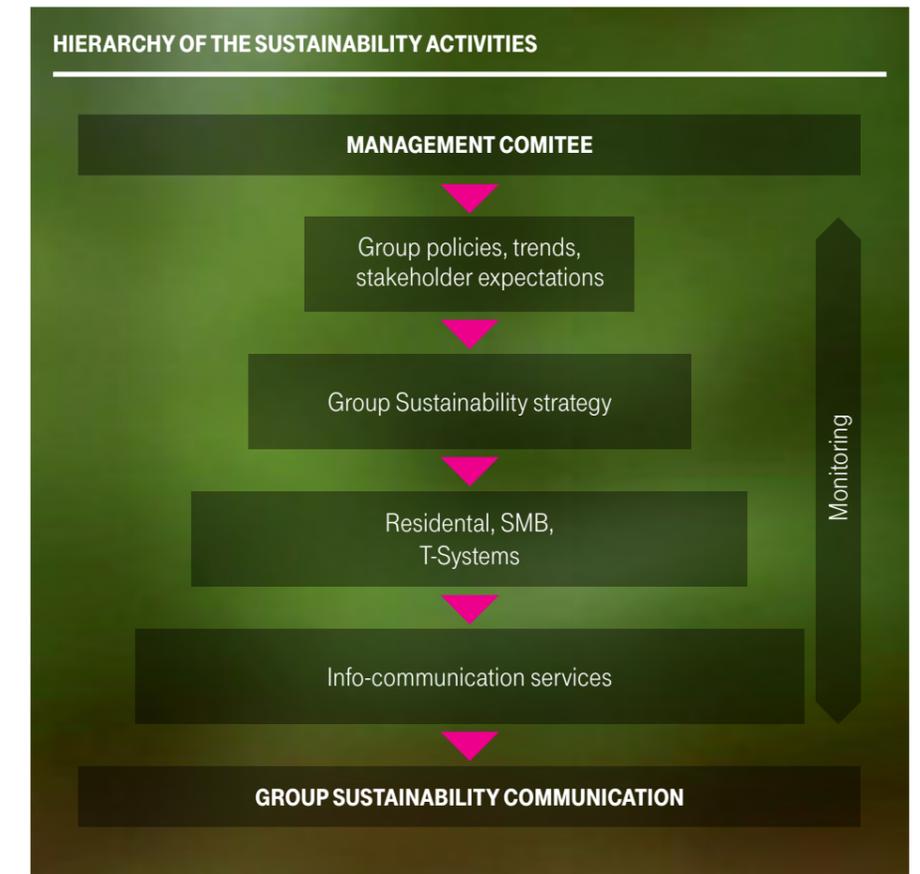
The hierarchy of the sustainability activities of Magyar Telekom Group has not changed lately, only the structure of the Group, which can be followed in the annual sustainability reports.

The sustainability strategy and the regularly updated objectives and tasks, derived from the strategy are elaborated upon consideration of the Group's different policies, the national and international trends (climate protection, electromagnetic fields, responsible content provision etc.) and the expectations set by the concerned parties (proposals made at roundtable discussions and sustainability forums, e-mail comments).

All activities are supervised by the Management Committee on the basis of the regular reports provided to it.

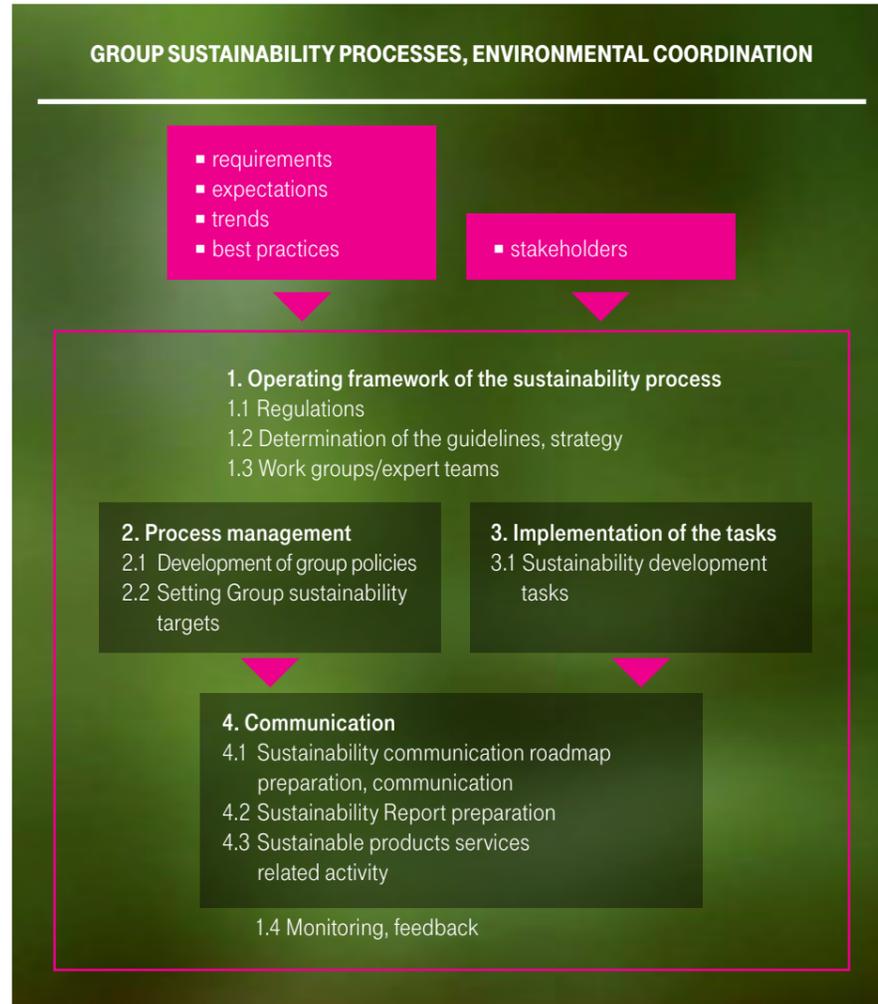
Regulation of the sustainability activities, Group sustainability process, environmental coordination

The Sustainable management process covers the whole sustainability (including environmental as well) activities of Magyar Telekom Group.





The top management of Magyar Telekom Group, the Management Committee receives at least once a year a report on the implementation of the tasks of the Group Sustainability Strategy and the other ongoing significant sustainability activities, results.



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 observations about our sustainable activities are highly important to us. We had the opportunity to meet with them on several forums, surveys and personal meetings, and to demonstrate our sustainable activities and to discuss the upcoming tasks.



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

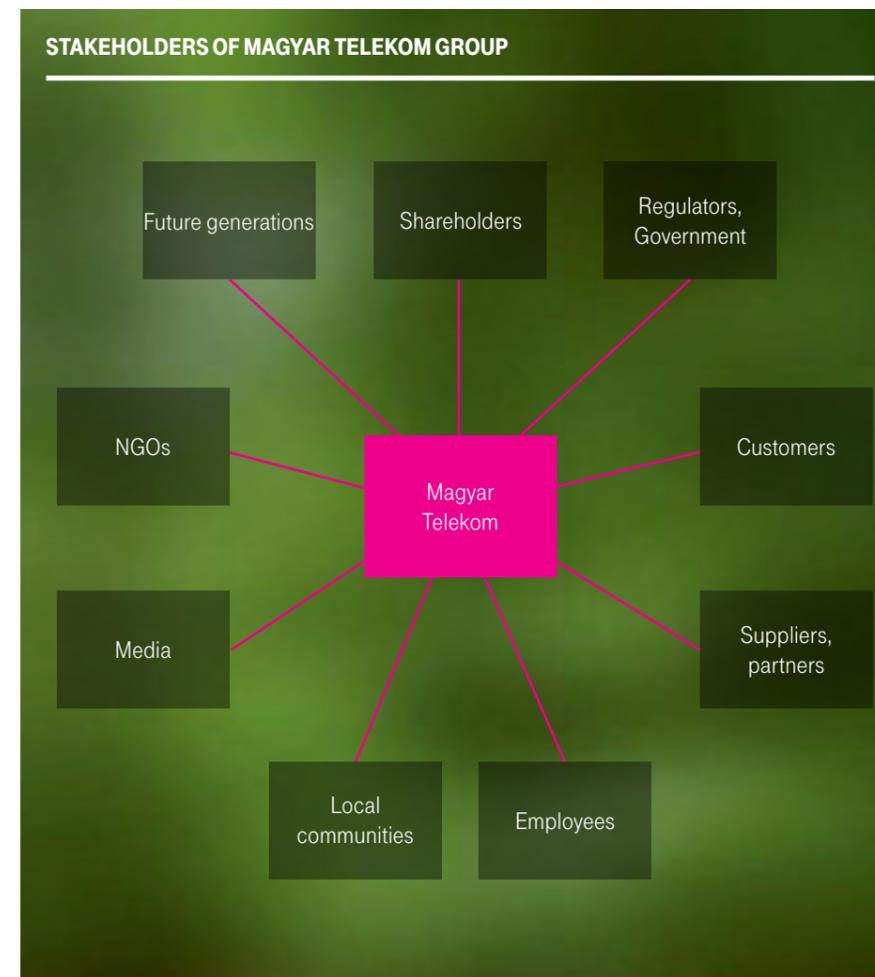
Some of the more important activities related to our stakeholders:

- Shareholders–Investor (and responsible investor) assessments
- Customers–Sustainable products and services
- Employees–hello holnap! club and points
- Regulators–Legislative compliance, regulatory connections
- Local communities –Digital Bridge, volunteering
- NGOs–Sustainability roundtable discussions
- Suppliers–Sustainable Supply Chain

- Media–Sustainability Media Club
 - Future generations–MobileSchool, sustainable innovations
- In 2013, we organized the 14th Sustainability Roundtable, which aimed to hold an open dialogue to learn the expectations from Magyar Telekom Group and to discuss the problems raised, and also to provide an appropriate background for joint thinking and for cooperation in the building of a sustainable future, and also to present our sustainable results and targets. The 14th Roundtable meeting was held on June 21, 2013, where

several topics were discussed–employment of disabled people, sustainable products, sustainability integrating into Magyar Telekom’s identity, operation of Sustainability Media Club–by the participants.

The most important issues discussed with the stakeholders are contained in the memorandums of previous Sustainability Roundtables: https://www.telekom.hu/about_us/society_and_environment/events



STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH

HR-strategy

One of the key challenges of the Sustainability Strategy is human resource management, so Magyar Telekom's HR Strategy also plays an important role in achieving our sustainability objectives. In compliance with Magyar Telekom's 2011–2015 corporate strategy, the HR area also upgraded its strategic objectives. In 2011, we developed a new Human Resources Strategy, which brings complete structural change for the company, the employees and the HR team alike.

Magyar Telekom's HR strategy from the company's point of view

- Efficient company–continuous revenue-aligned optimization of the personnel costs.
- Competitive company–competitive edge with human capital: in training-development, career management areas.
- Energized company–an international, diverse, healthy community sharing successes.

Magyar Telekom's HR strategy from the point of view of the employees

The development of the employees will be implemented through enhancement of the employee experience, which is the key element of our strategy. In 2011, we identified the stations of a Magyar Telekom employee's life cycle, and assigned the necessary HR tools to the implementation of each HR station. In 2012, we started the realization of the objectives, whereas in 2013 we updated the Human strategy, in line with the company's Telekom 2017 strategic objectives:

- Employer brand building: We build a livable and lovable place of work with which our employees are satisfied and which is attractive in the labor market. We earned the second place in the Best Employer competition.

- Selection: We will create a place of work with diversity by maintaining a healthy level of internal recruitment and by increasing the weight of non-typical employment. The company boasts 70% internal replacement rate, and some 12% of the employees work in a non-typical form of employment.

- Agreements: We create transparent, flexible and reliable frameworks. We maintain balanced partnership with the employee representation organizations and seek to standardize employee contracts.

- Orientation: The new colleagues become members of our team by sharing our knowledge, culture and experience. We have renewed our orientation program in order to make it an informative and efficient event for the new colleagues, which also facilitate their integration in the organization culture. The rate of customer satisfaction with our orientation program was above 92%.

- Remuneration: We have introduced a simpler, more transparent and consistent employee remuneration model, which reflects the true value of the positions and not the hierarchy, and which is suitable for market benchmarking as the basis of a competitive remuneration policy.

- Training development, organization development: We thank our competitive edge to our qualified employees. We provide human resources matching the international best practice for the development of our employees and ensure a significant part of the training with internal resources.

- Work, private life: Our energized employees make us successful. We develop and implement a complex stress management system which helps preserve the mental and physical health of our employees.

- Fair dismissal: We part with our colleagues in a fair and correct manner. We make our employees realize that keeping up marketability is everyone's own responsibility.



The company's senior management decided that in line with the corporate strategy we link our social responsibility practices to our core activity, i.e. we focus on digital education programs that develop the society's digital maturity in a way that we provide knowledge to be transformed into relevant and tangible advantages in everyday life.

Support strategy

Magyar Telekom has, for almost for two decades, been making a special point of selecting and implementing its corporate social responsibility, and within that, its sponsoring programs. The company pursues its support activities in the framework of centrally regulated processes. Naturally, the changes in our economic, social and natural environment require continuous review of our support activities.

As a result of this process, in the past years we sought to operate our support activity in an integrated manner, to efficiently implement sponsoring projects that focus on our activities, to identify and tap the synergies in the group operation.

In the field of donations our support policy took a significant, forward-looking turn in 2013.



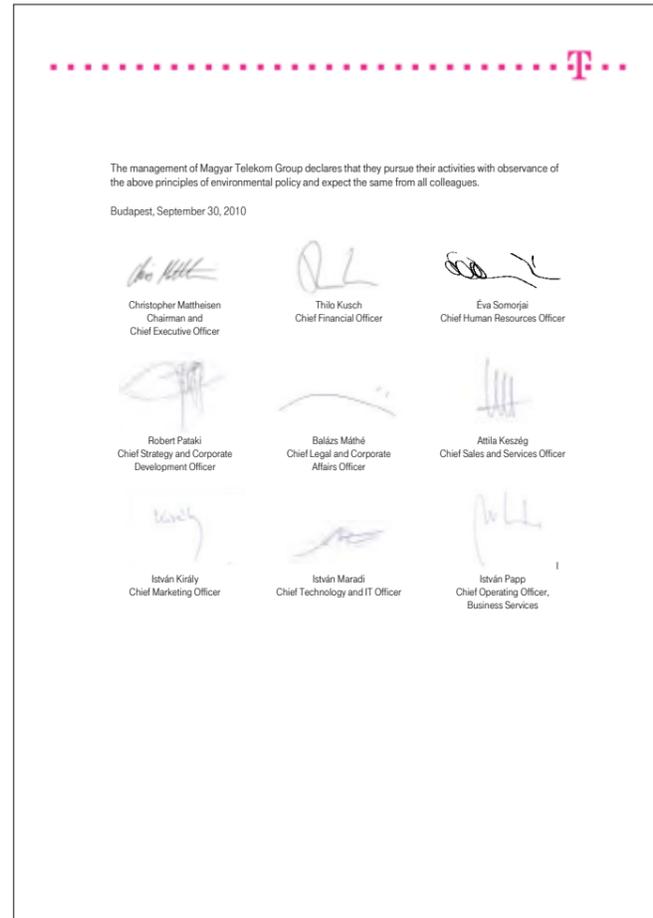
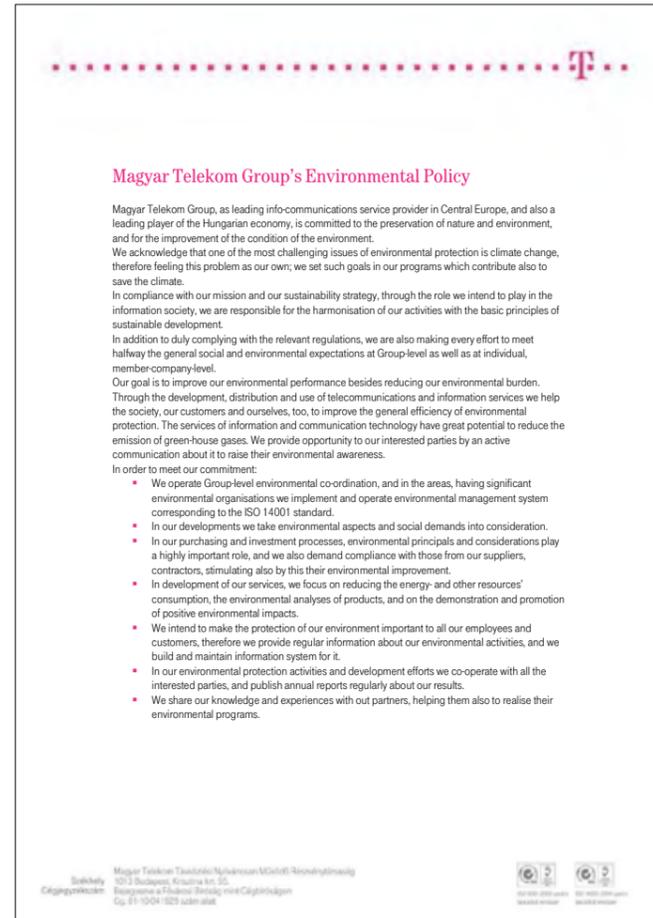
Vivicità start

The company's sponsoring activities are mainly focused on sports and music and arch from the support of Hungarian top athletes, through donations to young students' and mass sport events to the support of pop music festivals and musical institutes. It is important for Magyar Telekom to harmonize its sponsoring activity with the other elements of its CSR activity. It is inevitable to sponsor cultural initiatives with other than financial forms of support, and seek to aid the realization of projects with the use of our core activity info-communication solutions—like the free solar-powered mobile charging service

for the visitors of Kapolcs Festival or VOLT Festival.

In view of the corporate social and economic responsibility also following from the size of the company, Magyar Telekom is trying to answer this challenge by making its CSR and support activities awareness-raising, so from the very start it pays distinguished attention to the communication of its CSR program and to the involvement and activation of its customers and employees.

Environmental policy



Quality policy

The full version of the Quality Policy of Magyar Telekom Group, approved in 2005 and renewed in 2009, is available on the following website: https://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf

Management Systems

In 2013, Magyar Telekom Group was compliant with the ISO 9001; ISO14001; ISO 27001 certified management systems. Magyar Telekom Plc.'s integrated management system was extended by a company health and security management system (MSZ 28001:2008 [BS OHSAS 18001:2007]).

T-Systems Hungary has a certified ISO 50 001 Energy management system.

In order to achieve Magyar Telekom's strategic objectives, it is imperative to ensure the company's profitable operation, the continuity of its services, the protection of the employees' health and the company's tangible/intangible assets in all reasonably foreseeable extraordinary circumstances that are inside or outside the company's competence (e.g. extraordinary weather, flood). As a result Magyar Telekom Plc. launched the Business Continuity project with the objective to obtain the ISO 22301 certificate. (Planned date: October, 2014)

MAGYAR TELEKOM GROUP ORGANIZATIONS HOLDING ISO 14001 QUALIFICATION CERTIFICATE

Member company/organization	Certificate valid
Magyar Telekom Plc.	December 08, 2014
T-Systems Hungary Ltd.	June 25, 2016
Makedonski Telekom	March 29, 2017



ABOUT THE GROUP

Magyar Telekom (www.telekom.hu/about_us) is Hungary's largest telecommunication provider, which provides the full range of telecommunication and info-communication (ICT) services, including fixed-line and mobile telephony, data communication and non-voice services, as well as IT and systems integration services.

Magyar Telekom's employer and HR activities, business and investor relations, legal and corporate affairs, sustainability and social responsibility, innovation, business development, technical and network development activities also go under the corporate Telekom brand.

Its governance structure enables Magyar Telekom to respond flexibly and on time to the changes in customer demands and to the challenges of the market by tapping new, innovative service and business possibilities and providing high-level, modern and efficient service to its customers. Chief officers,

reporting to the CEO, run the functional units (financial, human resources, residential, small- and medium-sized business, enterprise, business development, technology/IT, legal and corporate affairs).

The national member companies of Magyar Telekom Group manage the content, media and other, non-access services provided under different brand names. The international member companies of the Group operate as integrated or alternative telecommunications providers in the markets of the Southeast European region. Magyar Telekom is majority owner of Makedonski Telekom, Macedonia's biggest fixed and mobile operator, and also holds majority share in Crnogorski Telekom, Montenegro's biggest telecom provider.

National and foreign members of the Group are described at: www.telekom.hu/about_magyar_telekom/magyar_telekom_group

The activities of Magyar Telekom Group cover three main business areas:



- fixed-line and mobile telecommunication services to residential customers (under Telekom brand),
- services to small- and medium-sized businesses (under Telekom brand),
- and services to large businesses (under T-Systems brand).



Number of employees³ of Magyar Telekom Group (as of 12.31.2013): 11,324 ✓

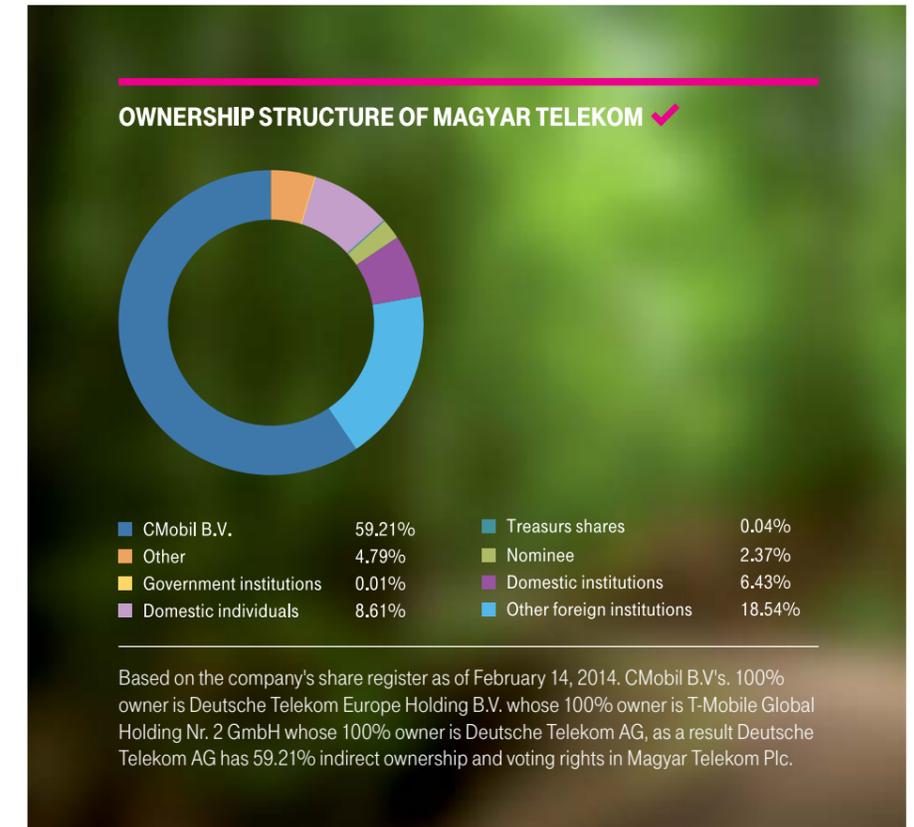
Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. In 1997, the shares of Magyar Telekom were introduced at the Budapest and the New York stock exchanges. The majority shareholder of Magyar Telekom (59.21%) is CMobil B.V., which is owned indirectly by Deutsche Telekom AG.

The registered company name of Magyar Telekom is Magyar Telekom Telecommunications Public Limited Company, and its short name Magyar Telekom Plc.

The Group's area of operation: Hungary, Macedonia, Montenegro, Romania, Bulgaria and Ukraine.

The headquarters of the Group are located in Budapest (I., Krisztina krt 55.).

You can find more information about the Group's products and services on the company's home page at: <http://www.t-mobile.hu/english/services>, or at our customer service offices.



https://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/ownership_structure

The following table shows the major changes in the composition of the Group over a six-year time horizon. The content of the table also gives guidance to the interpretation of the diagrams.

CHANGE IN THE COMPOSITION OF MAGYAR TELEKOM GROUP OVER THE PAST YEARS ✓

2008	2009	2010	2011	2012	2013
Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.
IQSYS ⁴	IQSYS	IQSYS	IQSYS	IQSYS ⁵	
KFKI ⁶	KFKI	KFKI	KFKI ⁷	T-Systems Hungary	T-Systems Hungary
T-Kábel	T-Kábel ⁸	-	-	-	-
EPT	EPT	EPT ⁹	-	-	-
Pro-M ¹⁰	Pro-M	Pro-M	Pro-M	Pro-M ¹¹	-
Dataplex ¹²	Dataplex	Dataplex	Dataplex	Dataplex ¹³	-
MFactory ¹⁴	MFactory	MFactory ¹⁵	-	-	-
Origo	Origo ¹⁶	Origo	Origo	Origo	Origo
-	-	-	ISH Informatika ¹⁷	ISH Informatika ¹⁸	-
-	-	-	Daten-Kontor ¹⁹	Daten-Kontor ²⁰	-
-	-	-	Budakalász Kábel TV ²¹	Budakalász Kábel TV	Budakalász Kábel TV
TCG ²²	TCG	TCG	TCG	TCG	TCG
MakTel ²³	MakTel	MakTel	MakTel	MakTel	MakTel

4 In 2008 a new data provider appeared under the name of IQSYS as legal successor of the former INTEGRIS, IQSYS and T-Systems Hungary companies

5 From October 01, 2012 IQSYS continues to operate within T-Systems Magyarország Zrt.

6 In 2008 a new data provider appeared under the name of KFKI as the legal successor of the former BCN, ICON and KFKI-LNX companies

7 From April 1, 2012 KFKI provides its services under the name of T-Systems Magyarország Zrt.

8 T-Kábel merged into Magyar Telekom (with effect 09.30.2009)

9 EPT merged into KFKI (with effect 09.30.2010)

10 In 2008 Pro-M appeared as a new data provider

11 In 2012 100% of Pro-M shares sold to the Nemzeti Infokommunikációs Szolgáltató Zártkörűen Működő Részvénytársaság.

12 In 2008 Dataplex appeared as a new data provider

13 From October 1, 2012 Dataplex continues to operate within T-Systems Magyarország Zrt.

14 In 2008 MFactory appeared as a new data provider

15 MFactory merges into Origo (with effect July 31, 2010)

16 In 2008 Origo appeared as new data provider

17 In 2011 ISH Informatika appeared as new data provider

18 From October 1, 2012 ISH continues to operate within T-Systems Magyarország Zrt.

19 In 2011 Daten-Kontor appeared as new data provider

20 From April 1, 2013 Daten-Kontor continues to operate within T-Systems Magyarország Zrt.

21 In 2011 Budakalász Kábel TV appeared as new data provider

22 The data of Crnogorski Telekom is quoted under the name of TCG

23 The data of Makedonski Telekom AD and T-Mobile Macedonia AD are quoted under the name MakTel

CREATING VALUE FOR THE STAKEHOLDERS OF THE COMPANY

	Produced economic value	2011	2012	2013
	Revenues (total revenue + share from the after-tax profit of the affiliates)	597,617 million HUF	607,128 million HUF ✓	637,521 million HUF ✓
Stakeholder	Distributed economic value			
Suppliers	Operating costs (total revenue-related payments + net other operating costs)	309,712 million HUF	318,226 million HUF ✓	361,368 million HUF ✓
Employees	Employee wages and benefits (employee-related costs)	91,823 million HUF	94,084 million HUF ✓	96,691 million HUF ✓
Investors	Payments to capital investors (dividend paid + net income)	84,579 million HUF	80,715 million HUF ✓	83,677 million HUF ✓
State	Payments to the state budget (profit tax + crisis tax + telecom tax + utility tax) ²⁴	52,888 million HUF	46,560 million HUF ✓	45,693 million HUF ✓
Communities	Community investments (donations, institutional sponsorship, voluntary work, education)	372 million HUF	226 million HUF ✓	218 million HUF ✓
Overall stakeholders in future	Retained earnings (after-tax profit + depreciation – dividend paid)	83,977 millió Ft	100,635 million HUF ✓	81,479 million HUF ✓

N.B.: in brackets the lines used in the IFRS profit and loss statement are given (with the exception of the community investments, since no such line/s is/are given in that statement).

Substantial financial support from the state	2010	2011	2012	2013
Tax benefit used	2337 million HUF	1628 million HUF	4946 million HUF ✓	3011 million HUF ✓
Tax deducted for film and sport sponsoring	411 million HUF	285 million HUF	723 million HUF ✓	409 million HUF ✓
Tax benefit on wage cost of software developers	12 million HUF	20 million HUF	20 million HUF ✓	20 million HUF ✓
Tax impact of taxable income decrease due to donations	1 million HUF	4 million HUF	8 million HUF ✓	8 million HUF ✓
Tax gain by taxable income decrease due to R&D	72 million HUF	48 million HUF	1 million HUF ✓	58 million HUF ✓

You can read more about the company's financial performance in the Report on the 2013 business year: http://www.telekom.hu/static/sw/download/Magyar_Telekom_The_2013_financial_year__0411.pdf

24 The 2011 value contains profit tax and crisis tax, the 2012 value contains profit tax, crisis tax and telecom tax, the 2013 value contains profit tax, telecom tax and utility tax



KEY OPERATING

STATISTICS OF MAGYAR

TELEKOM GROUP

KPI INFORMATION ON MOBILE SERVICES IN HUNGARY, MACEDONIA AND MONTENEGRO

	2012	2013	2013/2012
	December 31		(% change)
HUNGARY ✓			
Penetration (%)	116.5	117.0	n.a.
Total number of subscribers	5,320,069	5,402,406	1.5
SIM market share (%)	45.9	46.3	n.a.
Number of mobile broadband internet subscriptions	1,455,786	1,845,544	26.8
Mobile broadband market share based on total number of subscriptions (%)	45.8	45.2	n.a.
Population-based outdoor 3G coverage (%)	80.5	82.9	n.a.
Population-based outdoor LTE coverage (%)	27.0	38.0	n.a.
MACEDONIA ✓			
Penetration (%) ²⁵	108.4	108.4	n.a.
Total number of subscribers	1,181,437	1,195,250	1.2
SIM market share (%), RPC ^{25, 26}	48.0	47.5	n.a.
MONTENEGRO ✓			
Penetration (%)	159.8	160.3	n.a.
Total number of subscribers	340,032	352,840	3.8
SIM market share (%)	34.3	35.5	n.a.

²⁵ Restated, according to Agency of Electronic Communications
²⁶ Based on RPC

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT

	2012	2013	2013/2012
	December 31		(% change)
MOBILE SERVICES ✓			
Number of customers (RPC)	4,836,965	4,886,705	1.0
Post-paid share in the customer base (%)	47.3	48.5	n.a.
MOU	160	161	0.6
Post-paid ARPU	5,698	5,518	(3.2)
Pre-paid ARPU	1,414	1,355	(4.2)
ARPU (HUF)	3,455	3,384	(2.1)
Post-paid (%)	14.5	13.2	n.a.
Pre-paid (%)	21.9	23.2	n.a.
Overall churn rate (%)	18.4	18.4	n.a.
Ratio of non-voice revenues in ARPU (%)	23.5	25.4	n.a.
Average acquisition cost (SAC) per gross add (HUF)	5,479	6,407	16.9
Number of mobile broadband internet subscriptions	1,362,750	1,712,807	25.7

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT

FIXED-LINE SERVICES ✓	2012	2013	2013/2012
	December 31		(% change)
VOICE SERVICES			
Total voice access ^{27,28}	1,554,174	1,517,065	(2.4)
Total outgoing traffic (thousand minutes)	3,198,321	3,118,192	(2.5)
MOU (outgoing minutes) ²⁷	181	181	0.0
ARPU (HUF) ²⁷	2,849	2,768	(2.8)
INTERNET SERVICES			
Number of retail DSL customers	497,217	518,217	4.2
Number of cable broadband customers	245,984	281,577	14.5
Number of fiber optic connections	41,802	50,953	21.9
Total retail broadband customers	785,003	850,747	8.4
Broadband ARPU (HUF)	3,813	3,530	(7.4)
Number of wholesale DSL access	89,861	70,964	(21.0)
TV SERVICES			
Number of IPTV customers	313,285	389,700	24.4
Number of satellite TV customers	291,118	307,147	5.5
Number of cable TV customers	230,323	190,869	(17.1)
Total TV customers	834,726	887,716	6.3
TV ARPU (HUF)	3,069	3,110	1.3
ENERGY SERVICES			
Electricity points of delivery	87,945	106,287	20.9
Gas points of delivery	59,900	67,587	12.8

27 PSTN, VoIP and VoCable access lines

28 Including public payphones

KEY OPERATING STATISTICAL FIGURES OF T-SYSTEMS HUNGARY SEGMENT

MOBILE SERVICES ✓	2012	2013	2013/2012
	December 31		(% change)
Number of customers (RPC)	483,104	515,701	6.7
ARPU (HUF)	4,441	3,973	(10.5)
Overall churn rate (%)	8.8	6.8	n.a.
Ratio of non-voice revenues in ARPU (%)	37.4	39.2	n.a.
Average acquisition cost (SAC) per gross add (HUF)	4,059	3,398	(16.3)
Number of mobile broadband internet subscriptions	93,036	132,737	42.7
FIXED-LINE SERVICES ✓			
VOICE SERVICES			
Business PSTN lines	39,358	39,141	(0.6)
Managed leased lines (Flex-Com connections)	1,715	1,389	(19.0)
ISDN channels	130,052	127,224	(2.2)
Total lines	171,125	167,754	(2.0)
Total outgoing traffic (thousand minutes)	245,550	229,841	(6.4)
MOU (outgoing)	176	177	0.8
ARPU (HUF)	4,315	4,246	(1.6)

KEY OPERATING STATISTICAL FIGURES OF MACEDONIA SEGMENT

	2012	2013	2013/2012
	December 31		(% change)
MOBIL SERVICES ✓			
Number of customers (RPC)	1,181,437	1,195,250	1.2
Post-paid share in the customer base (%)	32.4	32.5	n.a.
MOU	163	191	17.2
ARPU (HUF) ²⁹	2,356	2,163	(8.2)
FIXED-LINE SERVICES ✓			
MARKET DATA			
Fixed-line penetration (%)	14.9	13.4	n.a.
Retail DSL market share (estimated) (%)	82.6	83.5	n.a.
VOICE SERVICES			
Total voice access	291,988	266,620	(8.5)
Total outgoing traffic (thousand minutes)	667,333	565,402	(15.3)
INTERNET SERVICES			
Number of retail DSL customers	145,263	160,168	10.3
Number of wholesale DSL access	26,903	25,346	(5.8)
Total DSL access	172,166	185,514	7.8
TV SERVICES			
Number of IPTV customers	66,140	87,686	32.6

KEY OPERATING STATISTICAL FIGURES OF MONTENEGRO SEGMENT

	2012	2013	2013/2012
	December 31		(% change)
MOBIL SERVICES ✓			
Number of customers (RPC)	340,032	352,840	3.8
Post-paid share in the customer base (%)	40.2	38.4	n.a.
MOU	161	166	3.1
ARPU (HUF)	3,358	2,815	(16.2)
FIXED-LINE SERVICES ✓			
MARKET DATA			
Fixed-line penetration (%)	26.0	25.4	n.a.
Retail DSL market share (estimated) (%)	82.9	81.8	n.a.
VOICE SERVICES			
Total voice access	165,620	161,805	(2.3)
Total outgoing traffic (thousand minutes)	300,312	265,911	(11.5)
INTERNET SERVICES			
Number of DSL access	81,842	88,840	8.6
TV SERVICES			
Number of IPTV customers	54,248	59,188	9.1

1.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

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1.1. CORPORATE GOVERNANCE

The professional sphere and the investors require public companies listed on the stock exchange to state clearly what governance model they use and how this is applied in the practice. Being a company listed on the Budapest Stock Exchange, it is highly important for us to meet this requirement and the relevant statutory and stock exchange requirements. To ensure transparency of the company's management information about Magyar Telekom's corporate governance is available on the following website: https://www.telekom.hu/about_us/investor_relations/corporate_governance

Information on annual general meetings and the resolutions adopted at them is available on the following website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/general_meetings

Board of Directors

The Board of Directors is responsible for the management of the company, which acts on behalf of the Company vis-à-vis third persons, and represent it in court. The competences of the Board of Directors include decisions on all issues with regard to the management and business activities of the company that do not fall into the exclusive scope of authority of the General Meeting or any other corporate body pursuant to the Articles or the relevant laws.

It is the task of the Board of Directors to prepare a report to the General Meeting at the end of the financial year on the company's business activities, assets, financial standing and business policies and a quarterly report to the Supervisory Board on the company's management, assets and business policies.

In the Articles of Association of the Company, the shareholders' meeting ruled that the Board of Directors has to be composed of minimum 6, maximum 11 members, whom the Annual General Meeting elects for a period of three years.

The Board of Directors meets at least four times a year. The Board of Directors meeting has quorum if at least six members are present. Each Board member has one vote. The Board adopts its resolutions by simple majority of votes except if the law or the Articles of Association require majority vote.

The Board evaluates its performance annually. The self-evaluation includes the evaluation of the overall performance of the Board, the personal performance of the members and the examination of those areas where the Board finds that cooperation could be improved. The purpose of the evaluation is to increase the efficiency of the Board of Directors.

The regular annual general meeting held on April 12, 2013 elected the new Board for a period of three years.

The current composition of the Board of Directors is also available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors

MEMBERS OF THE BOARD OF DIRECTORS ON DECEMBER 31, 2013

Name	Main position
Kerstin Günther	Chairperson, manager of the European Technology area, Deutsche Telekom AG
Christopher Mattheisen	Chief Executive Officer, Magyar Telekom Plc.
Dr. Ferri Abolhassan	Director of the New Manufacturing unit and member of the Board, T-Systems International GmbH
Thilo Kusch	Chief Executive Officer of Makedonski Telekom until December 31, 2013, since January 1, 2014: financial manager of T-Systems International GmbH
Frank Odzuck	CEO, Zwack Unicum Plc. (independent)
Dr. Ralph Rentschler	Financial Director of the European region, Deutsche Telekom AG
Günter Mossal	Vice President, European area management, Deutsche Telekom AG
György Mosonyi	Chairman of the Supervisory Board, MOL Plc. (independent)
Dr. Mihály Patai	Chairman-CEO, UniCredit Bank Hungary Zrt. (independent)
Branka Skaramuca	Vice President, European area technology and HR management, Deutsche Telekom AG



Management Committee

In accordance with the company's Articles of Association and the rules of procedure of the Board of Directors, in 2000 the Board of Directors established the Management Committee with powers to pursue its activities in compliance with the annual business plan.

Magyar Telekom Plc.'s Management Committee is composed of 9 members, defined by the Board of Directors. Its members are:

- the Chief Executive Officer of the company,
- the chief officers of the company,

The chairman of the MC is the CEO, who is responsible for the operation of the body in compliance with the rules of procedure.

The MC meets regularly on Tuesdays. The MC has quorum if the majority of the members is present, but the presence of the chairman, or in his absence, of the deputy chairman, is also necessary for the MC to have quorum. The MC takes its decisions by simple majority of vote.

Each MC member has one vote. In case of tie votes the vote of the chairman (the chairman of the MC or his deputy) decides.

The MC acts in the scope of authority determined by the Board of Directors. The MC takes decision in all such matters, which the laws, the Articles of Association or the rules of procedure of the Board of Directors do not refer to the exclusive authority of the Annual General Meeting, the Board of Directors or other company organ.

The MC discusses the reports on such matters which belong to the authority of the Board of Directors or the AGM, with the exception of reports made by another authorized company organ or a member of the Board of Directors.

The current composition of the Management Committee is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/management_committee

Supervisory Board

The Supervisory Board (SB) supervises the management of the company in order to protect its interests. In this role it supervises the governance, management of the company, its finances, and controls compliance with the regulations and the company's Articles of Association.

The Supervisory Board shall assess all motions brought before the SB and to present its findings at the General Meeting. The AGM (Annual General Meeting) may only take decision on the annual report, prepared according to the accounting law and the distribution of the net income in possession of the written report of the Supervisory Board.

In compliance with the Articles of Association of the company, the Supervisory Board has minimum 3, maximum 15 members, who are elected by the AGM for a term of three years. The Central Workers' Council nominates one

third of the Supervisory Board members, who represent the employees.

The Supervisory Board meeting has quorum if at least two thirds of the members are present. In accordance with the effective laws, the majority of SB members shall be independent. A member shall be considered independent if apart from his seat on the SB and apart from any transaction conducted within the company's usual activities, aiming to satisfy the SB member's personal needs he is not holding any other office.

The regular annual general meeting held on April 12, 2013, elected the new Supervisory Board for a period of three years. The current composition of the Supervisory Board is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/supervisory_board

MEMBERS OF THE MANAGEMENT COMMITTEE ON DECEMBER 31, 2013

Name	Main position
Christopher Mattheisen	Chief Executive Officer
Róbert Pataki	Chief Business Development Officer
Éva Somorjai	Chief Human Resources Officer
Attila Keszég	Chief Commercial Officer Residential
Balázs Máthé	Chief Legal and Corporate Affairs Officer
Péter Lakatos	Chief Commercial Officer SMB
Walter Goldenits	Chief Technology and IT Officer
Tibor Rékasi	Chief Commercial Officer Enterprise
János Szabó	Chief Financial Officer

MEMBERS OF THE SUPERVISORY BOARD ON DECEMBER 31, 2013

Name	Main position
Dr. László Pap	Chairman of the Supervisory Board, Professor of the Faculty of Electric Engineering at the Budapest University of Technology and Economics (independent)
Dr. János Illéssy	Managing Director, Lebona Kft. (independent)
Dr. Sándor Kerekes	Director of the Institute of Environmental Science of the Budapest Corvinus University (independent)
Dr. Károly Salamon	Chairman-CEO, MKB Általános Biztosító Zrt. and MKB Életbiztosító Zrt. (independent)
Dr. János Bitó	Chairman of the Thesis Defense and Final Examination Committee of the Faculty of Information Technology, Pázmány Péter Catholic University (independent)
Konrad Kreuzer	Member of the Board of Directors of E.ON Hungária Zrt. (independent)
Martin Meffert	Responsible for the corporate governance affairs of Magyar Telekom, Makedonski Telekom, Crnogorski Telekom, Group Headquarters, Deutsche Telekom AG
Attila Bujdosó	Chairman of the Telecommunication Union, Magyar Telekom Plc.
Tamás Lichnovszky	Chairman, Central Functions Workers' Council, Magyar Telekom Plc.
Zsoltné Varga	Vice President of the DT European Workers' Council, quality assurance manager, Magyar Telekom Plc.
Dr. Konrad Wetzker	Chairman, Corvinus School of Management (independent)
Éva Óz	Chairperson, Central Functions Workers' Council, Controlling Manager of the Controlling Directorate, Magyar Telekom Plc.



Audit Committee

The Audit Committee is a permanent committee, established by the General Meeting from the independent members of the Supervisory Board. The objective of the Committee is to assist the Supervisory Board (1) in supervising the financial report regime, (2) in selecting the statutory auditor, (3) in working with the statutory auditor. The Committee acts within its competence as defined in the Hungarian Civil Code, the Articles of Association and the Supervisory Board's Rules of Procedure.

The Audit Committee meets as necessary, but at least on four occasions a year. The members of the Committee are elected by the AGM of the company from the independent members of the Supervisory Board. The Committee is composed of minimum 3, maximum 5 members. At least one member of the Committee shall have competence in accounting and/or auditing.

The Committee has quorum when at least 3 members are present. The Committee takes its decisions by simple majority of votes, in case of tie votes the vote of the chairman decides.

The Annual General Meeting, held on April 12, 2013, elected the new Audit Committee from the independent members of the Supervisory Board for the same period as their membership in the Supervisory Board. The current composition of the Audit Committee is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/audit_committee

Remuneration and Nomination Committee

Magyar Telekom Telecommunications Public Limited Company's Board of Directors established the Remuneration and Nomination Committee with the objective to support the company's Board of Directors in matters related to the remuneration of corporate bodies and top managers, as well as in certain nomination issues. The reason of merging remuneration and certain nomination tasks into a single committee was to make the Board's personnel decision making process more effective thus ensuring the complex management of the relevant matters.

The Committee meets according to its annual work schedule, but at least twice a year. The work schedule of the Committee has to be harmonized with the work schedule of the Board of Directors. The Remuneration and Nomination Committee of the Company is composed of 3 members, elected by and from the members of the Board of Directors. The Committee has quorum if at least the majority of the members are present.

The current composition of the Remuneration and Nomination Committee is available on our website: https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation

MEMBERS OF THE REMUNERATION AND NOMINATION COMMITTEE ON DECEMBER 31, 2013

Name	Main position
Frank Odzuck	CEO, Zwack Unicum Plc.
Dr. Ralph Rentschler	Financial Director of the European region, Deutsche Telekom AG
Branka Skaramuca	Vice President, European region, technology and HR management, Deutsche Telekom AG

Incentives and evaluation of the performance of top executives

Top executives (Chief Executive Officer, Chief Officers) are paid variable pay (bonus) as performance incentive. In addition to the short-term incentives, the top management is motivated through a so-called long-term Variable II (VII) bonus program.

The scope of activities of Magyar Telekom Group's Remuneration and Nomination Committee was supplemented with tasks related to the nomination of corporate organs' members. Based on the above the Board of Directors, upon the Committee's proposal, adopted the set of requirements pertaining to the nomination of members in December, 2013.

The Remuneration Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation, and monitors the performance of top executives throughout the year. 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. The annual bonus is payable prorated 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. No bonus is payable, if

performance is below a certain minimum limit, defined in advance. In case of over-achieving the targets, 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 maximal 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, we also lay emphasis on long-term performance stimulation. The Variable II long-term incentive plan introduced in 2004 was upgraded in 2011, so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4-year term, we focus on sustainable performance increase on a longer term. The third phase of the revised program was launched in 2013.

Besides, the CEO participates in a share based incentive program and is required to invest part of his annual bonus in Magyar Telekom shares. Upon the expiry of the 4-year term and if all conditions are met, another Magyar Telekom share is added to each share invested by the CEO.

Middle management and consultants, responsible for the attainment of the sustainability targets, receive direct incentives through the PM system. In the case of employees in the lower wage brackets the bonus regulation allows the withdrawal of bonus if the objectives of the Sustainability strategy are not met due to the negligence of the employee.

MEMBERS OF THE AUDIT COMMITTEE ON DECEMBER 31, 2013

Name	Main position
Dr. János Illéssy	Chairman of the Audit Committee, Managing Director of Lebona Kft.
Dr. László Pap	Professor of the Faculty of Electric Engineering at the Budapest University of Technology and Economics
Dr. Sándor Kerekes	Director of the Institute of Environmental Science of the Budapest Corvinus University
Dr. Károly Salamon	Chairman-CEO, MKB Általános Biztosító Zrt. and MKB Életbiztosító Zrt.
Dr. János Bitó	Chairman of the Thesis Defense and Final Examination Committee of the Faculty of Information Technology, Pázmány Péter Catholic University



1.2. RISK MANAGEMENT

Efficient risk management is indispensable to long term financial planning and organizational flexibility, which has also been borne out by the recent financial crisis. At Magyar Telekom, a special risk management directive regulates the management of risks, which is available on the following website: https://www.telekom.hu/static/sw/download/Risk_management_guidelines_of_Magyar_Telekom_Plc._ENG_20130920.pdf

1.3. 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.



Magyar Telekom Group's Code of Conduct is a summary of the corporate compliance requirements; this document sets out the common values of the Group and it is also the token of the strong position, reputation and successful future of Magyar Telekom. Everyone at Magyar Telekom Group must comply with the Code of Conduct, from staff employees to the Board members. In addition to the employees, the contracted partners of Magyar Telekom Group are also required to learn and accept these values when registering on the company's procurement site.

The Corporate Compliance Program is supervised by the Group Compliance Director. The Group Compliance Director reports directly to the Audit Committee, and is in direct cooperation with the Board of Directors, the Supervisory Board and the management. The centerpoint of the Compliance Program is the Code of Conduct.

In 2010, an external, independent party audited the Compliance program and they issued a certificate on our compliance with the external expectations and the system itself. In 2013, we reviewed the program, involving other areas, like procurement, internal audit, HR, sales area. This audit did not only focus on the system at various areas, but also measured the operational effectiveness of the control system as well. We again met the requirements that are certified by Ernst&Young as an independent external auditor.

In 2012, every employee of Magyar Telekom Group had to update his or her knowledge and accept the Code of Conduct after an online training. In addition, the company launched online training courses at group-level on anti-corruption and employee conflict of interest for employee target groups, selected through risk analysis. The company provides training, appropriate for their position for the new entrants on an ongoing basis.

In addition to the above, both the parent company and the Hungarian and international subsidiaries have given personal coaching to employees, working in areas exposed to compliance and fraud related risks about anti-corruption attitude, screening of the contracted partners and gift regulations.

In 2013, similarly to earlier years, the organizational units and the subsidiaries of Magyar Telekom Plc. took part in the process of risk analysis. On the basis of the result of the analysis, a comprehensive audit was conducted about the potential compliance and fraud related risks, the findings of which were submitted to the company's Audit Committee.

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. Magyar Telekom discloses corruption cases and response to those cases as required by the relevant laws and regulations.



In 2013, a total of 3813 employees were given remote training and 92% successfully completed them. Since 2008, Magyar Telekom Group employees have completed a total of 57,898 remote-learning compliance courses.

Prevention of Conflict of Interest

Deutsche Telekom Group and Magyar Telekom Group trust that the interests of their employees do not conflict with the interests of the company.

Conflict of interests resulting from other employment

Other employment means the performance of work at a place other than the primary place of employment, in the course of which the employee submits his working capacity to a third party, regardless of the fact whether or not he receives a remuneration for it. An own enterprise is also to be considered other employment. You may not enter such other legal relation-

ship, which conflicts with the interests of Deutsche Telekom Group and Magyar Telekom Group, especially if such relationship is prohibited by causes of competition.

Private investments

Deutsche Telekom Group and Magyar Telekom Group are not interested in holding such ownership share in its business partners or competitors that enables it to exercise business influence on them.

Use of company property for private purposes

The use of company property for private purposes is generally not permitted except if the given person is expressly entitled

to such use, if the Collective Agreement allows it, or if the operating processes and regulations permit. (Code of Conduct – How We Work 3.3.)

**1.4. REGULATORY COMPLIANCE**

In 2013, no fines were imposed on the company for violation of environment protection statutes and policies, or non-compliance with statutes or other decrees addressing fiduciary duty and manner of use of products and services. In 2013, no complaint was made and no relevant procedure or investigation was launched against the company by the Equal Opportunity Authority for discriminative practices.

At the beginning of 2013, Magyar Telekom had 20, whereas and at the end of the year 14 labor suits. With the exception of one, Magyar Telekom was plaintiff in all cases. In 2013, four new labor suits were filed. In 2013, no payment was made in labor cases following a court decision; in

out-of-court settlements Magyar Telekom paid a total of 13.76 HUF to 3 employees in damages/compensation in 2013.

In 2013, several proceedings were initiated by the National Media and Infocommunications Authority against our company, both private person complaints and general market surveillance cases were filed.

No fines were imposed in the general National Media and Infocommunications Authority proceedings, however, the private person complaints resulted in fines in several cases, in the total amount of 73 million HUF.

The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2013 the total amount of fines were 36 million HUF.

We always use our best efforts to ensure Magyar Telekom's compliance with the effective laws, and in order to avoid any further fines and proceedings we manage conflicts with continuous personal consultation, agreements concluded with the authorities and settlement plans set out in undertakings, made in the form of declarations.



Our future operation programs and IT developments to be realized through the implementation of the new CRM/customer service system play an important role in the prevention of potential cases of in compliance with our obligations.

No fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes in any case launched in 2013.

In 2013, altogether six Competition Authority procedures (2 affecting T-Home, 4 affecting T-Mobile) were filed against the company for alleged violation of the marketing communication standards, rules. No fines were levied in any of these procedures.

In one market supervision procedure launched earlier, where we communicated that ours is the fastest data network, the Competition Council has fined our company for 100 million HUF—the court appeal procedure for revision of the decision was still in progress in 2013.

1.5. POLITICAL PRESENCE

Magyar Telekom Group is involved in shaping public politics indirectly, through its representation organizations, in such a way that the representation organizations, in compliance with the effective regulation, get opportunity to comment the regulations.

The ministries pass the relevant regulations to the representation organizations, which synthesize the opinions received from the member companies and submit a summary to the relevant ministry. Such regulation commenting procedures are implemented through the Joint Venture Association, the American Chamber of Commerce (AmCham), the German–Hungarian Chamber of Industry and Trade, the Association of IT Enterprises, the Communication Interest Conciliation Council and the Hungarian Energy Traders' Association.

We have no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2013, which is in total compliance with the detailed stipulations set forth in the Code of Conduct.

Action against corruption and ethical conduct are important cornerstones for Magyar Telekom, consequently it requires its suppliers to adopt its Anti-corruption statement and the company's Code of Conduct, and to comply with the expectations specified as contract terms, too.

Besides, every supplier must learn and accept the Social Charter of the Group, which specifies the minimum social standards of the working relations and employment conditions.

We also request the suppliers concerned to accept the Coltan Policy of Magyar Telekom.

1.6. SUPPLIERS

Because of its size, Magyar Telekom Group has significant impact on other stakeholders in economy, thus the scope of its responsibility cannot be limited by the boundaries of the company. Besides, it is also important from risk management aspects that it establishes business contacts with such other companies, whose economic, social and environmental performance is up to a standard. In order to ensure this, the Group manages its supplier contacts from sustainability aspects, too. The group-level coordination of vendor relations is ensured by the Procurement Directorate, partly through the provision of centralized procurement services, and partly through coordination of the member companies' functional organizations.

The suppliers are selected in compliance with the laws, in procurement procedures that ensure fair competition, transparency and structured and documented processes. In its contracts 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.





The basic tool of supplier contact is the interactive internet site of the Procurement Directorate at (https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm), where the suppliers—after registration—can directly reach the newsletter service, the tender invitations, the supplier qualification system, and can make some of the official statements required to the procurement procedures.

The references, financial standing, quality and environment protection capabilities of the suppliers are assessed in a prequalification system, operated on the internet site of the Procurement Directorate, while the contractual performance of the suppliers is assessed in a post-qualification system on the basis of which they are categorized (A – approved and recommended, B – approved, C – may be used, D – cannot be used).

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 predominantly from qualified (A and B category) suppliers. For mutual development, we give the registered suppliers monthly reports about their results in the vendor qualification. We procure 74% of the value of the orders from qualified external suppliers.

In order to develop a sustainable supplier chain, Magyar Telekom continues to treat the regular evaluation of its top suppliers as priority with the help of the detailed supplier self-evaluation questionnaire developed by GeSI (Global e-Sustainability Initiative), which, in addition to environmental queries, also contains questions concerning compliance with human rights, occupational health, security

and business ethics requirements. So far 38 supplier evaluations have been completed these suppliers accounted for 31.3% of the overall procurement value; in 2011 the corresponding value was 31.5% whereas in 2012 it was 39%.

In 2013, we also evaluated 12 key suppliers—and then review them semi-annually—according to a supplier evaluation methodology developed by DT, which—in addition to the key financial indicators—also includes the web-based and the self evaluation questionnaire-based auditing of the given supplier's sustainability performance (the suppliers evaluated with this methodology accounted for 16.4% of the annual procurement value; in 2011 the value was 15.4%, whereas in 2012 it was 20%).

Deutsche Telekom provides significant support through industry specific initiatives to transform supplier relations sustainable, within the frame of which DT performed worldwide audits at selected suppliers. The unified criteria system of audits enhances and ensures compliance with minimum social and environment protection standards, which is also applicable to common suppliers of different member companies. In 2013, a total of 6 indirect Magyar Telekom suppliers were involved in Deutsche Telekom audits which is a proof of our compliance with the common group standards.

During the year, we set to developing the supplier chain management process, which has also been determined as a key strategic

transactions (CPEX) hit a steady high level and in 2013 reached 64% of all items ordered (in 2011: 58%, in 2012: 59%).

Further electronic catalogues, managed by the suppliers, have been incorporated in our internal ordering system. Orders thus placed are transferred to the supplier via fully electronic channels. The number of items ordered electronically further increased in 2013 and reached 43% (in 2011: 38%, in 2012: 40.5%). In the office stationary catalogue the supplier already marks "green" products, and we encourage our colleagues to order such items.

As to products, there is a blacklist and a gray list of ingredients, meaning that products that contain any of the listed materials are banned



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

objective. We appointed the supplier audit and the sanctioning areas as being in need of development.

The procurement processes, that constitute a significant part of the vendor relations, are implemented with the support of IT systems. The selection process is supported by an internet-based RPF and auction tool (OneSource), orders are also placed/confirmed through an internet-based electronic commerce solution (CPEX), managing transactions growing from year to year. These electronic solutions substantially reduce the processing time of the procurement processes and the e-mail based placement of orders further reduces the quantity of paper-based documents. In the past years direct electronic procurement

from procurement (blacklist), or are not recommended to procure (gray list) by Magyar Telekom.

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

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



Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local suppliers. By ordering products and services from the local³⁰ suppliers, we significantly contribute to the retention of jobs.

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

Member companies ³¹	2009	2010	2011	2012	2013
Magyar Telekom Plc.	74%	70%	71% ✓	75% ✓	74% ✓
KFKI	51%	58%	56% ✓	74% ✓	-
IQSYS	93%	95%	95% ✓	86% ✓	-
T-Systems Hungary	-	-	-	-	75% ✓
Pro-M	67%	53%	47% ✓	53% ✓	-
Makedonski Telekom	69%	67%	73% ✓	86% ✓	79% ✓
T-Mobile Macedonia	56%	55%	47% ✓	46% ✓	56% ✓
Crnogorski Telekom	48%	38%	42% ✓	52% ✓	42% ✓

DELFIN award to responsible companies

In 2008, our company established the DELFIN award: the award stands in Hungarian for a Committed, Sustainable, Innovative Generation (https://www.telekom.hu/about_us/society_and_environment/events/Dolphin_Award).

With DELFIN award Magyar Telekom wants to promote the idea of sustainable development among all companies in Hungary and recognize efforts made towards this goal.

Members of the professional jury:

- Péter Bodó – Conscious Buyers' Association

- Bence György – TV2, news broadcaster
- Dr. György Pataki – Corvinus University of Budapest, associate professor
- Ernő Simon – journalist, former editor in chief of Figyelő
- Katalin Szomolányi – Magyar Telekom, Head of the Corporate Sustainability Center

The fifth award ceremony was held on June 21, 2013 at the Sustainability Roundtable.

The application materials can be found at: https://www.telekom.hu/about_us/society_and_environment/events/Sustainability_Roundtable_Discussion



DELFIN award ceremony



With 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.

WINNERS OF THE DELFIN AWARD BY CATEGORY

Category	Winners
Support of equal opportunities and non-discrimination within and outside the company	Communication Institute for the Disabled People, RehabJob
Education and awareness raising of sustainability	Wagner Solar Hungária Kft.
Innovation realized for sustainability	Interpower Kft.

³⁰ Suppliers with headquarters in a given country

³¹ Magyar Telekom Group member companies with significant procurement value

2.

CUSTOMER RELATIONS

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In our work, we constantly endeavor to find the solutions with the help of which we can turn every customer complaint to satisfaction, what is more, into an experience, settling the customer into high quality and tailored satisfactorily to individual needs.

2.1. MANAGEMENT OF CUSTOMER COMPLAINTS

We accept that complaints we receive from our customers are useful signals, which help identify eventual gaps in our processes or otherwise. By eliminating these we can become more successful than our competitors and provide our customers excellent services.

In previous years we increasingly focused our attention on the analysis of feedback, received from our customers which were not necessarily viewed as complaints. We consider it exceptionally important that we should hear the voice of the customer, whether it be complaint or just the expression of an opinion and find the points, which once addressed, can serve to improve our customers' satisfaction with Magyar Telekom's services.

Drawing conclusions from the results of the earlier analyses, based on the 6Sigma methodology, and further considering the possibilities, we launched the Customer Feedback Management program in the third quarter of 2013, in the framework of which the feedback and complaints received from customers have been analyzed in depth to identify the causes of problems. Either short- or long-term development plans or process improvements can be articulated on the basis of the results, obtained in both mobile and fixed line areas.

We continue to attach key importance to having our customers satisfied with our products and services through the manner in which our staff carry out administrative work, however, in parallel with other customer service areas, there has been increasingly major demand since 2013 to improve customer experience in addition to satisfaction in complaint management.

When receiving complaints through various channels, our major expectation was in 2013, as in previous years, that complaint management should take place within the shortest possible time and the customer's problems should be solved and their questions answered as soon as possible, even during the first contact. In order to provide immediate solutions, we expanded the skills and competencies of our administrators even further than before at our call centers and in our shops, as well as supplementing the scope of complaints that can be handled immediately to save our customers from having to wait for an answer. Our colleagues working in the front office areas have been granted more competence since 2013, which enables them to immediately serve a broader pool of customers approaching them with a complaint. In addition to having their competencies expanded, quick, efficient complaint management by the front office has also been enhanced by their close cooperation with partner areas, thus preventing instead of handling subsequently emerging questions and complaints.



**RÉKA TÓTH
AND ORSOLYA NAGY**
HR partner managers

Close to our customers program

The program was launched in September, 2013, to offer the possibility for all interested employees to learn how our colleagues work at the customer service area. They could experience how we serve our customers day by day in our shops, call centers, online interfaces and at our customers' homes.

The initiative was launched in the spirit of one of the main objectives of the company: to provide the best customer experience. To this end it is inevitable that colleagues who do not work at direct customer relation areas meet our customers personally.

Main objectives of the program:

- Direct contact with customers: Employees working in back-office areas may have an oversight on the everyday work of their colleagues at direct customer relation points.
- Experience exchange: To strengthen communication among employees with the support of exchanging experience and information.

In September, 2013, the program was only available for employees of the residential area—with the participation of 452 persons—but now our colleagues at the financial and human resources areas may also participate in the initiative. The objective for 2014 is to expand the program to company level.



As a result of our activity, the number of issues received dropped significantly in 2013 compared to previous years, and average complaint response and issue management time continued to improve. We think in addition to achieving the targets that have been set in front of us, there is an additional task of outstanding importance to us, which is to help our customers obtain, through our administering processes, experience they cannot receive from any other service provider.

The most typical causes of complaints:

- the effect of economic changes—our customers are more sensitive and less tolerant;
- increased consumer awareness—use of quality services;
- complex services—more elaborate invoices, wide product range, occurrence of faults in administration.

In 2013, also, we performed our activities by strictly complying with the provisions of Decree No. 13/2011 (December 27), NMHH on 'The requirements of the quality of electronic communications services related to the protection of subscribers and users as well as on the validity of pricing'; complying with the legal regulations the authorities prescribe in order to protect consumers. Our complaint management process is certified and we published the actual values of compliance with the prescribed quality indicators at the following contact points: https://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees; http://www.telekom.hu/static/sw/download/2013_evi_MT_szolgaltatasminosegi_mutatok.pdf

T-Systems received in 2013 a total of 125 customer complaints. All of them were analysed individually (even involving staff of the professional areas concerned). The results of the investigation and the measures taken are described in the Fault Management Annex of the Service Activity Review Report (in a quarterly breakdown).

The Corporate customer support branch (BBU-VÜK) received in 2013 19,372 customer complaints (of which 14,035 were bill complaints).

Tasks of the Integrated Fault Management area:

- Response to customer calls received by the Direct Competence Centre by phone of mobile, fixed-line and internet technology nature, management of relevant complaints, receiving data and leased line fault reports and hosting faults and transferring them to the professional area.
- Delivery of service related operator tasks.
- Solution of problems of technical nature, emerging in connection with value added services.
- Dedicated field technical administration for corporate customers.
- Fault management in writing: response to complaints of technical nature, sending response to bill complaint, providing answer to queries of authorities.

There was no customer complaint at the Data Centre Infrastructure Branch in 2013.

The number of customer complaints at Crnogorski Telekom for 1000 customers was 59 ✓ for fixed-line telephone services, 71 ✓ for monthly charged services and 11 ✓ for top up card services.

Processes taking place in the fault management area at Crnogorski Telekom in 2013:

- Continuous improvement of the fault management procedure: the approval matrix of bill adjustment was implemented; adequate tracking and reporting process was established; complaints ranked according to customer value and type; all data became possible to record in the application; each and every complaint had the kick-off and closing document scanned to it; improved quality of categorizing.
- The procedure 'Crnogorski Telekom complaint management' was updated. In order

to improve the management of complaints, Back Office approached IT developers with several requests in 2013 in order to have the complaint management application improved (trouble ticket application at the Applications portal).

- 'One billing and CRM' Project: preparation for the 'One billing and improvement process' complaint management procedure.

In Macedonia, the number of customer complaints was 18,921 ✓ in 2013 in the case of fixed-line services, which constituted a drop of 19% ✓ compared to data from 2012, primarily as a result of the IP-transfer.

The number of complaints per 1000 customers was as follows in 2013 for the various types of service: fixed-line telephone: 37 ✓; internet services: 11.6 ✓; package services: 48.8 ✓. In the case of fixed-line services the number of customers was as follows in the end of 2013: 249,173; internet service: 148,105; IPTV-service: 88,149.

22,619 ✓ complaints were received from mobile customers, which constitutes an increase by 36% ✓ compared to 2012, primarily attributable to mobile data packages and, respectively, early terminations. 88% of the complaints were received from monthly rate customers, whereas 12% of them were received from top up card customers. In the case of mobile services the number of complaints for 1000 customers was as follows in 2013: top up card customers: 3.2 ✓; post-paid rate customers: 51.1 ✓. The number of mobile customers in late 2013: top up card customers: 806,489, post-paid rate customers: 388,761.

We continued in 2013 the unification of processes related to mobile and fixed-line

complaint management. Due to the new organisational structure (residential/corporate), the approval process related to complaints changed. The outdated platform we had used before to manage mobile complaints was replaced for a new one. The number of the visits of the governmental regulatory authority in the telecommunication market grew compared to that of previous years.

2.2. INFORMING OUR CUSTOMERS

Magyar Telekom Group consistently strives to make its offers as self-explanatory and widely accessible as possible.

The following addresses provide information regarding the services and tariff packages of the various lines of business, operated by Magyar Telekom Plc.:

- <http://www.t-home.hu/english>
- <http://www.t-mobile.hu/english>
- <http://www.uzletitelekom.hu/main>

Information about the services of our other major affiliate companies is provided at the following addresses:

- T-Systems: <http://www.t-systems.hu/home-page>
- Origo: <http://www.corp.origo.hu/portfolio.html>
- Kitchen Budapest: <http://www.kitchenbudapest.hu>
- KalászNet: <http://www.kalasznet.hu/>
- Makedonski Telekom: <http://www.telekom.mk/en/?z=222>
- T-Mobile Macedonia: <https://www.t-mobile.mk/public/personal-customers.nspk>
- Crnogorski Telekom: <http://www.telekom.me/private-users.nspk>, <http://www.t-mobile.me/eng/postpaid.aspx>

Detailed information and, respectively, modification if necessary, can be sought 24-hours-a-day through the telephone customer service for residential customers, which can be called free of charge on Telekom's domestic mobile network and, for subscribers of pre-paid services, by dialing 1777 (Domino exchange). In connection with residential and energy services of Magyar Telekom, we provide information on the 1412 number, which can be called from the Telekom mobile and fixed network as a toll-free call.

We have rendered Magyar Telekom's web site more readily accessible, by among other actions, highlighting the buzzwords established for online search and developing web services, all of which enables customers to make purchases quickly and simply. Services are available at the following web site: <http://www.t-mobile.hu/english/services>



ZSOLT CSÓKÁSI
Head of E-business department

Renewal of telekom.hu

One of the most important elements of Magyar Telekom's 2017 strategy is to provide high standard online customer services. A key element of this process was the renewal of the telekom.hu website.

Why is it important for us? For the user the website embodies the brand, the website is the place where one first meets Magyar Telekom, and this is where customers manage their transactions online.

The objective of the renewal was to offer a uniform platform for the entire service and product portfolio and to provide a single interface to manage queries, administration and shopping. It is also among our objectives to enhance the number of visits to the telekom.hu website, as well as the number of online transactions.

Almost 2 million people per month visit our websites. As the impression that we make on our customers is of key importance to us, in August 2013 we renewed the Telekom website after a year of planning, with the work of 93 experts and the restructuring of 6000 websites and 462 web pages.

As a result of the functional, structural and visual changes, the site structure is simplified and easier to review, the menu is optimized and user-friendly, and navigation is simplified to help our customers in finding information, purchasing and managing their transactions.

From a sustainability point of view, it is essential to serve as many customers as possible online. Our developments aim paperless processes, and besides offering comfortable solutions to our customers, we reduce our environmental footprint by way of channeling most processes to online interfaces.

As a next step we are preparing for the responsive design (varies by smart assets), with which our customers may comfortably reach us from any type of device. Based on our future developments we would like to offer an interface to our customers in the coming years, where they can find all home and mobile Telekom services at the same place and where shopping is a great experience.

2.3. MARKETING COMMUNICATION

It is especially important for Magyar Telekom to inform existing and future customers in compliance with the valid legal regulations. We do everything to have our advertisements depict our current offers precisely and clearly and to exclude the possibility of deception. For this reason an important step in our work processes related to creating our advertisements is to have them aligned with consumer protection aspects and the guidelines of the Competition Authority (GVH), as well as to making sure of their legal compliance. We render our current offers accessible to all using the highest possible number of communication tools, and exploiting, as far as possible, the possibilities of the advertising medium concerned. In this manner we can ensure the possibility to acquire the broadest available information and, thereby, to take responsible decisions.



2.4. CUSTOMER SATISFACTION

Magyar Telekom conducts customer satisfaction surveys quarterly, in the framework of which it continuously monitors the overall satisfaction of its customers (and thus that of the customers of its competitors), as well as the detailed perception of service elements that influence satisfaction (e.g. network quality, product range, customer service, etc.) The surveys can be interpreted separately for Magyar Telekom's domestic and mobile customer pools as well as residential and corporate customers (and, if necessary, further, more targeted customer segments) in terms of both their methodology and the results.

The results of these surveys generate, on one hand, a composite index figure expressing customers' satisfaction and the extent of this satisfaction, which enables us to monitor and readily interpret eventual changes in time. On the other hand the detailed analysis of service elements enables us to detect the current perception of the factors that influence customer satisfaction, in other words the areas of Magyar Telekom's activities in which it performs excellently and is perceived as such by its customers, as well as the ones in which quality improvement measures need to be taken in light of either our own earlier performance or the performance of competing service providers.

Customer satisfaction surveys are conducted by an independent research firm having expertise in market research. The questionnaires used during the survey are designed, data are collected, the collected data are collated and processed, the summary analyses and presentations are prepared and the results are interpreted by the research firm in close cooperation with the Research and Analysis Department.

Surveys are conducted through personal, standard interviews of samples that are set up with the professionally justified size, composition and weighting. The content of the question clusters does not vary substantially from year to year, in order to ensure the possibility of track trends over time. At the same time the methodology of conducting the survey and the design of the sample are revised and updated from time to time in alignment with the internal corporate (company group) needs and changes in the product range and the market.

Residential Customer Pool

The declining trend characterizing Hungary's residential mobile market in 2012 stopped in 2013, and the results of Magyar Telekom as well as its competitors stabilized at this new lower level. Due to the decline Magyar Telekom reached in 2013 the average level in comparison to the European benchmarking results of the industry, which means that it lost its advantage, witnessed in previous years. Satis-

faction with service providers is very balanced and no marked difference can be discerned. Magyar Telekom's results are a bit superior to those of competitors, thus it managed to retain its leading role. If we consider the respective service elements separately, we can see that Magyar Telekom's major strength continues to be attributable to the network, coverage and the service quality of calls, as well as the range of devices. Customers rated outstandingly positively their experiences related to uploading options, replacement of devices, T-Points and Magyar Telekom's website.

The satisfaction index in the market of fixed-line services among residential customers using Magyar Telekom's domestic service is comparable to that of mobile and reflects a similarly high service level. Satisfaction ratios of the mobile and fixed-line service sectors were equal in 2013. In a long term comparison the fixed-line market shows a very slight increase. Similarly to the mobile market, the achievements of service providers in this market are also very close to each other, however, considering the annual average, Magyar Telekom is slightly ahead the market. The value measured in 2013 fell between the Top 10% and Top 30% range of the European industry benchmark. The major strengths of Magyar Telekom include the complexity and the continually improving range of its services and products, as well as the network cove-

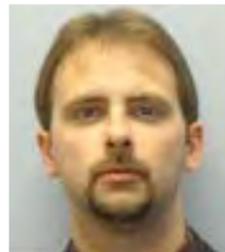
rage. Similarly to the mobile sector, T-Points and the web site also drew high praise.

Business Customers

The market of business mobile services was stable in 2013, similarly to the residential market. There is no major difference between Magyar Telekom and competitors with respect to the satisfaction index, and the perception of service providers is practically the same. Compared to Europe, Magyar Telekom is slightly behind the European average benchmark. Magyar Telekom's main strength is network quality, coverage, the business web site and the activity of its contact personnel.

Magyar Telekom continues to spearhead the market of fixed-line services and it managed to retain its slight advantage compared to competitors in 2013, as well. Compared to Europe, the result approaches the average. Magyar Telekom stands out from its competitors mostly due to the wide range of service offers, service packages and service quality.

In addition to the classical general satisfaction survey, we continuously measure satisfaction with specific customer relations events in the framework of the NG ICCA research. The aim of the survey is to monitor quality as perceived by customers and obtain information about customer satisfaction and their impressions of customer service.



ÁKOS MACZINKÓ
Head of Customer Experience Center



Customer satisfaction

In order to be and remain first we have to make the digital world more understandable and accessible for our customers. We have to ensure the possibility to live an easier, more colorful and successful life for everyone. To achieve this goal our commitment, communication and acts should reflect that meeting with Magyar Telekom is always a great experience. With this we will have and retain satisfied and loyal customers whose lives are more enjoyable and comfortable with our services and innovations.

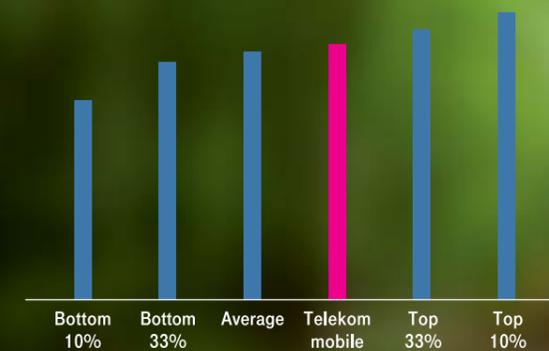
This can only be achieved if we transform our excellent, technology-oriented company into an excellent, customer-oriented service provider. We have to mobilize our intellectual capital with focusing on this objective and think, act in a way that our customers feel and experience that we create value for them and continuously work to live up to their expectations and maintain their trust.

First we have to serve their basic requirements with continuously high quality products and professional customer services. As we step up to the next level we provide simple and easily understandable communication and processes, while treating our customers as partners. The icing on the cake is the provision of customized solutions and the appreciation of our customers' loyalty.



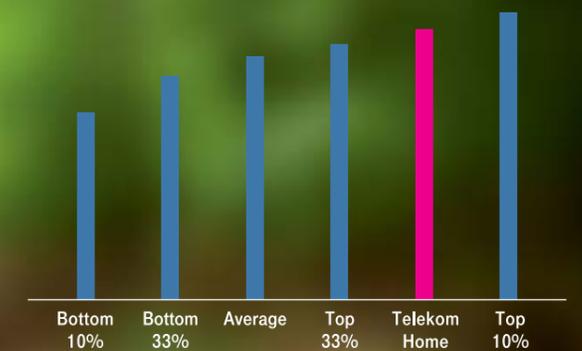
SATISFACTION WITH MOBILE SERVICES (RESIDENTIAL CUSTOMERS)

Result of Magyar Telekom's residential mobile market customer satisfaction survey, compared to the European industry average benchmark database, 2013



SATISFACTION WITH FIXED-LINE SERVICES (RESIDENTIAL CUSTOMERS)

Result of Magyar Telekom's residential home customer satisfaction survey, compared to the European industry average benchmark database, 2013





Customers are approached on the basis of transactions, which means, we interview them within 24–48 hours following the customer relations event. The survey covers residential and business customers.

Channels involved in the survey:

- residential and business telephone customer service
- automatic telephone menu-system (IVR)
- shop network
- device repair
- installation and repair of domestic services

In the framework of the 'Customer's Voice' type survey and applying the 'waterfall' model, we ask 4 closed questions of which the content of the first 2 questions is fixed, whereas that of the latter 2 questions is selected by rotation and incidentally, regarding the perceived quality of our customer management. In addition, a 5th open question provides our customers the option to express in a free text form their opinions about service. This option is usually exploited by one fifth of respondents. Typically willingness to give this type of response is the highest in areas where personal customer contact is common.

Individual and group results can be accessed by employees of the areas concerned and the Customer Experience Centre. The evaluation

takes place on a daily/weekly basis first at the operative level, heads of channels transfer action plans and development needs if they experience salient results. The quarterly analysis comparing channels is prepared by the Customer Experience Centre with the help of a unified methodology. On the basis of the research it is possible to identify which employee needs training, where waiting time has to be reduced and what operates differently from expected, etc.

At the expert level there is a Customer Experience Forum to address serious customer issues and requirements, which meets on a monthly basis and is also convened and coordinated by the Customer Experience Centre. At the executive level the status is displayed on the interface that shows marketing results. The manager of the business area concerned, addresses the shortcomings and deviations arising and compiles a plan of action, as well as making commitments to remedy the problems that have arisen.

The satisfaction survey looks back on a very long history at Magyar Telekom. Beyond global satisfaction shown in a regional breakdown, NPS (Net Promote Score) had been for years one of the main indicators of the survey, having been replaced by the CES (Customer Effort Score) since the early summer of 2013.

It has been done so because we consider customer loyalty to be by far the point most closely-related to the personal effort the customer needs to invest in having his issues addressed. CES can be measured with one question along a five-grade scale. "How much energy did you have to invest into having your issue settled?" The results of both the global satisfaction and the CES indicator have to be interpreted on a scale from -200 to +200. We started to analyze the CES-indicator and the free text feedback in context from the last quarter, thereby creating more value for both the customers and the company.

Comprehensive satisfaction results in 2013:

- From among the channels surveyed, the customers having used the installation and repair of home services and, respectively, the shop network are the most satisfied, which can be ascribed to the flexible solution of the problem/matter and the positive attitude of administrators.
- Transactions related to mobile services are typically rated higher than the ones related to home services.
- A great strength of telephone customer services is the professionally skilled and helpful team of administrators, however a significant proportion of customers consider the structure of the menu system to be too complicated and the waiting time too long.
- Customers are generally satisfied with technology services; however they consider the time they need to wait until installation or fault repair to be too long.
- Although the perception of customers has slightly improved, they feel the least happy with the IVR, because they think the waiting time is too long and due to the complexity of the menu system, they cannot get through to the administrator.

T-Systems conduct customer satisfaction survey according to the 'M015. Customer Satisfaction Survey' tasking.

T-Systems currently perform a 4-level customer satisfaction survey:

- Project based survey: At the end of each month a web-based project satisfaction survey questionnaire is sent to the commercial and project implementation contact person of each project in which the final invoice issued in the given month exceeds the value of 5 million HUF.

- Satisfaction survey of small and medium service customers: At the closure of each quarter a web based customer satisfaction survey applicable to SMB services is sent to 150 customers.
- Key customer service satisfaction survey: Every six months, a web-based customer satisfaction survey questionnaire is sent to 50%, of those customers with a key service contract, in rotation.
- Fault repair related satisfaction survey: A brief web-based rating questionnaire is sent for each closed trouble ticket with questions regarding trouble shooting.

Data of the completed customer satisfaction survey questionnaires are received upon statistical processing by leaders of the areas involved in the survey concerned and they incorporate the results and experiences in the work of their organizational unit. If a customer's response to a question is 3 or worse on a scale of 6 or a negative text remark is provided, a complaint ticket will be created automatically and the case will be specifically investigated for the reasons of saliently low values and, if necessary, improvement measures will be taken to regain and improve customer satisfaction.

Summarized results of the respective surveys:

- project based survey: 5.39 (on a scale of 6)

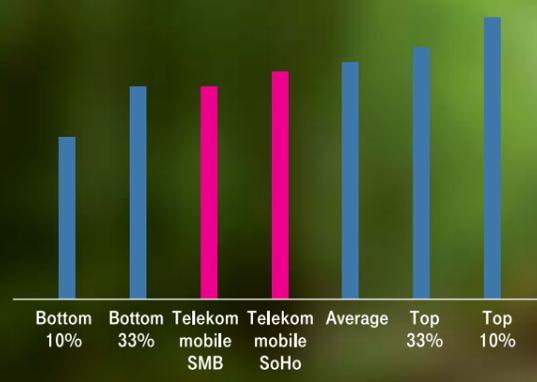
- Satisfaction survey of small and medium service customers: 5.05 (on a scale of 6)
- Key customer service satisfaction survey: 4.93 (on a scale of 6)
- Fault repair related satisfaction survey: 5.58 (on a scale of 6)

T-Systems' Competitiveness Development Branch conducts a satisfaction survey at the end of each year among strategic customers and commissions the Bell Research market research firm to analyze customer satisfaction. The research covers customers' satisfaction related to T-Systems' services, TSM image and being recommended to others. The survey approaches decision making customers, using web-based questionnaires (602 questionnaires) and personal deep interviews as well (93). Results of the survey are also shared with leaders of the organizations concerned to enable them take measures on the basis of shortcomings revealed in the course of the survey.

The Corporate Customer Support Branch conducts the ICCA survey involving an external partner. The essence of the method is that the external firm (Szociográf) has administration rated by the customer in the framework of a telephone interview. Survey results are analyzed in detail monthly by the leaders and professional superiors of the Direct and

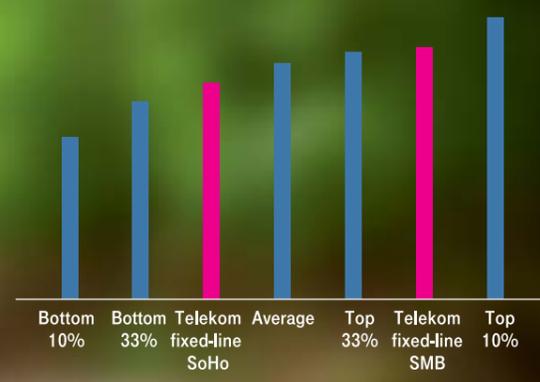
SATISFACTION WITH MOBILE SERVICES (BUSINESS CUSTOMERS)

Result of Magyar Telekom's mobile business customer satisfaction survey, compared to the European industry average benchmark database, 2013



SATISFACTION WITH FIXED-LINE SERVICES (BUSINESS CUSTOMERS)

Result of Magyar Telekom's fixed-line business customer satisfaction survey, compared to the European industry average benchmark database, 2013



GENERAL SATISFACTION INDICATOR BY-CHANNEL VALUES IN 2013



CUSTOMER SATISFACTION SURVEY OF THE DATA CENTRE BRANCH FOR 2013

Contacts of the Data Centre	Poor	Adequate	Fair	Excellent	Sample	Average	2012/Average
Accessibility of the Data Centre	0	0	2	8	10	4.80	4.30
Direct customer support activity	0	0	2	8	10	4.80	4.50
Customer focus	0	0	2	8	10	4.80	4.25
Technology environment							
Availability of electronic systems	0	0	1	9	10	4.90	4.90
Availability of engineering systems	0	0	1	9	10	4.90	4.90
Physical availability of the transmission systems built up in the framework of collocation service	0	0	1	9	10	4.90	4.90
Availability of technology personnel	0	0	4	6	10	4.60	4.70
Readiness of technology personnel	0	0	2	8	10	4.80	4.80
Contact with technology personnel	0	0	2	8	10	4.80	4.80
Expertise of technology personnel	0	0	1	9	10	4.90	4.70
Security Service							
Availability of the Security Service	0	0	1	9	10	4.90	4.90
Readiness of the Security Service	0	0	1	9	10	4.90	4.80
Expertise of the Security Service	0	0	1	9	10	4.90	4.90
General							
Quality of the collocation environment	0	0	2	8	10	4.80	4.70
Treatment of eventual issues directly connected with the collocation environment	0	0	2	8	10	4.80	4.80
					Total	72.50	70.85
					Sample number	15.00	15.00
					Average	4.83	4.72

Dedicated Competence Centre. This element constitutes part and parcel of the monthly performance review. Employees are regularly trained with a view to customer satisfaction improvement. Internal training sessions are organized with the help of training firms.

The customer satisfaction survey of the Data Centre Branch for 2013 was completed in April 2014. The results were determined on the basis of the questionnaire sent to customers.

Crnogorski Telekom use two values for their customer satisfaction surveys: TRI*M and NG ICCA. They approach customers every 90 days and surveys are conducted by text message sending and IVR.

- TRI*M T-Com and TRI*M T-Mobile surveys are conducted quarterly, by telephone interviews:
Method: Fieldwork agency (interview), data processing, short, medium and long waves

Residential segment:

- Growth after 3 years' decline
- Main drivers: call centre, customer service, product range, web site and loyalty program.
- Results demonstrate that the initiatives aimed at the enhancement of customer loyalty have had a favorable effect while mobile results have been the first time beyond the average of competitors.

Corporate segment:

- Growth in fixed-line after 3 years' decline.
- BC TRIM index included in 2013 for the first time in comparison with Telenor.
- TRI*M exceeds that of Telenor.

- The Next Generation ICCA program is being implemented by DTAG's national companies to obtain a more precise and updated view of how the given national company performs in terms of customer satisfaction. The NGICCA program replaced the ICCA program implementing a more automated framework system of collecting data and reporting.

In Montenegro NG ICCA started in October 2012. The base was the last quarter of 2012 in consideration of which targets were established.

ICCA SURVEY OF THE CORPORATE CUSTOMER SUPPORT BRANCH

ICCA-target value in 2013:	ICCA-scores in 2013
CC: 105 scores	CC: 115.3 scores
Dedicated pilot: 135 scores	Dedicated pilot: 150 scores
Field staff: 165 scores	Field staff: 173.3 scores

In 2013 the following number of interactions (contacts) was established by each solution:

- self service IVR: 2933
- customer service: 43,130 (front office: 27,260, help desk: 15,807)
- retail and sales: 23,234 (own shop: 11,770, partner shop: 510, telesales: 10,954)
- field technician: 11,373 (provisioning: 796, fault repair: 10,577)
- customer path solution (launched in September 2013): 4758 (by 3 months after activation: 1830, and by 3 months before expiry: 2928)

Targets of the NG ICCA program are as follows:

- Tracking: tracking customer satisfaction on all channels (customer service, sales, TCS, self service).
- Precision: more feedback from customers to improve customer-front precision.
- Easy use: to enable finding prerequisite data easily.
- Improvement: reports for every manager to enable them conduct measures.
- Efficient performance of the survey, with automated tools.
- Maximized samples enable high definition measurement (e.g. at agent level).
- Immediate response to customer feedback, to improve satisfaction, loyalty or revenue.

Makedonski Telekom measures customer satisfaction regularly using the TRI*M methodology. TRI*M is a strategic management tool, which covers every important aspect from measurement to implementation. The survey is conducted quarterly, in 4 residential and 2 company waves at T-Mobile and T-Home. The survey includes the analysis of customer relations, identification and ranking of perfor-

mance improvement measures, furthermore the assessment of the strengths and weaknesses as compared to competitors.

The most important result of the survey is the TRI*M Index, which expresses in a quantified manner the satisfaction of and the ability to retain customers. The detailed TRI*M Driver Tree provides a comprehensive and detailed picture of the network, prices, products, customer information and customer service.

TRI*M results are regularly analyzed by a dedicated team, in which every relevant area of the company is represented. As a result of the analysis improvement measures are identified and implemented. Some of the specific actions are measured in a dedicated manner through TRI*M impact survey, which measures the impact of the respective specific measures on the TRI*M score and its relevant components.

2.5. INVOLVEMENT OF OUR CUSTOMERS



Being a responsible company, Magyar Telekom holds it important that its environmental and social initiatives are rendered accessible to its customers. Whether this relates to marketing communication, sponsorship or donation activity, the inclusion in the activity of a kind of customer sensitizing and education is increasingly entering the focus.

The 'Joining the Earth Hour' initiative on March 23 saw several shops of Magyar Telekom turning off their lights to draw attention to damage, caused by climate change and excess consumption. In connection with the event customers were granted the option to select from environment friendly products at a 20 per cent discount from March 23 to 31, 2014. The campaign included devices like the Nokia Lumia 610, which has been 100 per cent manufactured from recycled material.

The first 100 customers purchasing on internet were also granted a gift molino bag.

Magyar Telekom offered to set up three community gardens for Budapest primary schools, nominated as part of the Vivicitá City Protecting Run, so as to allow children acquaint themselves with the practice of self-sufficiency through taking care of the garden, making its use a part of their life and also through targeted classroom sessions and



Forming the ReGarden community garden

identifying with the approach of sustainability. The community garden was won through application by the 17th district Gyurkovics Tibor Primary School, the Homoktövis Primary School of Újpest and the 20th district Lázár Vilmos Primary School. The gardens came into being with the help of the Kortárs Építészeti Központ (Centre of Contemporary Architecture).

Tens of thousands took part in the free of charge week-end programs of the Gyerek Sziget (Children's Island). Here again environment conscious behavior was in the focus: rags turned into flowers, pet bottles into jewelry and stones into home decoration. In Magyar Telekom's hello holnap! Liget children were invited to play with the idea of environment awareness. Here again toy recycling was revisited: collection of donated toys is close to becoming a tradition, to the great joy of children who are compelled to go to hospital due to illness or who live too far away to visit the Children's Island.



Hundreds of children visiting the program brought along their one-time favorite toys, to have them passed on to ill and disadvantaged children through the civil organizations cooperating with Magyar Telekom.

Sustainability Media Club

Our joint success stories with the Sustainability Media Club, established three years ago, include the occasion when member journalists were running together with us at the Telekom Vivicitá run to support community gardens at schools: each completed km donated one more plant to the sponsored school. The members of the club donated 3 cubic meters of toys to the Gyerek Sziget (Children's Island) campaign, collected in their office buildings. On the Sustainability Day a workshop was organized where experts discussed the impact of media consumption on children's mental

and emotional development. The participants of the workshop were Annamária Kádár, child psychologist, author of Tale Psychology, Szilvia Gyurkó, human rights director of the UNICEF Committee of Hungary, Judit Ujvári, representative of Mobilsuli Association and Andrea Nagy, Chello Central European marketing and communication director. The moderator of the event was Éva Barabás.

Within the frame of the traditional Adni jó! Sütiakció (It is Good to Give! cookie campaign) Magyar Telekom employees, together with Axel Springer, Cemp group

(index.hu, blog.hu), Class FM, Metropol, Origo, RTL Klub, Sanoma Média and TV2 editors and journalists made and sold cookies in the value of more than 800 thousand HUF for the benefit of the NGO providing jobs for disabled people.



Toy collection was joined by the Sustainability Media Club: from among its members Axel Springer, Cemp Group (Index, Blog.hu) and Metropol had been collecting toys from their own employees for four weeks, and over 3 cubic meters of plush animals, small vehicles, story books and party games landed in the collecting boxes put up at the editing houses and then added to the rest by Ildikó Kerek representing the Media Club.

Thus the amount of toys accumulated by the end of the Children's Island grew to 10 cubic meters, which was taken over on the closing day of the event by Tamás Romhányi, representing the Charity Service of the Order of Malta, and Péterné Tölösi and Kriszta Tölösi, representing the Péter Tölösi Foundation from Csilla Márton, representing Magyar Telekom.



IVÁN RÓZSA
Director of Corporate Communications

“Sustainability Media Club stepped up to another level last year: it had become a real community, where members are open for common thinking and—besides spreading the good news—actively participate in events. Magyar Telekom is not just a facilitator it is also the engine of the initiative—we are proud of and thankful for their cooperation.

www.fenntarthatosagimediaklub.hu



Handover of the collected toys at the Children's Island

The hand-over was attended by Éva Barabás, representing children as the Ambassador of the SOS Children's Village Hungary Foundation, who expressed her views from the perspective of those in need: "The importance is not the amount of toys but the fact that we think of others and each other, as help and happiness brought to children cannot be expressed in terms of cubic meters..."

As a part of the 'Color winter with more experience!' campaign, Magyar Telekom organized a special event on December 20, 2013, at Budapest's Saint Stephen's Square. The company involved Hungary's celebrities and organized a one-day event called the 'Great Sledge Painting to Help Children Living in Poverty' during which those interested could paint colorful sledges and then take them home. Many people taking part in the event offered token amounts in return for charity purposes. The donations collected went to the Igazgyöngy (Pearl) Foundation.



Environmentally creative activity at the Children's Island

3.

COMMUNICATION

WITHOUT BOUNDARIES

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3.1. ICT FOR SUSTAINABILITY



One of the key priority tasks of the current sustainability strategy of Magyar Telekom is to increase the percentage of sustainable products in its portfolio.

In line with this objective, in 2011 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 in 2012 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. In 2013, we reviewed our products and services. Within the frame of the revision, the sustainable product database was updated, i.e. cancelled products were deleted whereas new products—upon their assessment—were entered in the database of sustainable products and services.

The updated catalogue is available at: http://www.t-mobile.hu/static/sw/file/Telekom_katalogus_2014_majus.pdf

Under the name of Telekom IT Services we offer IT applications, methods, functions to small and medium enterprises that can be used inside and outside offices and increase efficiency, reduce costs while being environment-friendly.

- Microsoft Office 365 services support effective and joint remote teamwork. With the use of these services travel costs and time can be reduced in many cases and harmful exhaust emission is eliminated. The Microsoft Office 365 service packs include well-known desktop applications (Word, Excel, PowerPoint), the high quality Outlook Exchange e-mail system as well as innovative, cloud based services (video conference, file and screen sharing, teamwork storage space).
- Magyar Telekom's Virtual Server solutions allow our customers to avoid purchasing and locally operating their own servers to ensure their company's effective and secure operation. If a

company operates its servers at its own sites, the relevant IT facilities have to be equipped with expensive and non-environment-friendly air conditioning and fire extinguisher equipment. However, if the computers are placed in centralized data parks, the total energy consumption is reduced, which ensures an environment-friendly solution. Therefore an outsourced, rented server capacity scheme has many advantages from the point of view of environment protection.

- VoiceCenter call management service directs incoming calls placed at the company's central telephone number to the responsible employee, and helps to manage the request of our customers and partner in a swift and effective way. VoiceCenter is a communication tool that can be easily managed anywhere and any time through the internet.
- With the use of Telekom Bulk SMS service as many as several thousands

of personalized SMS messages can be sent from a web interface swiftly and easily. The service helps to protect the environment as it reduces the quantity of printed advertisement material and the environmental footprint of their distribution.

- The online based Fax2Email service eliminates outdated printed faxes to save paper, ink, power consumption and costs.





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 and is favorable for the customer.

List of the most important products and services with a sustainability impact in early 2013:

- Office in the pocket: Blackberry Enterprise
- Compleo
- e-procurement
- Pediatric consulting line
- Hosting services
- MasterCard Mobile
- Mobile internet
- Mobile code
- Mobile purchase
- PraxisPlatform
- Bill provision
- Távszámla and electronic bill
- TelePresence
- VideoGate
- Telekom IT Services
- VitaDock
- Virtualoso
- hello holnap! fee packages
- Office 365
- Fax2Email
- Sustainable devices (marked with hello holnap! sign, 48 devices)
- Telekom swift payment

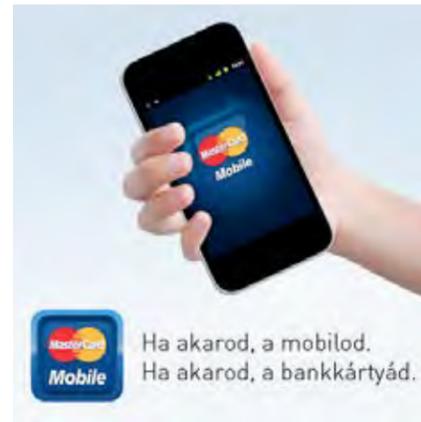
You can find more information about the sustainability benefits of the above products and services on the following website: https://www.telekom.hu/about_us/society_and_environment/ict_for_sustainability

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, equal opportunities and personal growth.

- Economic pillar: assessment of the contribution of the product/service to sustainable consumption, competitiveness and actual needs.
- Environmental pillar: assessment of the contribution of the product/service to the preservation of resources, reduction of the environmental footprint and climate protection.

For further details please read the Sustainability Report of 2009: http://www.telekom.hu/static/sw/download/Sustainability_report_2009_eng.pdf



PÉTER LAKATOS
Chief Commercial
Officer SMB

Companies must operate smart to remain competitive in the long-term. Companies do have opportunities—from the thorough examination of the office space market through conscious paper use to selecting green, sustainable IT solutions—with which they can save money and protect their environment at the same time. We, at Magyar Telekom, are in contact with the two-third of Hungarian small and medium-sized enterprises and, as a result, we bear social and environmental responsibility as to what office and IT equipment we use in our product portfolio.

Obviously, the first thought that comes to one's mind is the tons of printed documents, being one of the most harmful by-products of office work. Besides being harmful to the environment, regular printing incurs significant costs with companies in the long-term. We always recommend at every possible forum that one should go to meetings only with a laptop or tablet, because it does not only make our lives easier when it comes to presentations but also allows to immediately jot down all important parts of the conversation. Although e-bills are not widely used yet in Hungary, it would be worth shifting to their use in the long-term. With less paper consumption companies do not only protect the environment but also save time, money and space. With the help of video conferences one may create an environment for meetings where there is no need to physically leave our offices. With the use of this solution, companies may save travel time and fuel costs.

Besides the above, there are numerous other services in Magyar Telekom's portfolio that offer sustainable solutions. With the use of these professional services one can work from anywhere that may save on the company's utility bills.



3.2. CLOSING THE DIGITAL DIVIDE



With its digital integration program, Magyar Telekom strives to close the divide and facilitate the positive effects of info-communication technologies.

Digital divide is the name used for the phenomenon of different groups of society, having different chances to access information technologies (due to geographical location, social or other reasons).

For economic development in this age, it is crucial to access information and communication technologies. The transformation of social relations and communication makes it important for us to get familiar with new technologies and the opportunities offered by them.

Support for the disabled

Magyar Telekom set the objective to elaborate complex services for the disabled. Together with the interest representation organs, we jointly elaborated the hello holnap! fee packages that are available to the hearing, sight and otherwise impaired in the form of pre- and post-paid fee packages (mentally disabled may only use pre-paid packages).

Internet for Equal Opportunities (Egálnet) program

At the end of 2006 a community portal was started with the purpose of supporting the efficient operation of organizations helping disadvantaged groups by means of exploiting

the opportunities, offered by the internet. Egálnet is a community site that enables registered organizations to use a simple program to create their own websites, as well as to keep in touch with each other—naturally all for free. The target group of the program includes NGOs representing socially disadvantaged or disabled people, groups supporting young unemployed individuals or ones just starting their careers, schools, minorities, as well as foundations, associations addressing other social problems.

The project provides means to the target group—interest groups, NGOs—enabling them to develop their capabilities and communication, which translates into an improvement of their professional achievements. Communities, NGOs can advertise themselves, exchange information and experiences with similar organizations, and even collect more donations.

Until the end of 2010, more than 200 organizations joined (registered) to participate in the program. In 2011, we checked how many of these organizations actually use the site actively, and deleted those websites where there was no activity for a long time (the organization that created it discontinued its

hello holnap! fee packages

We recognized that the access to and use of telecommunication services make disabled people's lives easier thus everyday electronic solutions become reachable and these people's homes become more livable and accessible. Magyar Telekom is the first to offer complex services in Hungary to the disabled. In order to use hello holnap! fee packages one only has to be a

member of the relevant interest protection organizations (MEOSZ, SINOSZ, MVGYOSZ, ÉFOÉSZ). The services are offered at competitive prices—more favorable than our own fee packages—in the form of post-paid and pre-paid packages. hello holnap! Voice and Data package contains 100 hours of voice traffic, while the hello holnap! SMS and Data package contains 1000 SMS messages. Both packages contain 1 GB

internet traffic, and video telephone services are also offered at a discount price. The package, elaborated as the joint effort with the interest representation organs, has been available since November 1, 2013.

For further details on the fee packages, please visit: <http://www.t-mobile.hu/lakossagi/tarifak/havidijas/helloholnap>



Under the Digital Bridge at Small Settlements program the volunteer team of Magyar Telekom visits disadvantaged settlements of fewer than 3000 inhabitants to give them efficient, customized IT education.



operation, uses other website, or has no time to manage its site). So by the end of 2013 we had 50 active sites remaining in the program; for these Egálnet offers help in daily operation.

Further information is available on the following websites:
<http://www.egálnet.hu/object.5ED601BC-C574-4C66-9A66-13C4B0A26730.ivy>

Supporting isolated, disadvantaged settlements and groups of society

The purpose of Magyar Telekom's Digital Bridge at Small Settlements Program is to increase awareness of the achievements and the opportunities offered by information and communication technologies in regions, where the digital rift is present and over time may deepen into a divide.

The course participants learn the many different uses of internet and how it can make their life easier. Digital Bridge activities also include the development of relations and ongoing communication with the students.

By the end of 2013 we organized 167 events with the average participation rate of 350 persons per event.



Digital Bridge at Ajak

Digital Bridge has been running for 10 years

Digital Bridge events have been thoroughly remodeled recently. Access to the internet has become so much part of our everyday lives that one just cannot compare it to its initial stage. Younger generations use the internet instinctively; however, they do not yet take many of its advantages. Our

'bridge builders' help young people to use the internet, to find and process the relevant information. Older generations are more reluctant to learn how new technology works but the event gives them self-confidence. With the help of the internet they can contact their friends, exchange recipes and keep contact with their grandchildren. In 2013—in order to support the digital switchover—our

colleagues presented the advantages of digital TV services at Digital Bridge events.



Digital Bridge Fest at Tiszasas

Digital Bridge Fest

In 2009, Digital Bridge at Small Settlements Program was supplemented by a new element, called Digital Bridge Fest. Volunteers of Magyar Telekom continue to educate the inhabitants to use the internet as part of this program. As a new program element, a talent contest is held among local talents, where the winners are offered the opportunity to introduce themselves and perform through the internet.

These events are usually coupled with some other community event (e.g. village fiesta), but

often we ourselves generate such events. In 2013, a Digital Bridge Fest was organized at Tiszasas, at the village fiesta. The jury of the contest was comprised of András Vízy and Iván Rózsa, Magyar Telekom's Director of Corporate Communications.

Videos, pictures and further information about Digital Bridge program:
https://www.telekom.hu/about_us/society_and_environment/society/digital_bridge



It's the seventh year now that Crnogorski Telekom has been providing free of charge ADSL internet connection to primary and secondary schools and continued to provide free of charge wifi access at 18 locations in Montenegro.

Crnogorski Telekom

Through the cutting edge technology based products and services, the company strives to make the internet part of people's everyday lives. In 2013, under the 'Connect the unconnected' initiative, being part of the company's Sustainability Strategy, the company provided free services to certain beneficiaries: kindergartens, primary and secondary schools, associations and organizations that help the development of disadvantaged people and the Montenegrin society.

Makedonski Telekom

- In Macedonia fixed network access coverage is provided to 98% of the households. In rural areas without coverage they try to use FGSM solutions to cover voice service requirements.
- With the use of 387 ADSL devices, the company can reach the entire territory of Macedonia with broadband services and covers 92.8% of the households (+3 Mbps). Rural broadband access will be further improved with the implementation of UMTS 900 and LTE 800 MHz technologies.

3.3. T-CITY, THE CITY OF FUTURE



The cooperation between the company and Szolnok is a long-term innovation program, focusing on the spread of digital literacy, transportation, public security, tourism and energy efficiency.

T-City project has been running in Szolnok since May, 2009. The some 78,000 inhabitants of the city can benefit from possibilities offered by the pilot project, experience the impact of the latest ICT technologies on the quality of life and learn the community services of Magyar Telekom.

In 2013, the following services and tests were continued or introduced in the city:

School Card

Since the start of the 2009 school year, one primary school in Szolnok has been equipped with an access control system, using Radio Frequency Identification (RFID) technology, which register the arrival and leaving of the

students holding an access card. Parents can opt to receive an automated SMS message, or track their children's entry/exit times via the internet. In 2011, the system was upgraded with turnstiles to further increase security and with an e-meal ticket solution to enhance convenience, and a new school portal has also been introduced. In 2012, we connected the system with the City Card system, which enables the use of two independent systems with a single card.

City Card: Intelligent Community Card

In May 2011, Szolnok City Card was introduced in T-City program, with which the citizens can use innovative services and get various discounts. The system was launched with

the involvement of the Local Municipality of the city of Szolnok, Magyar Telekom, Jász kun Volán Ltd. and NetLock Kft. (the latter is the leader of the consortium that developed the CityPass system). The test run of the Szolnok City Card was held from May 1 to December 31, 2011. Participants of the test were given an intelligent RFID card which, with the help of the CityPass system, enabled them to use modern community services.

In 2013, we further developed the Szolnok City Card. By now Telekom Intelligent Card System includes School Card and City Card modules; Safe Party Zone and eVoting modules are also ready. The system was integrated into the Mobil Purse application.

City Guard

The eNOTO equipment, to be installed in the framework of the development, is a practice-proven equipment, monitoring roads entering and leaving the settlement, which can play key role in improving public security and also the subjective sense of security of citizens. The eNOTO can be quickly installed and its management does not require in-depth technical knowledge or dedicated staff. The equipment is used particularly efficiently by the national and the local authorities, responsible for public security or the civil organizations authorized by them.

Mobile City 3.0.

Mobile City is one of the latest applications developed by Magyar Telekom in the T-City program for Android and iOS platforms, and it is entirely customized to the conditions and requirements of Szolnok. The content is uploaded and managed by the city, which gives the content owner a great deal of independence in reaching the visitors and citizens according to its own concept and city marketing, but on a completely new forum. The content service enables the visitor to reach the tourism sight listings and the program service offerings of the local tourism businesses, simply by holding their phone in their hands. In 2013, we further developed the software: NFC and QR code reading



functions were implemented that opens new opportunities for the city. Currently we work on the availability of certain functions of the community card system.

Optimal Energy Management System

We have installed the Optimal Energy Management System in three local municipality institutions. The system audits the energy efficiency of the institutions which we submit to the competent officials of the local municipality. With a view to the successful future sale of the system, together with T-Systems, we have started to develop a complex energy efficiency increase package, for the support of which we are developing strategic cooperation with GE Lighting.

Alakítsd a jövő városát! (Shape the City of the Future!)

In 2012, we released an application, called 'Shape the City of the Future!' Within the frame of the initiative we selected 20 families who were involved in Magyar Telekom's innovation processes. As a result of the project these homes will be the first to receive for trial the latest services, products of Magyar Telekom, even the ones still under development. We will consider their comments in the product development process. The program is especially important for Magyar Telekom, because it may play a major role in the spread of digital competence.

ICT awareness raising initiatives

Magyar Telekom Plc. is strongly committed to closing the digital divide. In this spirit it has organized two program series which Szolnok citizens can visit free of charge. T-City Kids club courses bring closer to primary school students the novelties of mobile phones and the internet. T-Kids courses held four times in the spring and three times in the fall also included internet security presentations by the company for primary and secondary school pupils. Magyar Telekom invited staff of the Blue Line Foundation to provide information to children about the dark sides and threats of the internet, how to prevent them and what tricks can be used for safe internet access. Magyar Telekom launched Internet Academy initiative for the elderly, retired residents of the city. The presentations introduced participants to internet usage and familiarized them with the basics of internet security.

The cooperation between Magyar Telekom and Szolnok Municipality is unique in Hungary, but is intended to show a good example to the rest of the country.

3.4. KITCHEN BUDAPEST: PLAY, INCUBATION AND EDUCATION WITH MAGYAR TELEKOM'S SUPPORT



KIBU searches interconnection points between social research, arts, sciences and the internet to mould as many of the bright and inspiring ideas hatched there into lasting success.

The success of the Hungary of the 21st century lies in its ideas. To reach it you need a workshop where ideas can roam and evolve freely. Kitchen Budapest (briefly KIBU) was established back in 2007 with the support of Magyar Telekom, and our involvement guarantees the operation of this special lab for the 7th year now. It is a laboratory helping Hungarian ideas rise from the ground with play, incubation and education. Today, the thing that counts is not the idea but rather how you can forge lasting success out of the value, content and credibility rising out of the idea. KIBU searches interconnection points between social research, arts, sciences and the internet to mould as many of the bright and inspiring ideas hatched there into lasting success. So ideas work not only in theory, at the level of concept, but also past the test in exemplary manner in the economic and social environment.

KIBU looks on the Startup Program, launched in 2012 as an important success; it gives teams having a budding idea the possibility to make their dreams come true. Out of more than 500 contacts 5 teams successfully entered the incubation program.

It is part of our mission to realize worthy ideas. Upon launch of the Start Program it was clear that Hungarian young people need an even earlier phase idea-development program. Based on this need, we established the Talent Program at the end of 2013 to focus on experimenting. In this case the objective is to elaborate design product and service ideas with business potential or cultural vision that may have good chances to successfully enter the Startup Program. The important thing is that these initiatives may hold out firm in the future—both from a business or innovation value perspective.

For more information, please visit the <http://www.kibu.hu> website.

3.5. INNOVATION FOR SUSTAINABILITY

Research and development

At the end of 2013, Magyar Telekom launched the 'Realization of info-communication R+D+I umbrella projects at Magyar Telekom' tendering project with the goal of supporting the further development of its existing residential and business services with innovative solutions, and to identify new, non-core development areas and innovation directions. The project was realized with the support of the Hungarian Government and was financed by the Research and Technology Innovation Fund.

We implemented several R&D themes with a sustainability dimension in the framework of the umbrella project:

- blind guide: spy camera,
- green consumer group research,
- rollout possibilities of the e-bill service to additional platforms.

Healthcare Mobile

In 2013, Magyar Telekom released another major tendering project, under the name of 'Magyar Telekom Plc. Healthcare Mobile Service Research-Development'. Within the frame of the one-year project the company works on the development of an eHealth platform that connects various mobile based residential eHealth services. With the use of the new development, patients can make appointments with their doctors and prepare for the medical examinations. The solution simplifies various other information



In 2013 a total of 1125 registered users rented bikes on almost 6500 occasions (average of 60 rents per day), mileage of more than 10,000 km and eliminated 2500 kg of CO₂ emission.

gathering and administrative tasks as well. The project was realized with the support of the Hungarian Government and was financed by the Research and Technology Innovation Fund.

TeleBike

TeleBike, Magyar Telekom's bicycle rent service for employees, was launched on May 24, 2013. The company's employees may rent bicycles of uniform design free of charge, from well-recognizable docking stations to commute between various office buildings more swiftly and with a smaller environmental footprint.

In 2013, TeleBike system worked with 40 bicycles. The bikes were used to travel between four Magyar Telekom and T-Systems Hungary sites.

With this exemplary initiative Magyar Telekom expressed its commitment to sustainable development and innovative solutions. TeleBike is not a profit-oriented project and the development is not simply a convenience service for our employees but also an environment-friendly solution to support sustainable growth.

Successful events:

- Telekom Olympic Games: TeleBikes could be used by Magyar Telekom employees and their family members to travel between various sport facilities during the one-day event. More than 150 rents were registered during the day and based on the feedback given to our survey this was one of the most popular programs of the day.
- Sustainability Day 6: TeleBike also participated the event as an exhibitor. It was very popular among visitors.
- Health Bridge (October 13, 2013): TeleBikes were rolling to support the anti-breast cancer and health-preservation campaign.



TeleBike station in front of the headquarters of Magyar Telekom

Green energy: Iszkahegy pilot

Within the frame of a pilot project, in November, 2013, a vertical axis wind-wheel and a sun-tracking solar cell was deployed at Magyar Telekom's Iszkahegy radio tower to facilitate a green energy project. The development was realized in cooperation with the Innovation and Business Development Directorate and the Infrastructure Services Directorate, with the support of the Corporate Sustainability Center.

The wind-wheel, placed inside the grid structure of the tower and the joint use of wind and solar energy is a unique solution. The green energy devices were designed and manufactured to fit the special environment of the tower. With the use of the device part of the local electric energy consumption can be covered from renewable resources, and with this—besides reducing CO₂ emission—Magyar Telekom contributes to environment protection and sustainability. With this project Magyar Telekom is organically connected to the Hungarian Government's green economy development concept, contributes to the fulfillment of its own sustainability objectives and supports the hello holnap! communication efforts.

During the pilot operation, Iszkahegy green energy production is continuously measured and the system's operation and effectiveness are also monitored. In case the results are satisfactory, the program can be rolled out to more towers.



Vertical axis wind turbine at Iszkahegy



In 2013, the roll-out of the new generation broadband network technology continued, which, after the implementation of the support system (OSS) developments, made it possible to operate agile processes answering the challenges of the future. As a result of the modernization of the broadband network in 2013, we can now declare that the functions adjusted to the new customer requirements are being implemented on the most state-of-the-art technology available in the market.

3.6. SERVICE AVAILABILITY

Magyar Telekom grants subscribers' rights connected with service availability and fault repair on the basis of its General Contract Conditions, available on the internet and in the customer service points. In these the company guarantees compliance with the published quality targets in the service provision process in its entire service area, whose compliance is controlled with tests, and the methods of measuring are made public. The company also specifies here the quality target figures of services provided, and continuously measures their fulfillment and makes the readings publicly available annually. Faults are managed in the dedicated subscriber process, among others, in line with their rights laid down in the General Contract Conditions, after the detection and registration by the company of the fault.

The General Contract Conditions are available: <http://www.telekom.hu/szolgalattasok/aszf>

Magyar Telekom strives to ensure continuous availability with regular technological upgrades and with the provision of spare devices.

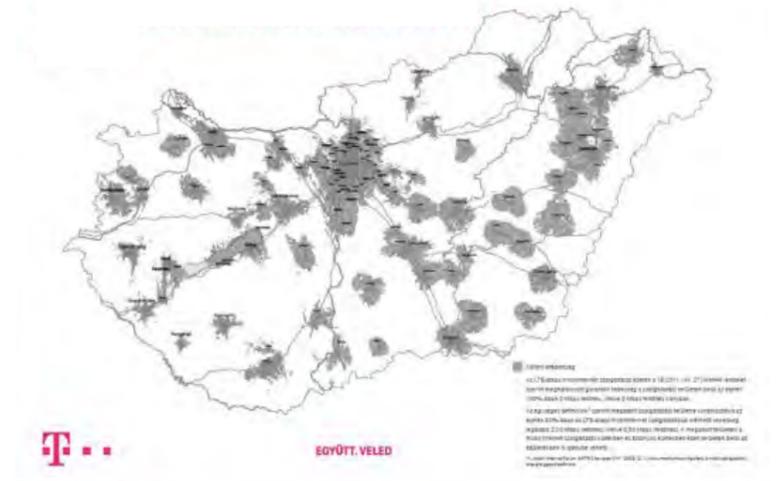
Within the frame of the network modernization project, the entire 2G and 3G radio network was replaced. Parallel to this the upgraded sites launched and continuously expand the 4th generation LTE network to enhance customer experience. In these sites we further improved the quality of existing services like HSPA+. The new equipment involves more environmentally conscious energy use as they significantly reduce the energy consumption of our network's earlier consumption (almost by half).

In Macedonia, fixed network access coverage is provided to 98% of the households. For those rural customers who demand voice services but do not have network access we provide FGSM solution.

The ongoing PSTN migration will be implemented mainly with BB access which enables the provision of broadband services.

To increase broadband coverage in the rural areas, in 2013 we implemented UMTS 900. The implementation of the LTE 800 depends on the outcome of a future tender.

4G COVERAGE IN MAY 2014



SERVICE AVAILABILITY

Annual availability [%]	2009	2010	2011	2012	2013
CATV (analogue/digital)	99.97/99.95	99.94/99.75	99.93/99.82	99.95 ✓/99.93 ✓	99.94 ✓/99.88 ✓
SatTV	99.83	99.90	99.87	99.86 ✓	99.94 ✓
IPTV	99.80	99.85	99.99	99.82 ✓	99.86 ✓
Fixed internet (ADSL/GPON/KábelNet)	99.90	99.90/99.96/99.72	99.92/99.95/99.78	99.93 ✓/99.99 ✓/99.90 ✓	99.89 ✓/99.96 ✓/99.87 ✓
Mobile internet (2G/3G/4G)	99.67/99.50	99.40/99.49	99.64/99.29	99.40/99.55	99.40/99.57/99.67
Telephone/VoIP/VoCa	99.96/99.65/99.97	99.95/99.94/99.91	99.95/99.96/99.92	99.95/99.93/99.84	99.93/99.90/99.87
Mobile telephony (2G/3G/4G)	99.94/99.91	99.93/99.88	99.94/99.89	99.93/99.88	99.91/99.88/99.84

4.

REDUCING

THE ENVIRONMENTAL

FOOTPRINT



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The key strategic objective of the group is to reduce its CO₂ emission by 20% by 2015, compared to the 2004 benchmark level.

4.1. CLIMATE PROTECTION

In view of its activities, Magyar Telekom Group is not one of the significant environment polluters either on the input (raw materials, energy consumption) or the output (waste materials, emission) side. In addition to that, the Group also allows to its customers to decrease their environmental footprint and also place an emphasis on environmental awareness.

Info-communication services consume significant amount of direct and indirect energy that contributes to climate change. In relation to this the Group takes energy efficiency measures that are elaborated in details in further chapters.

most exposed to extreme weather conditions. Currently 26 stations are equipped with these measurement systems.

Similarly to previous years, we disseminate much new information among our colleagues through our climate protection website with the purpose of—besides conveying information—raising their awareness.

With the provision of ICT (info-communications technology) services the Group remains to contribute to savings on travels, energy and fuel, thus reducing CO₂ emission.

The risk of climate change and extreme weather conditions affect telecommunications networks indirectly, may cause damage in network components and threaten the uninterrupted operation of IT services. Magyar Telekom launched the Business Continue Management project in 2013 to, among other objectives, monitor these exposures. (ISO 22301 Business Continue Management: external certification: October, 2014).

As in every year since 2008, in 2013 too, we have participated in the Hour of Earth initiative, which maintained the primary objective of directing attention to extensive and unnecessary energy consumption. The lights were switched off for one hour on 23 March at the company headquarters in the frame of the program. Only the emergency lights, the guiding lights necessary for safe movement and the light advertisements were on. Our colleagues also joined this initiative: they turned down the lighting and unnecessary electric equipment in their own homes.

Besides, the environmental and operational efficiency targets in our strategy include: reduction of waste (municipal wastes, toner cartridge, paper and packaging waste materials), continuous expansion of selective waste collection, greater use of TelePresence, reduction of paper consumption (including paper-based documents used in internal processes and presented to our customers), increase of the use of recycled paper and rollout of e-billing.

As we mentioned in earlier reports, Magyar Telekom prepared a study on the effects of climate change and their financial impact to manage these risks, on the basis of which the company started to mount weather monitoring measurement equipment on towers that are

In 2013 Crnogorski Telekom also supported the local Hour of Earth and Earth Day events, organized by NGOs and state institutions. The

The T-Systems data center in Asztalos Sándor street is a holder of the ISO 50 001 Energy management system certificate (EIR-).

As a result of the EIR certificate, the actual energy consumption of facilities can be measured and one can pinpoint unjustified, excessive energy use and low efficiency equipment. Based on the above, our energy efficiency can be improved and energy consumption can be lowered.

The Data Center has even over-fulfilled the expectations: not only the entire scope

of the technological systems, but also the consumption of each customer can be metered separately due to the network of 34 thousand measurement points. Based on the information disclosed by the metering system, the Data Center has started its investment program with an own contribution of 1 billion HUF that lasts until 2014. Within the frame of these activities, the facility's entire pipeline, pump network and indoor precision air conditioning system was renewed in 2012. As a result of these developments the Data Center saves 1.3 million KWh energy per year, that equals to 500 households' energy consumption. In

November 2013 the company started the liquid cooler replacement project.

In 2013 the T-Systems Data Center won the Energy Efficient Company title within the frame of the Virtual Power Plant Program.



CO ₂ IMPACT [TCO ₂]					
	2009	2010	2011	2012	2013
Direct energy consumption					
Natural gas	14,616	15,372	16,051 ✓	10,922 ✓	11,400 ✓
Oil	2876	2702	2604 ✓	3001 ✓	2600 ✓
Fuel (diesel oil)	9066	8777	8853 ✓	8315 ✓	8217 ✓
Fuel (gasoline)	6782	6745	6669 ✓	6359 ✓	6436 ✓
Fuel (total)	15,848	15,521	15,522 ✓	14,673 ✓	14,653 ✓
CO₂ emission of direct energy consumption	33,340	33,596	34,177 ✓	28,596 ✓	28,653 ✓
Indirect energy consumption					
Electric energy	95,462	99,849	98,517 ✓	94,483 ✓	91,361 ✓
Electric energy (adjusted with renewable energy consumption)	-	87,995	81,136 ✓	76,255 ✓	79,845 ✓
District heating	2530	2475	2367 ✓	1957 ✓	2156 ✓
CO₂ emission of indirect energy consumption (adjusted with renewable energy consumption)	97,993	90,469	83,503 ✓	78,212 ✓	82,001 ✓
Total energy consumption					
CO₂ emission of indirect energy consumption (adjusted with renewable energy consumption)	131,332	124,065	117,680 ✓	106,808 ✓	110,654 ✓
CO₂ emission of paper consumption					
New paper	1421	1815	1038 ✓	1455 ✓	1078 ✓
Recycled paper	44	106	162 ✓	162 ✓	146 ✓
CO₂ emission of total paper consumption	1465	1920	1200 ✓	1618 ✓	1223 ✓
Cumulated CO₂ emission of paper consumption					
CO ₂ emission of indirect energy consumption (adjusted with renewable energy consumption)	131,332	124,065	117,680 ✓	106,808 ✓	110,654 ✓
CO ₂ emission of total paper consumption	1465	1920	1200 ✓	1618 ✓	1223 ✓
CO ₂ emission eliminated by the Carbon offset project					-3520 ✓
Cumulated CO₂ emission (adjusted with renewable energy consumption and carbon offset)	132,797	125,986	118,880 ✓	108,426 ✓	108,358 ✓

company called the attention of the public to the programs through the media. At the same time the events were promoted within the company as well.

Carbon offset

In 2013 we spent part of our revenues generated by the bonus-malus system on carbon offset. Together with the biggest Hungarian emission trading company, Vertis Plc., we offset 3520 tons of CO₂ emission. In line with the international benchmarks we offset our emission by retire Certified Emission Reduction units. We supported two Indian sugar cane processing projects. We selected these projects because the support, besides reducing emission, brought social advantages to the local community. Our support improved local living conditions, we indirectly supported the construction of schools and the strengthening of local economy.

Carbon dioxide indicator

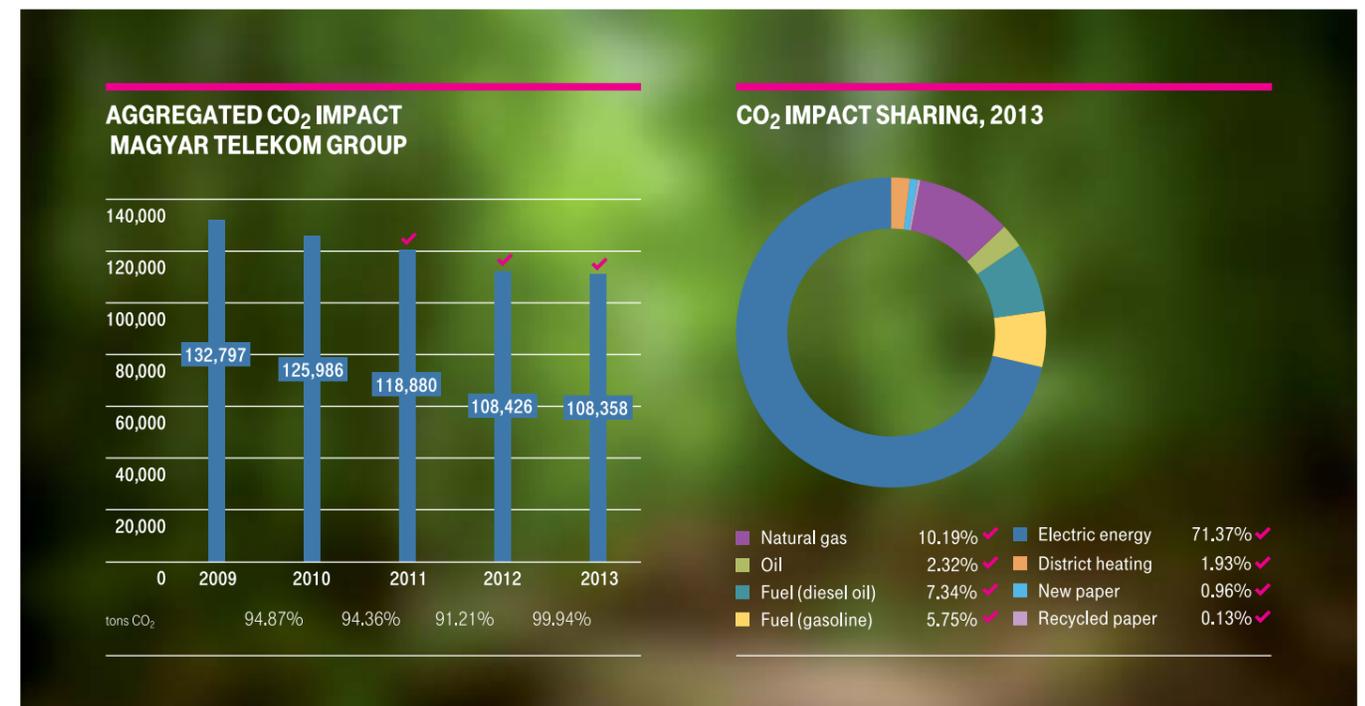
The total Group level CO₂ emission was slightly -0.06% ✓ -lower in 2013 than in 2012.

CO₂ emission associated with direct energy consumption increased by 0.2% ✓, while CO₂ emission associated with indirect energy consumption increased by 4.8% ✓. CO₂ emission associated with paper consumption was reduced by 24.4% ✓ as compared against the previous year, which is due to the reduction of paper consumption.

The details of Magyar Telekom Group's CO₂ emission are given the following table. The CO₂ conversion factors were determined on the basis of the 2007 recommendations of the International Energy Agency Data Services (electric energy), the UNEP guidelines (heating oil, fuel oil, natural gas) and by the data provided by a prominent Hungarian paper factory.



In 2013 we spent part of our revenues generated by the bonus-malus system on carbon offset.





In 2013, Magyar Telekom bought from E.ON 34 GWh electric power generated from renewing energy sources, which is 16% of the company's total electric power consumption.

Electric energy consumption

Magyar Telekom Group uses significant amount of energy to provide its services. As this is the element that contributes most to the CO₂ emission (71.37%), the reduction of energy consumption is a key priority.

In 2013 the Group reduced electricity consumption by 3% with a total consumption of 269,737 MWh. Among member companies, only Magyar Telekom Plc. could reduce its consumption (by 4%), other members extended their service portfolio and increased their consumption. Compared to the previous year, the consumption of T-Systems increased significantly, partly due to the integration of a new company (Daten-Kontor Kft.) and partly because in the previous period the central warehouse's consumption was only taken into account for a 7-months period.

Use of renewable energy

The 5-year strategy sets forth the objective of sustaining a green energy consumption level of at least 46 GWh per year.

Forwarded bits/electric energy consumption, Magyar Telekom Group

As we outlined in previous years' reports, electric energy consumption grows proportionately with the expansion of the service portfolio, and this is also applicable to the growing amount of information provided to our customers. The effectiveness of the energy consumption of Magyar Telekom Plc.'s operation is best characterized by the energy efficiency indicator. The indicator shows that as the quantity of forwarded information grows the energy consumption proportionally reduces, i.e. we transfer more information with less energy.



In 2013, Magyar Telekom Plc.'s energy efficiency indicator was 29.64 Gbit/kWh, which means that the transfer of data and information was 24% more efficient than in the preceding year.

Fossil fuel consumption

Similarly to previous years Magyar Telekom Group member companies used fuel (natural gas and remote heating) solely for social purposes, i.e. provision of heating and hot water.

Fuel and diesel oil

Fuel and diesel oil was only consumed in small quantities at foreign member companies, and represents only 2.32% of the CO₂ emission. In 2013 the joint consumption of MakTel and TCG was 9700 MWh, which is 13% decrease compared to the previous year.

District heating

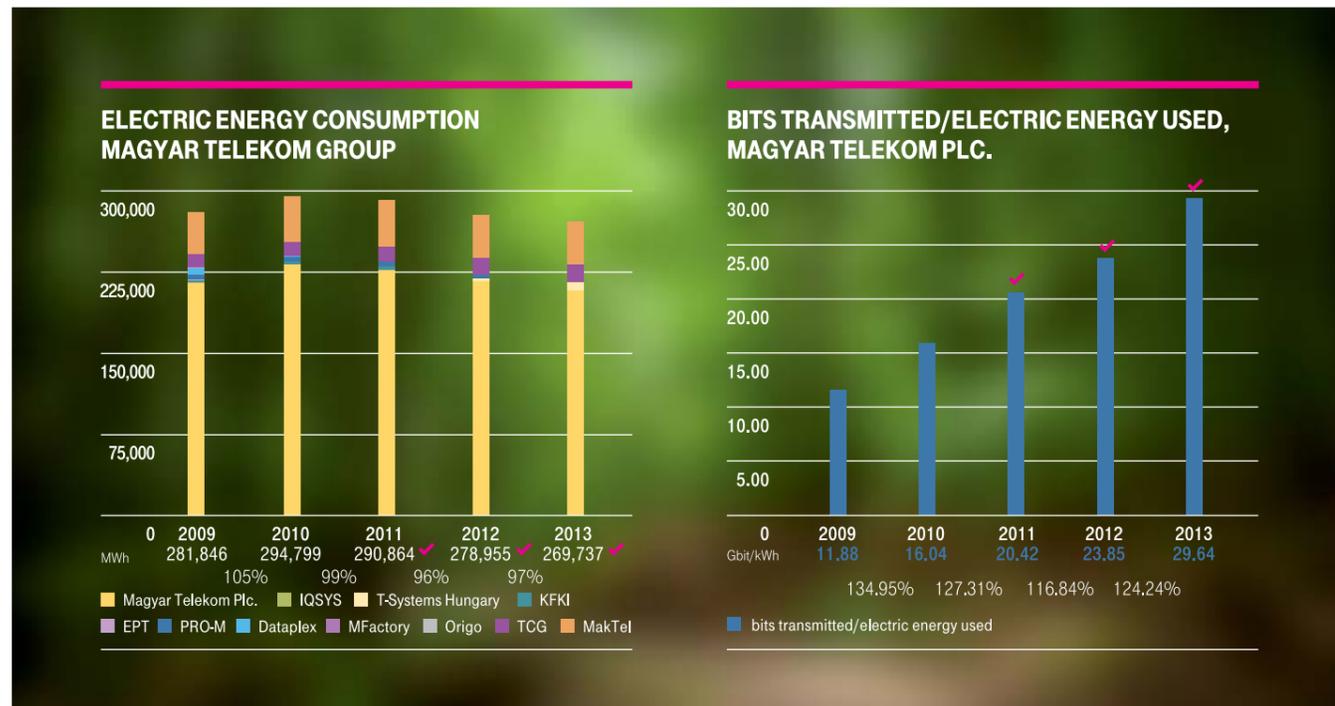
District heating (1.93%) is only slightly responsible for our CO₂ emission. The use of district heating increased by 10% at Group level: the reason was the longer heating season and that T-Systems Hungary Plc. has a new site that uses the said heating method.

Natural gas consumption

From the view of CO₂ emission Magyar Telekom Group consumes a significant amount of natural gas (10.19%). We use our best endeavors to reduce the consumption with the use of modern equipment. The Group's consumption increased with 4% in the last-longer than usual-heating season.

Energy generated directly for own use

In order to ensure uninterrupted telecommunication services in the case of possible power outages we operate emergency diesel generators. In 2013, the electricity, heating and hot water services were provided with the use of a natural gas engine in the company's headquarters. The generated and unused surplus quantity of electricity was sold to the ELMŰ (Electric Works) company.





In 2013, Magyar Telekom used its best efforts to save as much energy as possible. We focused on free air ventilation technology, as they have an outstanding return of investment ratio. Within this effort, in 2013 we primarily concentrated on big data centers, but simultaneously we also increased the number of medium and small size rooms equipped with free air ventilation technology.

Use of alternative and renewable energy, energy efficiency efforts

All cross-ventilation solutions reduce the air conditioners' operating time, and save energy. The engine room cross-ventilation method was also implemented in modernization projects (like the PSTN replacement project), where the core equipment is principally energy efficient. In this project the air conditioners filled with R22 gas were replaced by more modern and significantly more energy efficient devices.

The increase of the internal temperature is a new energy saving method that we started to use in 2013.

In the field of air conditioning we completed the smart cooling pilot. Currently we use the pilot results for further experimenting, and then we will decide on the solution's rollout. The method is basically a fine-tuning exercise, where we work on finding the optimal point of operation that results in the required save of energy.

We continue to work on classic measures too, like switch off the redundant heating capacity, replace

boilers and upgrade boiler control systems. In 2013 we launched the residual-heat utilization pilot project which is in its assessment phase.

In the field of direct current power supply we were testing the so called budget charger, and parallel to this, we continued the replacement of existing devices with more efficient ones to directly save energy. The elimination of redundant power supply and air conditioning equipment and the heat insulation of glass windows in technology rooms are classic energy saving actions. We started to install water doser equipment in our facilities.

In the field of lighting we started to test methods that are considered even more efficient than compact and fluorescent bulbs: we installed induction lighting in a parking lot, LEDs in an engine room, TUBE LEDs in an underground parking lot and LED strips in shops.

Earlier energy saving efforts still had an impact on Crnogorski Telekom's consumption in 2013. The company continued the modernization of rectifiers, the replacement of

diesel generators, the automation of existing generators, the equipment of base stations with hybrid systems, the separation of hot-cold zones of data centers, the upgrade of air conditioners and the insulation of outdoor units. The above measures resulted in annual savings of 2200 MWh for Crnogorski Telekom.

Average fuel consumption of vehicles

In the spirit of environmental conscious operation, Magyar Telekom Group makes efforts to increase the rate of low fuel consumption and low CO₂ emission cars in its vehicle pool. In light of environment consciousness the company favors the use of hybrid vehicles.

In 2013, the Group's average fuel consumption was 7.76 l/100 km ✓ which is 0.3% ✓ higher than in the previous year. The average consumption of the vehicles replaced in 2013 was 7.4 l/100 km ✓, and the average consumption of the vehicles purchased to replace them was 6.6 l/100 km ✓.

At the end of the year the average CO₂ emission of Magyar Telekom Plc.'s car pool was

Magyar Telekom installed solar collectors in its guest house in 2013 for the purpose of communal water heating. The solar collectors provide 30% of the total hot water needed, which is expected to save close to 8 tons of CO₂ emission according to the preliminary calculations.



In 2013, we completed the development of a vertical axis wind turbine and a sun-tracking solar panel project. The objective of these projects is to pinpoint potential technical obstacles and test energy production. Whether the project will be continued will be decided after a year of monitoring and measurement.



In 2013, the bonus-malus system generated revenue of 14,274,000 HUF, half of which was spent on carbon offset. We also plan to spend this sum to replant the Gellért quay with trees this spring, to make a square in Budapest greener in the autumn, and also on other carbon offset projects.

Regulation of the use of vehicles for personal use

Magyar Telekom Plc. specified the average emission values for vehicles for personal use and applies a bonus-malus point system in case of diversion from those values. The essence of this system is that the company defines a CO₂ reference value in all eligibility categories: if someone chooses a lower CO₂ emission model, bonus is paid, whereas if

choosing a higher CO₂ emission model, the payment of malus is applied.

The bonus will not be paid in cash but if the driver selects a vehicle that costs more than the specified budget, the extra amount that would otherwise be payable by the driver will be reduced. The amount of malus will be deducted from the driver's salary.

Magyar Telekom Plc. allocates funds collected as malus on sustainability purposes; half of it to compensate for the higher purchase price of hybrid vehicles and the other half to cover some of the CO₂ overconsumption, thus offsetting the higher carbon emission of less efficient cars.

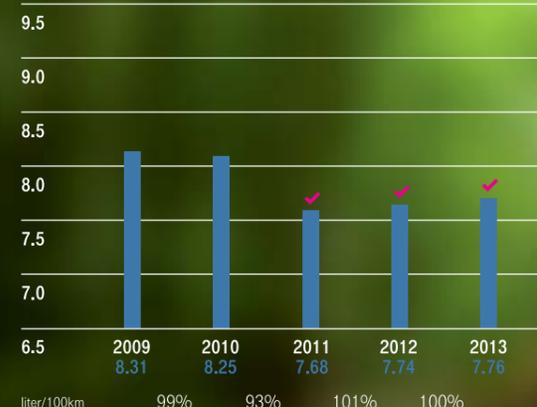
157.4 g/km ✓ which is 2.53 g/km ✓ lower (1.6% ✓) than in the previous year. The Group's CO₂ emission is partly attributable to its diesel fuel (7.34% ✓) and partly to gasoline (5.75% ✓) consumption. In 2013, Magyar Telekom Group's hybrid car fleet consisted of 89 cars—28 more than in the previous year.

Fuel consumption of vehicles

In 2013, Magyar Telekom Group's total fuel consumption stagnated ✓ in comparison to the previous year.

Member company breakdown: Magyar Telekom Plc. reduced the consumption by 3% ✓, whereas Maktel by 4% ✓. T-Systems increased its consumption by 14% ✓ while that of TCG increased by 4% ✓.

OVERALL AVERAGE FUEL CONSUMPTION MAGYAR TELEKOM GROUP



TOTAL FUEL CONSUMPTION OF VEHICLES MAGYAR TELEKOM GROUP



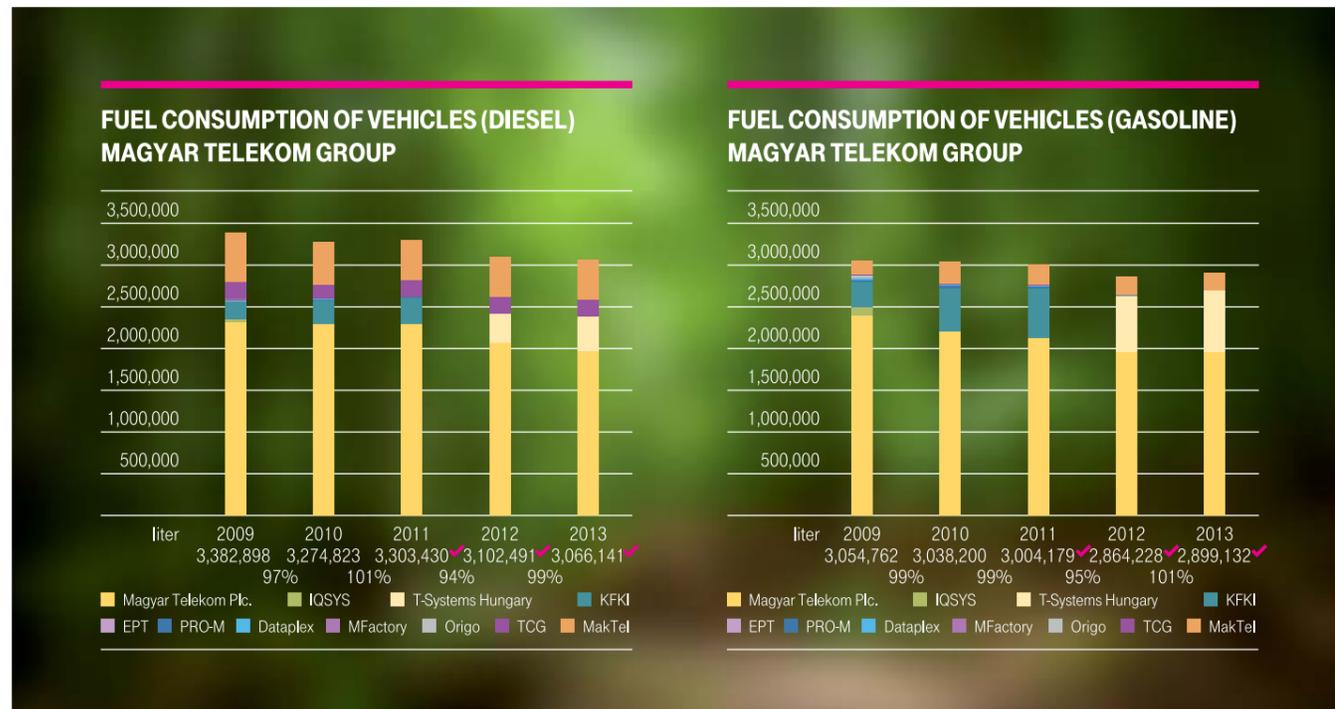
Breakdown per fuel type

Diesel fuel The Group's diesel fuel consumption was reduced by 1% ✓ in 2013. Among member companies the consumption of T-Systems increased significantly, with 21% ✓, as the company used more diesel fuel powered vehicles than in the previous year.

Gasoline The gasoline consumption grew with 1% ✓ compared to last year.

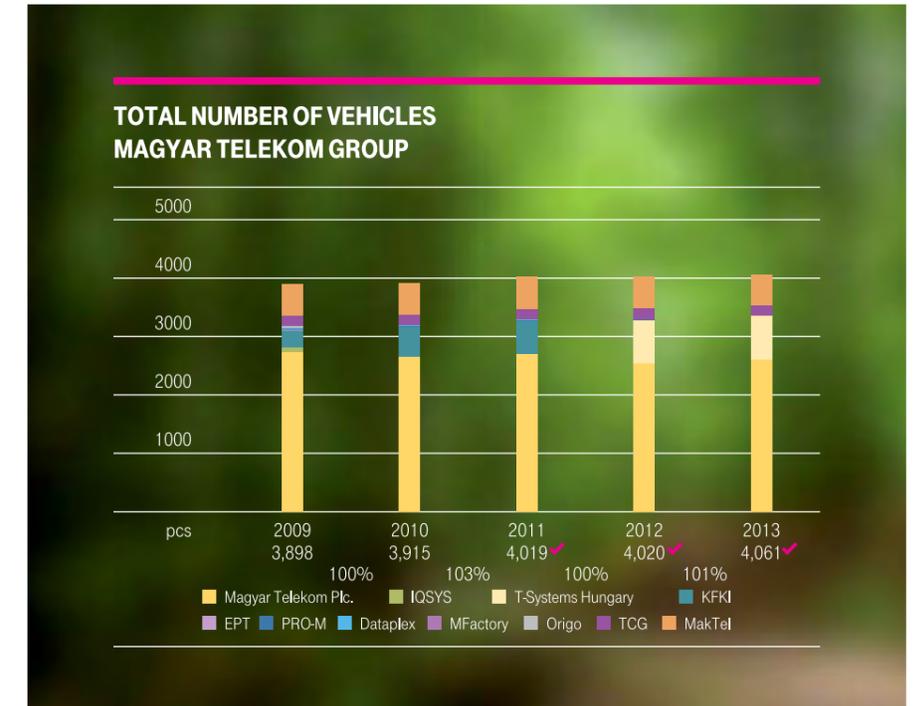
Electric car consumption In 2013 it was 1.19 MWh ✓.

Number of vehicles Magyar Telekom Group's car fleet was expanded with 1% ✓ compared to 2012, and now it is comprised of 4061 ✓ vehicles.



Number of vehicles broken down by fuel and usage type at Magyar Telekom Group [pieces]

	2012	2013
Broken down by fuel type		
Diesel oil	2396 ✓	2369 ✓
Gasoline	1561 ✓	1600 ✓
Electric	2 ✓	3 ✓
Hybrid	61 ✓	89 ✓
Broken down by type of use		
Personal use	1580 ✓	1636 ✓
Service operation	2440 ✓	2425 ✓



New electric cars in the fleet

The company purchased two electric cars in 2013. Since 2012, only Citroën C-Zeros were available, but now our colleagues working in Budapest may choose a Nissan Leaf or an Opel Ampera for official trips, too.

Unlike Citroën C-Zero, Nissan Leaf and Opel Ampera can be used to cover longer distances than only city trips, and offer a comfortable and environment friendly solution to travel within Hungary.

Our colleagues were informed on the new opportunities through internal communication channels. The communication did not only contain technical data, but also informed our employees on how these cars can be reserved. Péter Novák helped to convey and make the message informative and entertaining.



Electronic way-bills

A significant part of Magyar Telekom's costs and assets are associated with the company's vehicle pool. Therefore it is important for the company—besides climate protection considerations—to protect and ensure the optimal use of these assets. In order to protect the vehicles and to ensure the transparency of their use, Magyar Telekom installed GPS devices in all service cars. The decision was justified by three objectives:

- improve the protection of the company's property: the GPS helps to find vehicles if they are stolen;
- based on the more detailed mileage and route data the organizations may monitor the vehicles' mileage and optimize routes and work;
- the GPS allows to replace printed way-bills and use totally automated electronic way-bills.

The introduction of electronic way-bills at the company—in areas where the everyday use of cars is essential for the employees—

was preceded by tests with the involvement of the unions.

The electronic registration of vehicles is realized through a service and system of T-Systems that, at the same time, is offered to big company customers, as well. The use of the system by Magyar Telekom, as an internal customer, is a great opportunity to provide valuable feedback and recommendations to the system developer and operator team.

The essence of the system is that a modem is installed in service cars showing the actual location of the vehicle. The system's data can be compared to the geographical parameters of the actual activity. In the case of personal use cars a 'personal use' switch is part of the system to separate official and private travel.

In accordance with data protection laws, all involved employees make a statement prior to the use of the system.



The Group made benefit from its info-communication capabilities, and in 2013—similarly to the previous years—prevented significant amount of CO₂ emission with travel reducing solutions.

Mileage

Mileage of the vehicle pool largely influences the CO₂ emission associated with the company, as more travels entail more fuel consumption.

In 2013, the mileage of the Group's vehicle fleet reduced by 0.1% compared to the previous year. The mileage of electric cars reduced with 22%, due to the fact that the nationwide refill station network is still incomplete.

In break-down to member companies: lower mileage at Magyar Telekom (-5%) and Maktel (-4%). Higher mileage at T-Systems (+25%) and stagnating figures as TCG.

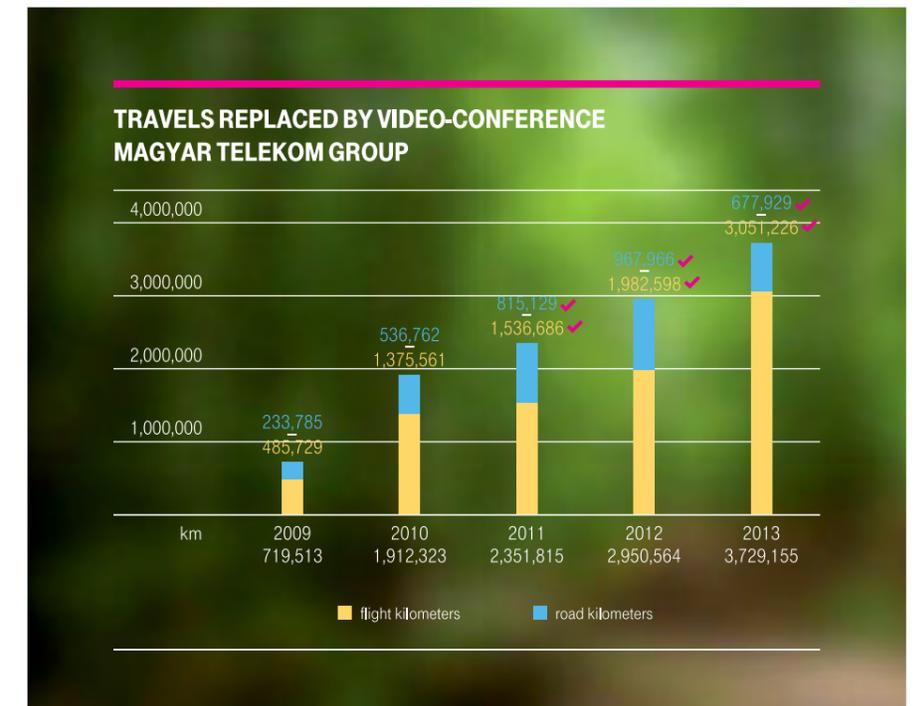
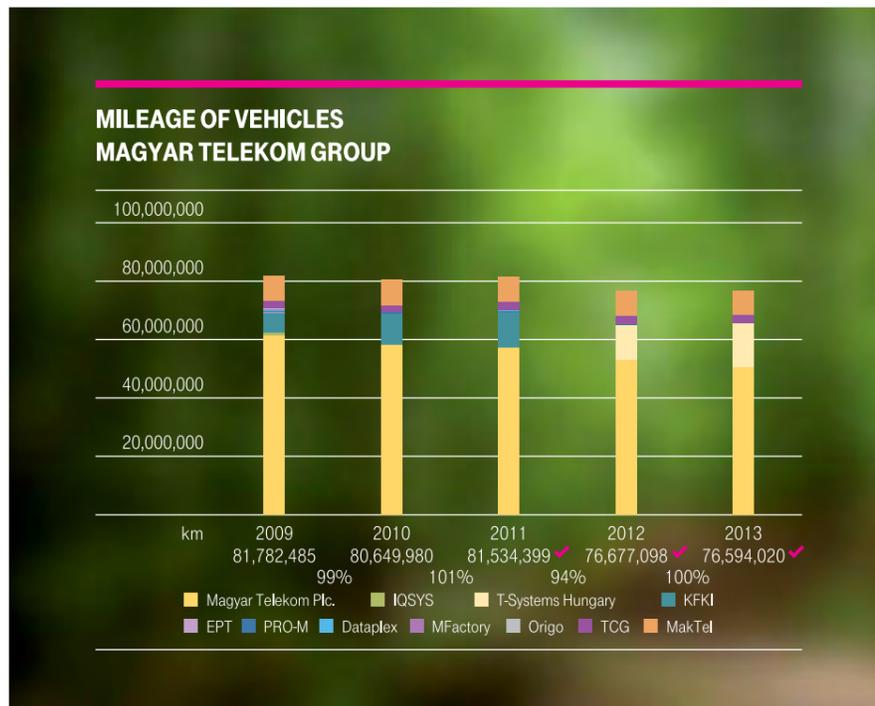
Solutions to replace travel

TelePresence video conference service—which was included in the previous year reports

as well—was available in 2013, too, which has been used regularly by the employees of the company. In 2013 the company provided every employee with a new means of communication: the Office Communicator, which can be used for initiating a video conference with up to five participants, share a presentation or a working document with the colleagues.

The total savings on flights amounted to 3,051,226 km (+54% compared to the previous year) and 677,929 km on car transport (-30% compared to the previous year). The differences are attributable to the fact that our colleagues opt for conference calls mainly to save long journeys.

Savings on fuel by replacement of car transport: diesel fuel: 29,675 liters, gasoline: 22,882 liters.





In 2013, too, Magyar Telekom forwarded part of its consignments by using bicycle courier service. With this altogether 2413.6 km of car transport was replaced, and 0.41 tons of CO₂ emission prevented. This is two times more than in the previous year.

Carpooling

The carpooling system developed by Magyar Telekom Plc. continues to be available for the colleagues. By using this system the employees who travel in identical direction will share a car which will result in savings of mileage. As from last year the car-pooling service is available also for the employees of T-Systems.

TeleBike

TeleBike, Magyar Telekom's bicycle rent service for employees, was launched on May 24, 2013. For more detailed information on TeleBike, please read Chapter 3.5.: Innovation for sustainability

Paper consumption

Thousands of Magyar Telekom Group employees work in offices where significant amount of paper is used. Although this does not represent significant CO₂ emission—the total proportion is only 1.09% ✓ (paper and

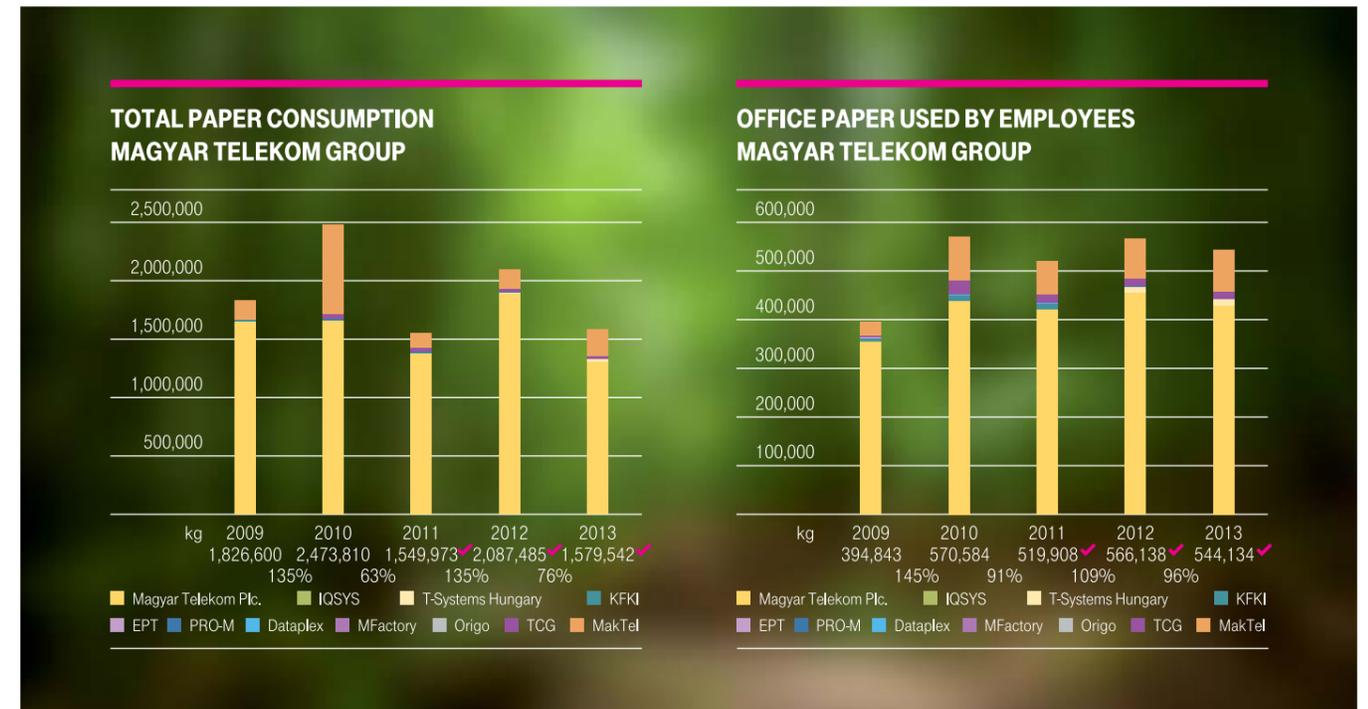
recycled paper),—the company uses its best efforts to make this work as much paper free as possible, and encourage all employees to give priority to electronic documentation. It results in the reduction of paper consumption in the offices both in terms of the paper used for office work and the materials used for communication purposes.

Packaging material used by the Group serve the purpose of protecting the items sold and the safety of their transportation. The product portfolio grew significantly in 2013, and accessories are also sold in shops, as a result significantly more packaging waste has to be dealt with by our customers.

The substantial reduction of formerly used quantities of paper for PR and marketing activities is a result of a rationalization process that was launched earlier. This has been discussed in details in last year's report. https://www.telekom.hu/static/sw/download/Sustainability_Report_2012.pdf

PAPER CONSUMPTION OF THE GROUP [KG]

	2012	2013	
Total paper consumption	2,087,485	1,579,542 ✓	-24%
Packaging paper	73,913	128,114 ✓	73%
Office paper	566,138	544,134 ✓	-4%
Bills	617,089	653,966 ✓	6%
PR and marketing material	830,345	253,328 ✓	-69%
Recycled paper of this amount	216,499	194,056 ✓	-10%



In August, 2013, T-Systems launched eReception where the following processes were made paper-free:

1. Online registration of visitors: approx. 1000 online check-in so far. If 30 names fit in a page, this saves 33 sheets of paper.
2. Online internal post: so far 3575 online logins that—calculating with 30 pieces/sheet—represents the saving of approx. 120 sheets of paper.
3. Plastic taxi cards are preferred over printed taxi vouchers.

4. Visitor and employee entry cards were printed on paper before; now they are replaced with plastic cards

Besides, T-Systems also saved on paper consumption as a result of the following processes:

- Electronic receipt of software and assets: 5,091 transactions, 2 copies/per sheet, i.e. 10,182 sheets per year; that is 50.81 kg of paper.
- Saving on the reduction of the number of copies of contracts: 1,773 transactions, average 8 copies/per sheet, i.e. 14,184 sheets per year; that is 70.8 kg of paper.

▪ In the healthcare business the saving from the use of the electronic Customer Gate service is as follows: 25,499 transactions, 2 copies/per sheet, i.e. 50,998 sheets per year; that is 254.5 kg of paper.





The Group has issued 5,074,291 ✓ of e-bills for its customers in 2013. This shows a 53% ✓ increase, compared to the number of last year's e-bills. With this we saved over 86 tons ✓ of paper and prevented the emission of more than 67 tons ✓ of CO₂.

Crnogorski Telekom

Crnogorski Telekom launched its initiative on saving printing costs that resulted in lower paper consumption. All printers have been set to eco mode and two-sided printing. Based on a new regulation, employees, whose job description does not necessitate access to printers, may not use printers at all. As a result less paper and toner consumption was registered.

Crnogorski Telekom was the first company in the country to launch an electronic paybill. This was introduced not only for data protection purposes but also to reduce the workload of employees, i.e. now they do not have to print these documents therefore there is no need for special imported paper and envelopes. Since 2013 travel applications are managed electronically.



4.2. WATER CONSUMPTION

Water consumption at Magyar Telekom Group is serving exclusively for social purposes. Group-level water consumption did not change much as compared to the previous year.

4.3. BIODIVERSITY

Info-communications services are available in the entire territory of the country (also in the case of the foreign member companies), thus they are also present in protected natural zones. When conducting network construction, development work in such locations, the company makes special point of complying with the relevant regulations. In these cases the impact analyses required by the regulations are drafted, the related authorities—such as the directorates of the national parks—are consulted. The use of the internet and the monitoring systems is very important for scientific research in these areas.

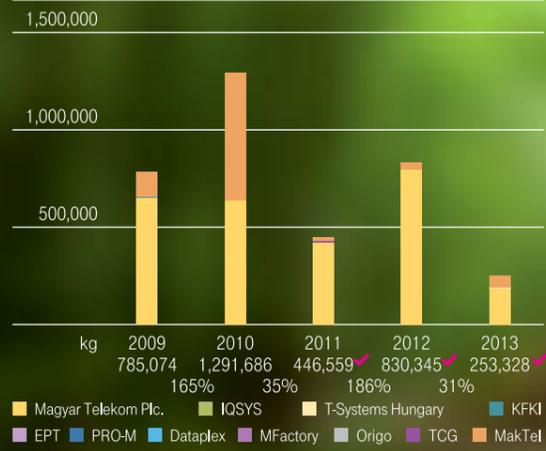
Landscape impact/base stations, towers

In the area of investments and construction work, the company Group thinks it important to change the original status of the landscape and environment to the slightest extent. As far as technically feasible, we make special efforts to lay the ground cable networks that spoil the landscape, under the surface. So as we could deliver satisfactory mobile service in every region, it was absolutely necessary to install towers and base stations, but currently this approach is no longer typical. A universally advantageous solution is to share the telecom towers with other companies or rely on the existing infrastructure. Compared to the previous year, at Group-level:

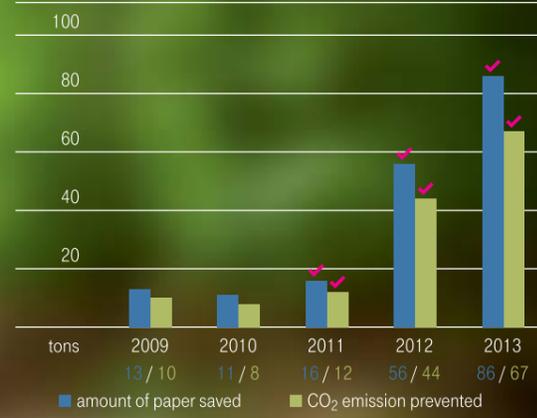
In 2013 the number of base stations was 5173, which is 3% less than in 2012³².

Number of telecommunication towers: In 2013 the number of base stations was 2139, which is 10% less than in 2012. Towers shared with other operators, as a percentage of the overall number of towers of the group, was 77%, 1651 towers.

**PAPER USED FOR MARKETING AND PR PURPOSES
MAGYAR TELEKOM GROUP**



**PAPER SAVED AND CO₂ EMISSION PREVENTED
BY ELECTRONIC BILLS
MAGYAR TELEKOM GROUP**



**WATER CONSUMPTION
MAGYAR TELEKOM GROUP**



³² In the 2012 report the number of base stations was miscalculated. The right number is 5318, 1% more than in 2011.

4.4. EMISSIONS

Emission into the air

In normal operation mode of info-communication services there is no harmful material emission in excess of the normal threshold. During the operation of diesel emergency generators there is some harmful emission, however, the generators do not operate more than five hours per month in average (power outages are rare therefore the operation time is mainly due to test runs).

The emission of natural gas based heating and hot water boilers is controlled. An accredited, licensed company measures their emission each year—which is negligible as we use modern, low emission equipment. The emission (CO, NOx) parameters of equipment—over a predefined size as outlined in the relevant legislation—are reported to the Environment Protection Authority.

To protect stratospherical ozone layer, we replaced gas fillings of our equipments (air conditioning, fire extinguishers) with environment friendly gas, in accordance with the relevant laws.

In the case of emission we have to mention the so called line sources (vehicles): their harmful emission levels are supervised and controlled at certified service stations.

Emission into soil, surface and ground water

Magyar Telekom Group's services do not require industrial amount of water consumption, and only social purpose water consumption is registered at member companies.

Potable water is supplied from the utility network. The majority of company sites are located in areas that are connected to public wastewater networks. Sites that do not have access to the public network use closed, sealed, leak-proof containers, as specified by the laws, and are emptied at the necessary frequency. As a result Magyar Telekom Group members do not emit uncleansed wastewater into the environment.

Underground fuel containers of emergency diesel generators have double-layer walls and are equipped with leak-alarm systems to reduce environmental exposure.

Noise and vibration protection

At Magyar Telekom Group member companies the outdoor air conditioning equipment of big facilities can be regarded as significant noise emission equipment. The use of such equipment may give rise to complaints mainly in densely populated urban areas. In order to lower the disturbing noise level and to prevent complaints, our colleagues regularly maintain the equipment, as high noise emission can be due to malfunctioning parts. In recent years the air conditioning equipment was replaced with low noise and low energy consumption models. In critical areas the new air conditioners' noise level was tested before they were put into use.

We eliminate the noise of emergency diesel generators with modern noise-insulation walls and the equipment itself is placed in noise-insulated engine rooms. Besides, the technology experts of the air-conditioner supplier always test the noise level of new equipment.

4.5. WASTE

Magyar Telekom Group takes great care to avoid the procurement of materials that may pose environment risks when turning into waste. Waste will only be disposed through appropriately licensed contractors. Magyar Telekom Plc. complies with its obligation to take back electronic equipment from users. The majority of them will be reused after being controlled and their memory deleted, and the rest will be recycled. In 2013, we collected 153 kilograms of mobile handsets that significantly lags behind last year's quantity. The reason is that in 2013 Magyar Telekom did not have a take-back campaign.

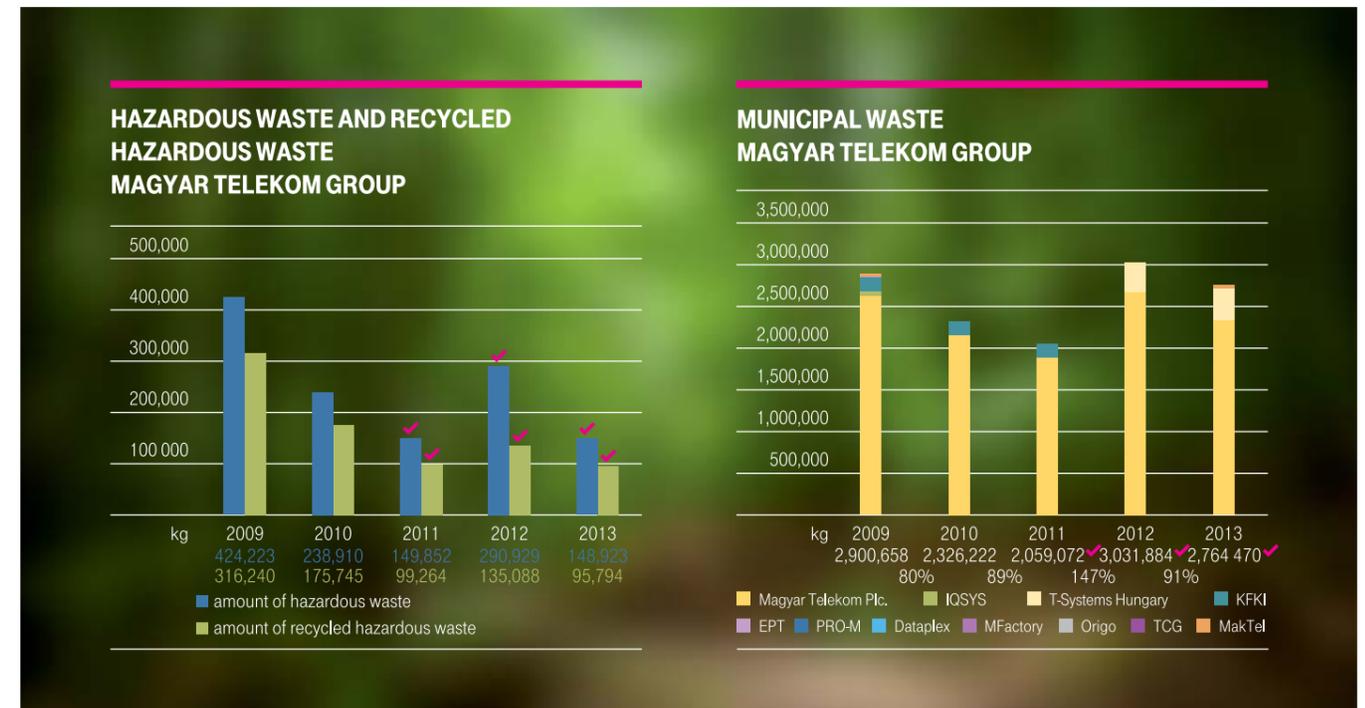
Hazardous waste

The majority (97%) of hazardous waste is originated from the provision of info-communication services, while the remainder (3%) comes from facility management activities. In 2013, the amount of hazardous waste reduced significantly, by 49%✓. The reason is that this year there was neither soil-cleaning activity, nor major investments that could generate battery waste. (Battery waste significantly influences the given year's hazardous waste quantity, as it is very heavy.) As much as 64.32%✓ of the waste is recycled, the principles of the recycling process

are identical with those set forth in our earlier sustainability reports.

Municipal waste

The amount of municipal waste, generated by Magyar Telekom Group, decreased by 9%✓ in 2013.



In September, 2013 Crnogorski Telekom implemented the selective collection of waste. From the date of implementation (until the end of March) more than 83% of the employees could collect waste selectively.

Other waste

Other waste includes scrapped and wrecked furniture, and waste collected selectively (like plastic bottles, glass bottles, drink canes etc.). The Group—in line with the practice of the previous years—considers selective waste collection a priority task. In 2013, we implemented selective waste collection at three sites, and with that 21 sites are available for the colleagues for selective waste collection. In 2013, altogether 241.55 tons✓ of other waste was generated at Group-level, which is 30%✓ less than in the previous year. These include primarily the wooden packaging waste which comes from the substantial amount of scrapped and wrecked furniture. 10.25%✓ of this amount was recycled.

At the Budafoki street T-Systems site—where 72% of the employees work—the company ensures the selective collection of waste. At several locations in Budapest and the countryside depleted batteries and office paper waste can be collected selectively.

Paper waste

In 2013, the quantity of paper waste decreased with 49%✓, however, the annual quantity—as the diagram shows—fluctuates from year to year. Waste paper comes from the scrapping of confidential documents, but significant amount of paper waste is generated by the organizations' moving to new sites. Selective collection of office waste paper is in compliance with the previous year's practice.

Telecommunications waste

The primary effort of the member companies of the Magyar Telekom Group is always to provide the best service, the basic condition of which is the constant upgrading of the services and equipment. As a result, substantial amount of equipment is taken out from operation. The dismantled machines are sold; either as equipment of second use, this is the first priority, or as scrap. When machines no longer fit for their original purpose, they are sold as scrap, and the contracted buyer recycles them to retrieve valuable materials (tantalum, gold, tungsten etc.), which reduces

the environmental footprint of the mining of these minerals. The key objective of the members of the Magyar Telekom Group is to provide for re-cycling of the generated waste. In 2013, the Magyar Telekom group generated telecommunications waste of 1,079,417 kilograms. It is 13% less than in the previous year. The ratio of recycling reached 75.15% in 2013. (This largely depends on the composition of waste). The product fee payable on the various telecom equipments has been paid up. Magyar Telekom Group complies with its obligation to take back electronic equipment from users.



Copper mine project

Magyar Telekom Plc. launched the Copper mine project in autumn, 2011 to regain the low utilization rate but still valuable copper cables from the network. Through the recycling of the copper cables we return new raw material to the industry thus preventing environmental issues of mining. In Hungary only the Budapest based

telephone exchanges were connected with so called switchover copper cables. The significance of these cables decreased continuously: recently only those services were operated with copper cables that could not have been forwarded to optical cables. The entire replacement effort took two years and the project was closed in 2013.

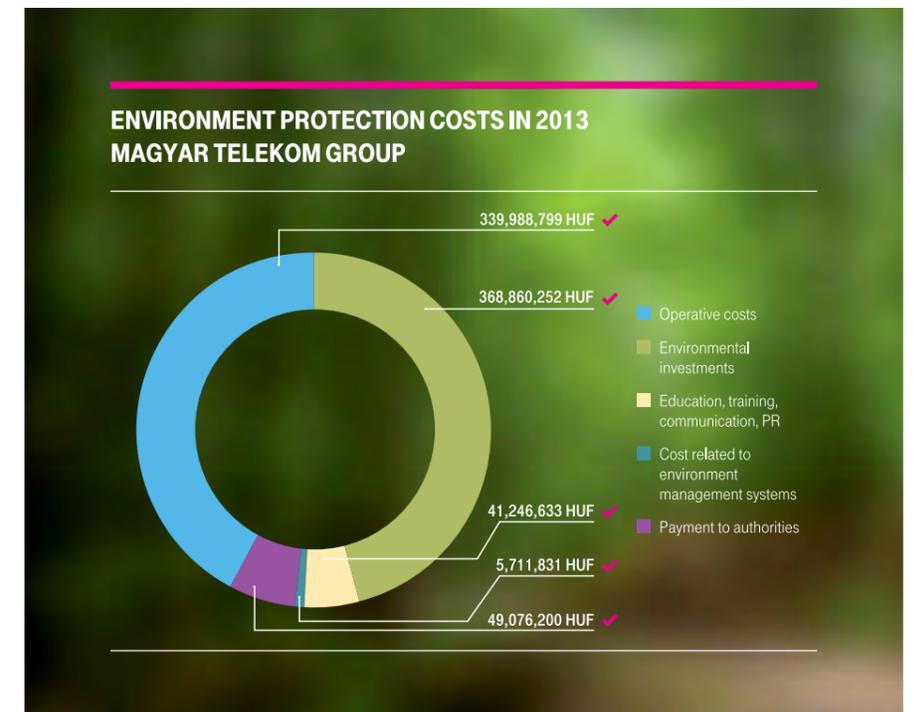
Project results in numbers:
320 working days of dismantling
921 tons of cable waste = 231 truckloads = 193,000 m cable

4.6. ENVIRONMENTAL OBJECTIVES AND COSTS

Electric energy consumption showed a significant reduction of 9% at Group-level, by which the 2015-year target values were exceeded. All these are due to the implementation of energy reduction solutions. We reached a 26% reduction of **natural gas consumption**, owing to boiler modernization and renewal.

Heating and diesel oil consumption showed a 27% decrease compared to the base year. With the reduction of district **heating consumption** by 13%, we achieved the five-year strategic objective. The significant decrease is the result of sale of the company buildings and installation of the temperature regulators.

Fuel consumption
In **diesel oil consumption** significant decrease of 6% was experienced which is due to the reduction in the number of diesel vehicles.
Gasoline consumption also decreased (by 5%).
The **energy efficiency indicator** reached 29.64 Gbit/KWh, by which the time proportionate target value has been achieved.



Paper consumption was reduced by 36% which is representing the time proportionate achievement of the second-year objective of the strategy. The reduction is also due to the last year implementation of the printer consolidation project in the frame of which

both sides of the paper are used for printing. **Proportion of office paper/recycled paper consumption:** due to lower paper consumption—and as a consequently lower use of recycled paper—this objective was not fulfilled; the proportion is 3.52%.

Target area	Group-level target 2011–2015	Time proportionate achievement in 2013 (base year: 2010)
Electric energy consumption	-5%	achieved
Natural gas consumption	-5%	achieved
Heating energy consumption	-5%	achieved
Fuel consumption of vehicles		
diesel oil	-5%	achieved
gasoline	-5%	achieved
Energy efficiency indicator	48 Gbit/kWh	achieved
Paper consumption	-30%	achieved
Ratio of office paper/recycled paper	25%	non achieved

5. EMPLOYEES

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“Committed professionals with independent initiatives are the key factor for Magyar Telekom Group's business success.”
Magyar Telekom's HR vision

Magyar Telekom Group's values declared and required to be followed are defined in the Guiding Principles:

■ **Customer experience determines our acts**

This guiding principle highlights one of the most important factors in business, that it is not enough to satisfy all demands of customers, but experience should be offered. The customers' thoughts, feelings and demands and the customer experience itself should determine what and how we act. By putting ourselves in the shoes of the customers, we can anticipate their requests and satisfy them. This applies also to treatment of internal customers.

■ **Appreciation and honesty are basic values of our operations**

This means a value that goes beyond appreciation of each other in daily work: this principle is about the appreciation of our customers, partners, suppliers and shareholders, too. This requires open, honest culture and fair business attitude without which we risk success.

■ **One team—both together and individually**

Our focus is on cooperation culture: our objective is that team members should openly discuss arising problems, tell their opinions, but once a decision is made, we all should unanimously back it. We are members of a single Telekom team, wherever we work in Hungary.

■ **Telekom is the best place to show your capabilities**

Employees play an outstanding role in corporate culture, too. To enable Magyar Telekom to become the best recognized service provider both within and outside the telecommunications sector, in the following year we must do our best in a fierce competition. This requires a workplace where all employees can do their best and show their capabilities.

■ **I am a Telekom employee, you can count on me**

Reliability: Like we can count on each other as colleagues, shareholders and customers, too, can count on us and Magyar Telekom. This is a must for fulfillment of our promises.

Naturally, in addition to these guiding principles, policies, performance indicators and charters that regulate, measure, provide and ensure compliance with our operational norms also play an important role. Beside the performance indicators used in the Sustainability Report, the company uses various technical indicators for measuring the performance of the HR field on a monthly, quarterly or biannual basis. Processes are controlled, in addition to indicators, also by employee satisfaction surveys, ISO audits and internal controls.

As a 'Best Workplace' award winner company, the employee satisfaction surveys play an important role in these measurements. Focus group measurements help us to look behind the numbers so that we can concentrate on

the results and initiate actions to improve the company's workplace atmosphere. The strategy-driven changes are accompanied by culture development programs.

Further information:

Quality Policy: http://www.telekom.hu/static/sw/download/minosegpolitika_en.pdf
Social Charter: http://www.telekom.hu/static/sw/download/Social_Charter.pdf
Diversity Policy: http://www.telekom.hu/static/sw/download/Diversity_Policy.pdf
Equal Opportunities Plan 2011–2012: http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2011_2012_en.pdf
Equal Opportunities Plan 2013–2015: http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2013_2015_en.pdf
The 'Partnership for Safe Employment' document is accessible at: http://www.ommf.gov.hu/index.php?akt_menu=225



LILLA SÁFRÁNY

T-Systems
HR head of center



“**T-Systems trainee program**

T-Systems Hungary Plc. established its trainee program years ago, where almost 250 talented young people have the opportunity to deepen their professional experience. The example of the almost 500—together with Magyar Telekom's trainee program—young persons, dedicated to info-communication proves: these young talents may acquire such theoretical and practical experience at one or more professional areas at our company, that they can successfully build upon in their future career. Many of them come to work for T-Systems as full time employees and there are others who chose other Hungarian partner companies as their employer.

At T-Systems learning is not an opportunity, it is a must: our trainees work 20 hours per week for at least six months for us, and during this time they are treated the same way as our full time employees. They are part of major projects and are responsible for their own professional tasks. Their work and development are guided by experienced and committed mentors. As the majority of T-Systems projects are complex, they require several months or years of common work, so we are especially happy about applicants who apply for traineeship early in their college years and spend two-three years with us.

We are proud that we can offer full time employment for many new graduates, ensuring a good start for a professionally challenging career.



5.1. TALENT MANAGEMENT

Magyar Telekom Group is a decisive organization of Hungary's ICT (information and communication technology) sector. In this industry it is imperative to know and apply new trends, research results both at employee and managerial levels. The development plans are based on the alignment of the company's strategic objectives and the individuals' development targets.

All employees of Magyar Telekom Group are provided with training to avail them to up-to-date know-how necessary for their work, and ensure the necessary level of key competencies in their activities. 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.

Training is based on the modern methodologies and education forms, currently applied in Hungary. The company lays significant emphasis on individual development, both for managers and employee groups, and our colleagues are increasingly motivated and take more and more initiative in the field of self-education.

Middle, top and line managers have several opportunities for development, ranging from courses designed for the individual to group solutions. In 2013, the managers participated in a leadership program aligned to several areas' requirements that were all linked to the corporate strategy. The development activities were not isolated initiatives as

several processes were connected: culture development, long-term change management and organization development processes were offered together with manager development solutions.

In 2013, we continued the managerial 4V-manager in change, change in the manager-program series. In line with the corporate strategy, the 4V is built upon basic and optional modules. The wide variety of modules offered for (middle) managers helped the groups to get closer to each other and also supported our manager succession program.

'On the job' types of development programs were increasingly popular and important among employee groups. This method is the best to ensure the application of the newly acquired knowledge and the adaptation of new skills to work processes, while effectively



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 2013, Magyar Telekom concluded 97 study contracts. Out of them 21 covered school training, the others were related to training courses or agreements containing mutual commitments.

using internal resources in the knowledge transfer procedure.

Several areas were primarily focusing on the development of the personal effectiveness of key employees, the main objective of which is to retain knowledge within the company and to ensure a sound basis for the innovative operation of human resources. Almost all skill and attitude development requirements included the requirement to prepare for change management.

The company considers important that knowledge and experience of the individual are transformed into organizational knowledge. For this purpose, in addition to the traditional training methods, the

company provides a proactive and innovative development environment that inspires new ideas, and their implementation in practice, as well as their efficient application by the employees. The opportunity to share knowledge internally is a huge value for the company and it has been being organized for 3 years.

From 1995 to 2008, our company ran the internship program called 'Starting Block', aiming to inject fresh knowledge to the organization. Since 2008, the company enrolls students with BSC/MSC studies in progress to the internship programs. The program is launched twice a year, in February and September, for 5 months, with 20 working hours per week. Within the program the

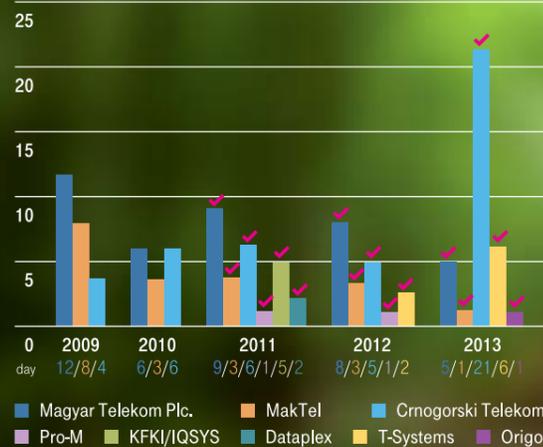
students complete real professional tasks at the leading Hungarian infocommunication company. Besides acquiring new experience, they work with the most innovative tools. Currently more than 200 college and university students work at different areas of Magyar Telekom. Our intern team members have various professional backgrounds, we already had students from the field of IT, economics, law and even psychologists, architects and gardening engineers worked for our company. Admission to the program is not bound to the students' field of expertise, as we do not only assess their knowledge, but also how they think, how they solve a problem and how they can cooperate, act or create.

The Group offers opportunity for mandatory work practice to 35-40 students on the average, and some 40 students are provided consulting when writing their thesis. In 2013 the Corporate Sustainability Centre offered professional training to 2 interns and 1 trainee, and professional support to 7 thesis writers. Training at the organizational units promotes employees' development through working experiences.

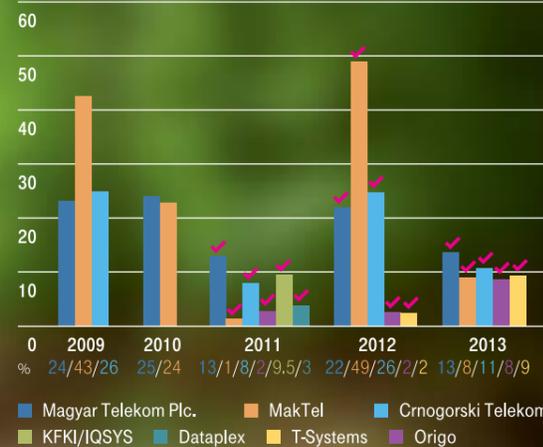


Magyar Telekom Group lays much emphasis on constant training, development of its employees and supports the use of the acquired knowledge.

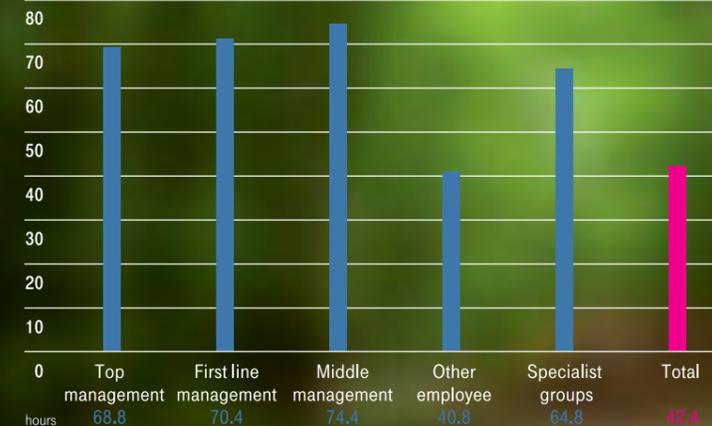
STUDENT DAYS PER CAPITA AT MAGYAR TELEKOM GROUP



RATIO OF DISTANCE LEARNING AT MAGYAR TELEKOM GROUP



ANNUAL AVERAGE TRAINING HOURS PER CAPITA, BROKEN DOWN TO EMPLOYEE CATEGORIES AT MAGYAR TELEKOM PLC. IN 2013



The company's management strives to involve all employees, if possible, in some career and performance management system. The performance incentives and bonuses of all employees are based on organization and individual level performance indicators that are defined centrally. The specification of the indicators is based on the objectives and tasks of the relevant organizational unit. In 2013, almost 100% of Magyar Telekom Plc. employees participated in the centrally operated performance management (TM) system. The majority of the member companies applies the same TM-KMR system as the parent company does, or runs its 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.

In 2013, 250 persons participated in the T-Systems SmartUp trainee program. In 2013, upon graduating from their universities, almost 50 former trainees continued their work at T-Systems in junior positions. The SmartUp program gives an opportunity to the students to deepen their professional experience. They can gain practical and theoretical knowledge in one or more areas, with which they can lay the foundations of their future. The trainees are assisted by full-time employees, who also teach and support them as mentors.

In 2013, T-Systems was twice among the exhibitors of the Job Fair at Corvinus University, and it also participated the Monster Virtual Job Fair. Besides the trainee program, T-Systems website's Career menu lists full-time positions for those who are interested. Within the frame of the internal job recommendation program, we encourage our colleagues to recommend T-Systems as a potential workplace to the outside world.



In 2013, we nominated our employees to the 'Employee of the Year' and the 'Team of the Year' award. Within the T-Systems loyalty program, we give out gifts to our loyal employees at the end of predefined periods (5, 10, 15, 20, 30, 40 years).

Crnogorski Telekom is a popular workplace among local employees. In 2013 it was placed first in the 'Most attractive workplace' survey that was conducted among university students. In general, Crnogorski Telekom is the most attractive employer in the local labor market among students and career entrants.

It is the third year that Crnogorski Telekom hires a certain number of career entrants for a six months trainee program within the government's employment program and with the support of the American Chamber of Commerce: in 2013 a total of 12 persons were hired. Besides, almost 20 career entrants spent a month at Crnogorski Telekom within the frame of the 'Power Your Future' cooperation with the local Technical University.

In 2013, the Crnogorski Telekom Manager Academy's management development programs were focusing on competence management and cooperation as well as continuous development and self-assessment. The Employee Training Catalogue aims to develop the skill of employees who are nominated to the program by their direct superiors. The most popular trainings of the catalogue were project management, finance for non-finance staff, communication and time management. The Expert Excellence Program, introduced in 2013, is the third element of the training and development program portfolio. The Sales Academy has been operating for the third year at Crnogorski Telekom. Besides its own programs, the company utilized the entire program portfolio offered by DT Talent Agenda (Master courses, LDP, Talent Space, TMF, International Mobility Program). Crnogorski Telekom significantly over-performed the international mobility quota (i.e. instead of 2 delegates/2 hosted participants they achieved a ratio of 7 delegates/6 hosted participants).

“Magyar Telekom's human policy gives special emphasis to both management succession and professional development in the fields of promotion and talent management. For this purpose Magyar Telekom operates various talent management programs, depending on the objective.”
(Human Policy)

“Magyar Telekom Group supports capability development that serves the interests of both the employees and the company in order to achieve high level of performance and service quality. At the same time Magyar Telekom Group emphasizes and strengthens the personal responsibility of employees in maintaining and improving their level of employability.”
(Social Charter, Section 8)

Makedonski Telekom's own program is a great opportunity for university students to have an insight into a big company's operation. More than 100 students worked for the company in two different trainee programs: there was a short, one-month program for undergraduates and a longer, three-month program for newly graduated students. In 2013, the main focus was on the IT and telecommunication areas, where the company gave insight to students into the latest technologies. Besides, several students were working as trainees in the financial area, where they were learning how the accounting, internal audit or tax departments work and how balances are prepared.

Makedonski Telekom was an active participant of the AmCham conference in 2013, entitled 'Macedonian companies in cooperation with universities'. The company attended the annual University American College Skopje job fair, where not only vacant positions were advertised, but also some trial job interviews were organized to help students develop their interview skills.

2013 was a year of significant organizational changes at Makedonski Telekom that impacted talented employees. In the second half of the year significant time was spent on the assessment of the employees' needs and requirements and to support their realization by way of organizing a company-wide talent program. Many employees participated in similar DT programs (Talent space, Master Classes, Exchange Program), while the participants of the Finance Professional Program successfully completed a 3-year program and graduated from the University of Rotterdam.

Competencies, responsibility

Two Group-level systems are in place to ensure that the persons determining the economic, environmental and social strategy of the organization (and all employees, for that matter) hold appropriate qualifications and experience: these are the job-grading system and the competence system.

The current job-grading system is more transparent than the former one, and the structure is reflecting the real value of job positions rather than hierarchy. The entire system of job positions was reorganized at Magyar Telekom in course of the system design, and certain elements of remuneration policy were also adjusted in compliance with the new structure. In 2012, T-Systems also implemented the new job-grading system. In 2013, we focused on the maintenance and the preservation of the transparency of the system.



Job fair at Corvinus University of Budapest



Health week

5.2. OCCUPATIONAL HEALTH AND SAFETY

In 2013, Magyar Telekom's key objective was to successfully operate and further develop the Occupational Health and Safety Management System (MEBIR), established and audited in 2012. The system was operated by the professional departments, while its development was supported by external advisors—besides Magyar Telekom's professional organizations. The success of the work is earmarked by the SGS audit findings in 2013, i.e. the MEBIR communication is stronger than before, and significantly less problems were detected than in the previous years.

Similarly to previous years, Magyar Telekom paid special attention to support healthy lifestyles and mitigate health risks. To this end occupational health examinations were

performed in relation to applicants' aptitude tests, and there were independent screening examinations for employees, as well.

In 2013, half of the occupational health examinations (a total of 3258) were locomotors screenings, approx, 15% were heart and cardiovascular, 10% eye, 8% audiology screenings, whereas 5-5% were cholesterol and blood sugar measurements. Eye specialists screened 212 employees and treated 512 colleagues.

Magyar Telekom has put much emphasis on screening examinations—to be performed independently from occupational health examinations—in recent years, and the same applies to 2013. In May, 2013, within the frame of the Health Week, our employees could attend various screening examinations in three locations: in Budapest as well as in Szeged, Debrecen, Nyíregyháza and Sopron, where they were also given mental health, healthcare

presentations, advice, and attended healthcare provider roadshows. The most popular examinations were the PSA/prostate tumor marker, urology, breast UH, retina and glaucoma screenings. Based on the aggregate data, these screenings were useful, as 25% of the examinations were either positive or required further examinations/improved healthcare attention. Within the Health Week, a total of 1087 screening examination were performed on 693 employees.

In October, 2013, the Health Bridge event was organized in an unusual way. As part of the breast cancer campaign, participants on bicycles, scooters, riksa carts together with 'foot' campaigners marched across Lánchíd in Budapest. The 2-km-long march started from Magyar Telekom's headquarters, led by bikers who were riding magenta company TeleBikes. The goal was to involve as many age groups in the campaign as possible—mainly young people. To give more emphasis to the importance of screening examinations, the 30 TeleBiker employees were given 35,000 HUF screening examination vouchers as gifts. Our colleagues could use the vouchers for customized screenings at three healthcare partners, 19 employees took the opportunity to go to screenings, and in average 4 examinations were performed per person, in the total value of 548,000 HUF.

Telekom has been operating a managerial screening examination program, and in 2013 426 managers were entitled to use the service, 64% of the eligible managers (272 persons) participated in the screening examinations. In general, 6 examinations were performed per person, and the costs of the managerial

program exceeded the amount of 17.5 million HUF. Eligible managers can choose from three healthcare service providers.

Through Dimenzió Insurance Association, 1523 employees (1088 in Budapest and 435 in the countryside) were screened in 2013. The employees could select from a recommended protocol containing gastroenterology, stroke and complex physical condition screening tests, the solution tailored to their own health condition.

In 2013, a total of 4292 persons participated in the above listed screening examinations. It is important to add that the same person may have attended several examinations, so the 4292 persons may not represent 4292 individuals, therefore the number of Magyar Telekom employees participating the screenings is somewhat less.

The occupational health examination of employees is being performed by occupational health physicians, contracted directly by Magyar Telekom. We are using the occupational health network to vaccinate our employees against encephalitis, caused by ticks and to give eye tests to the employees working with a computer screen. Several eyeglass providers—Fotex-Ofotért, Vision Express, Optiris Kft., Adrianus W Kft., Sisters Fashion Kft., Sasvári Kft.—are involved in the provision of monitor and normal healthcare glasses for Magyar Telekom employees upon the examinations of eye specialists. In 2013, a total of 305 eyeglasses were prepared for our employees in the value of net 3,730,933 HUF.

In 2013, a total of 1081 persons gave blood in the voluntary blood donation, regularly

organized by Magyar Telekom, which is an approximately 20% lower participation rate than in the previous years. Based on the analysis of the lower participation rate, we stepped up our efforts on the organization of the blood giving events. Several of the planned changes were implemented last year—for example, in bigger cities we set up several locations instead of one, so the blood giving required less travel, organization and time from the participants. We improved the information channels as well: besides the posters and the intranet based Blood Giving News we introduced the text message news updates.

Magyar Telekom, as an employer, continues to cater for its employees through Dimenzió Mutual Insurance and Self-help Association and the Dimenzió Health Fund. Any employee who joins the association may buy life, pension and health insurance and mutual assistance services through Dimenzió.

In an effort to mitigate health risks in work, Magyar Telekom continuously expands the range of its labor safety equipment and personal safety devices. Our objective remains to offer our employees a wide variety of safety devices, and enable them to choose the ones that best fit their physical condition and work environment, helping them to actively participate in creating a safe and healthy work environment. Until this year four types of safety devices were available for those who work on telecommunication poles. In 2013 we introduced a fifth solution by adding a safety element to the already used peg ladders that makes them an easily portable and easy to assemble system requiring only few additional

Similarly to previous years, Magyar Telekom paid special attention to support healthy lifestyle and mitigate health risks.

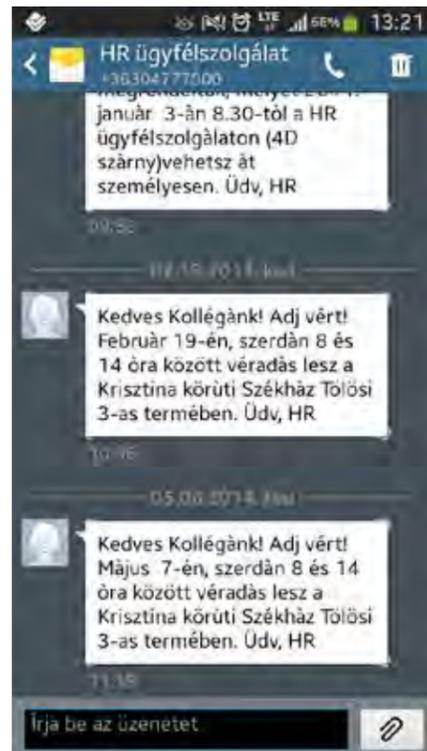
devices for our colleagues' everyday work. The implementation of the device, in line with the relevant regulations, was preceded by the precise specification of the work environment and the safety requirements, as well as a proof test load examination. With this improvement, our colleagues are equipped with devices that ensure safety in any unusual environment (e.g. working on fittings, flower containers, advertising pillars).

In order to prevent accidents while working on cable TV (CATV) networks, Magyar Telekom set up a working group, comprised of labor safety, telecommunication and heavy current experts. The working group was assigned with the task of assessing potential risks, reviewing the effective technological policies and elaborating measures to reduce and eliminate exposures. As a result of their work, the formerly effective technological policy was updated; a special training was given to employees working in the CATV field; new measurement devices were procured; resources were reallocated to the unscheduled renewal of the CATV network. The heavy current entry points were renewed at 1700 locations. In order to provide maximum safety, we equipped employees working at the CATV area with insulating gloves.

In 2013, to minimize workplace accident exposure, we gave first aid training to 230 employees. The training was organized in

Budapest, Debrecen, Győr, Kecskemét, Miskolc, Nyíregyháza, Sopron, Szeged and Székesfehérvár. Besides, we operate 15 emergency points at highly frequented sites with defibrillator equipment.

Magyar Telekom did not have any case of occupational health disease or serious or fatal work accident in 2013. Although there were 29 workplace accidents in 2013 resulting in absence from work in excess of 3 days (compared to 27 in 2012), they were only minor injuries and the number of absence days, dropped with 50% (862 days vs. 1859 days). The number of sick leave days per workplace accident was 29.8 in 2013, compared to 68.8 in 2012, which is a significant decrease.



As a responsible workplace, T-Systems finds it important to support its employees in the effort of preserving their health. Based on the positive feedback from previous years, the annual healthcare screening was continued, organized by Hungária Med-M healthcare service provider (selected in a tender procedure). T-Systems employees working in Budapest may participate in annual healthcare screenings on three days of the week at two locations, whereas employees working in the countryside can go to quarterly screening in groups. T-Systems provides managerial healthcare screening once a year.



Based on the agreement with the unions, Crnogorski Telekom organized various programs in 2013 to popularize healthy life style and health protection:

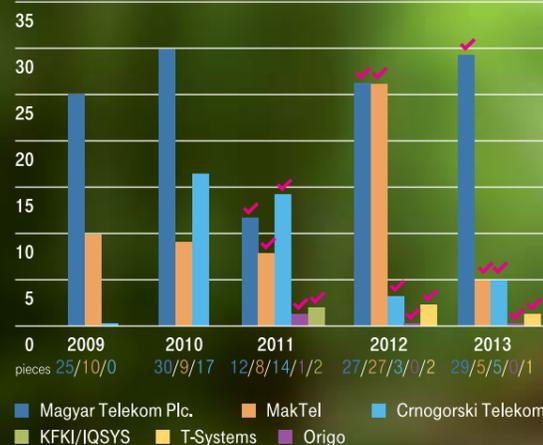
- sport and recreation offers for all employees;
- free of charge healthcare screening for the employees' children under the age of 14;
- gynecology screening-(prevention) program;
- annual medical screening for all employees;
- ongoing negotiations on a supplementary healthcare insurance.

In 2013, Makedonski Telekom offered the below opportunities to support healthy life style:

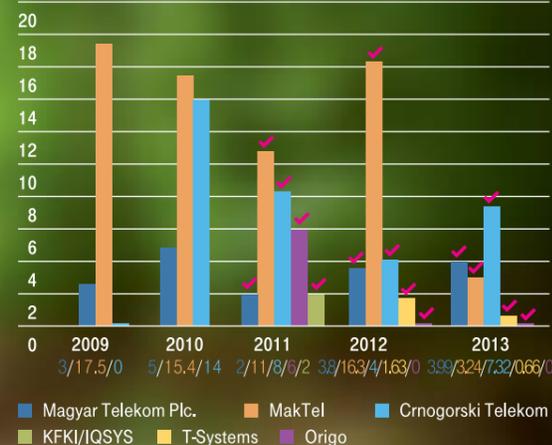
- use of authorized healthcare institutions;
- certain medical services are offered at discount rate;
- regular certification of the work conditions, including the place of work, equipment, stocks and facilities;
- basic and professional training for all new entrants by the Labor Safety and Healthcare Organization—depending on the respective position—with special focus on conflict and stress management;

- implementation of safety measures in line with the applicable rules, organization of first aid and evacuation exercises;
- regular information of employees in the form of an internal circular on natural disasters, extraordinary weather conditions and the proposed counter-measures;
- set up an intranet site to help continuous interactive learning;
- use of sport facilities (swimming pool, gym, etc.) free of charge or at a discount rate;
- participation of employees in sport competitions organized by the unions, and support of the company teams participating in intercompany sport events.

WORKPLACE ACCIDENTS AT MAGYAR TELEKOM GROUP



ACCIDENT RATIO FOR ONE THOUSAND EMPLOYEES



"It considers the life and physical integrity of its employees the most valuable asset of the society and the national economy, consequently fulfills all the basic labor safety requirements and provides safe working conditions for them that do not impair their health."
(Partnership, Article 2; Social Charter, Section 9)

"Magyar Telekom refrains from entering into contract or subcontract with such entrepreneurs who seriously breach employee rights and fail to comply with the minimum labor safety requirements."
(Partnership, Article 3)

"Magyar Telekom refrains from violating the labor rules and minimum labor safety requirements just to reach a more advantageous position in the market competition, and refrains from using such prices which do not cover the wage and wage taxes of the employees and the costs of compliance with the labor safety requirements (e.g. appropriate technology, personal safety equipment)."
(Partnership, Article 4)

"High level of safety of its employees is a key focus for Magyar Telekom, just as observation of the requirements for safe working conditions that do not impair

the health. Therefore, Magyar Telekom employs labor safety officers, and a special organization is dedicated to the matters of labor safety and occupational health, as well as to the development of a labor safety strategy and targets."
(Human Policy; Partnership, Article 7; Social Charter, Section 9)





5.3. HUMAN RIGHTS, EQUAL OPPORTUNITIES

Magyar Telekom Group's Social Charter and the effective Equal Opportunities Plan define the principles that serve as the basis for the company in addressing human rights in general:
http://www.telekom.hu/static/sw/download/Social_Charter.pdf
http://www.telekom.hu/static/sw/download/Magyar_Telekom_Eselyegyenlosegi_Terv_2013_2015_en.pdf

Non-discrimination and equal workplace opportunities are primary objective of Magyar Telekom Group. The company is one of the first players in the business sector to adopt two-year Equal Opportunity Plans for three-year periods (in line with the Equal Opportunity Plan) since 2008, in cooperation with the collective bargaining partners.

In 2013, seven cases were reported on the 'Tell it—ethics line' provided by Magyar Telekom Group, operated by the Compliance area, for discrimination experienced on behalf of the employer or for breach of human rights. The investigation of one case by the Group compliance area is still in progress. In three cases the report was found to have a ground, and the management has taken the necessary actions to sort out the actual situation and prevent similar problems in the future.

The Equal Treatment Authority responsible for the issue, where employees may report the cases directly, did not initiate proceedings against Magyar Telekom Plc. in 2013 for the breach of equal treatment regulations in the area of employment.

In the course of the implementation of the equal opportunities plan for the years of 2013–2015, the employer has taken the following measures in 2013 to improve the situation of the following employee groups:

To ensure equal opportunities for **employees with altered working ability or disability** (since 2010) applicants with disabilities using Magyar Telekom's electronic recruitment interface can, on a voluntary basis, register their disability and request relevant help in the selection process.

In 2013, Magyar Telekom was awarded with the Disability-Friendly Workplace award. In line with the activity plan, undertaken in the award application, the company prepared an informative on employment with altered working abilities, including references to the relevant legislation and company policies.

2013 saw the continuation of the highly successful 'Have you ever tried it ...?' experience-based sensitization program, organized for Magyar Telekom employees. The aim of the events, often held with the involvement of external NGOs, foundations, is sensitization to promote an attitude of understanding the problems of handicapped people. Within the program the company organized a family adventure event within the Telekom Olympic Games, purchased from the Hungarian Association of Blind and Sight-impaired within the frame of the Non-Profit Auction initiative. 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 campaign, Ark Association and Fruit of care products) at various company sites. Magyar Telekom employees could buy items manufactured, prepared by disabled people—with the involvement of NGOs and the media—to support the disabled persons' employment.

As member of the Hungarian Business Leaders Forum's (HBLF) Diversity HR work group and together with HBLF members, Magyar Telekom took part in the realization



“Magyar Telekom acknowledges that the right to wage is one of the most fundamental employee rights, and applies every legal means to ensure the wage the employees are entitled to is paid properly and on time.”

(Human Policy; Partnership, Article 6; Social Charter, Section 6)

of the Special job fair as an exhibitor and significant donator. Magyar Telekom supported and sent a team to the HBLF wheelchair basketball championship.

In 2013, in order to support **employees on maternity leave (young parents on child care allowance/child care benefit/maternity leave)** the 'Young Mother' program supported the company and young parents (on long-term leave) to stay in contact with each other. Our colleagues who raise their children at home were invited to three 'Mum Tea Parties', a full-day event called Skanzen (Open Air Museum) Telekom Children Day, the Telekom Olympic Games and various other programs.

Magyar Telekom actively cooperated with the Central Hungarian 'Work with Small Children' (MuKi) project.

The company applied for and won—with the White box project plan—the Family Friendly Workplace 2013 award.

Dimenzió Mutual Insurance and Self-help Association's Family Support initiative helps **Telekom employees' families** with daycare services and school holiday programs. Parents may choose from daycare, kindergarten and school holiday camp options.



KATALIN KISS
HR competence
specialist



Magyar Telekom is a member of the HBLF* diversity work group

Within the HBLF for Diversity work group the relation of Hungarian and international small, medium and big companies, as well as NGOs, create an opportunity for the exchange of professional experience and information on successful projects and programs.

The Diversity work group also has its own initiatives. These programs include the ROMASTER talent management program, launched in 2008. Diversity photo contest, organized several times, the annual HBLF Wheelchair Basketball Championship and the issue of promotion materials, like 'One pager'. These booklets elaborate diversity topics from a practical perspective.

The big project of 2013 was the Special job fair on the World Day of the Disabled (December 3). Magyar Telekom took part in the event with its own job fair stand and as the main sponsor of the Sensitization round table discussion. Our cooperation with the Diversity work group is a great opportunity to take part—as a responsible big company—in the development of our broader environment and culture.

* Hungarian Business Leaders Forum (HBLF) is an NGO to join Hungarian and international companies, leading business people and well-known experts that/who are committed to responsible corporate governance. This philosophy equally serves the interests of companies, individuals and the society thus supports Hungary's sustainable social, economic and environmental development for future generations.



“Observance of working and resting times is a basic right and a requirement of preservation of health of employees. Magyar Telekom lays special emphasis on granting appropriate resting times to its employees, issue them the holidays they are entitled to by law and to record working time true to reality.”

(Partnership, Article 5; Social Charter, Section 7)

Through the support of atypical employment the company helps families to find a healthy balance between their work and private life as parents/grandparents. Since 2012, as a response to the monthly announced ‘Work from home’ campaign, at least one third more employees chose to work remotely on specific days.

The number of child-friendly offices grew in 2013: T-Systems opened the fifth office in 2013 in its headquarters.

It is of key importance to share tasks within the family to find the right balance between work and private life and to help the successful return of young parents from maternity/paternity leave to work. The objective of the ‘Daddy, it starts!’ program, launched in 2010, was to focus on the importance of fathers in families. In 2013, several sensitization programs were launched for this purpose, like

the ‘Dad, help me!’ photo contest organized within the ‘I’m a family man at Telekom’ closed Facebook group and Dr. Imre Csernus’s lecture on male and female roles within the ‘Family and workplace’ presentation series.

As a support of equal opportunities for **career entrants and employees above 50**, as a next step of the well-designed trainee program, the Group offers jobs to many young people starting their career. For the purpose of the attitude formation and the improvement of the career prospects of the labor market-

wise statistically disadvantaged 45-50 year old age group, all interested employees could participate workshops to develop the effectiveness of their cooperation skills.

Magyar Telekom supported **female employees in managerial positions** to enhance equal opportunities with a training series, organized on the basis of the target group’s actual needs. The focus of the program was to find a healthy balance between work and private life, the harmonious realization of female managers’ special roles and the strengthening of the ‘self brand’. Several female managers from Magyar Telekom joined the IBM Windows Opening initiative and participated in the events that were primarily focusing on mentoring activities. Credible orientation sessions organized for ladies who are interested in technical sciences, like IT, may help them to find and take a safe career path. To this end, in 2013, Magyar Telekom joined the ‘Girls’ Day’ international initiative as a gold level supporter. The ‘Girls’ Day’ is an interactive, open day, organized on the same day within the EU, 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.



Erika Pálmai: Dad, hold it tight, don't let me carry the whole thing (Facebook photo contest)

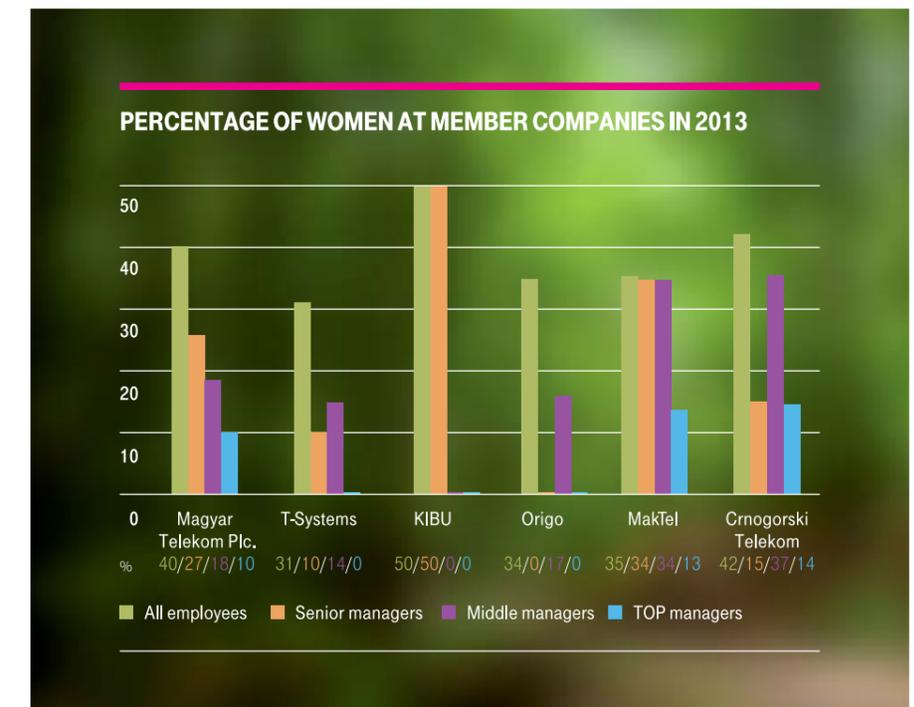


The anonym internal company program, Abigél, that has been up and running since 2008, helps to resolve private life issues through its EAP (employee assistance program) support. The person with problems may keep contact with Abigél, who answers all questions, via e-mail.

In 2013 again, the Group took part in supporting the ROMASTER talent management program, launched by HBLF in 2008. The program assists young talented Roma people, learning in secondary schools, to continue their studies in tertiary technical, business or legal education institutions. The supported students were admitted to higher

education and started their higher education studies under the program

Other company level awards in the field of equal opportunities and diversity: Diverse TOP 10 Organizations 2013, Work-Private Life photo contest, second place.



“Magyar Telekom Group recognizes and respects the cultural, social and legal diversity of the nations and societies and is committed to upholding international human rights.”
(Social Charter, Section 1)



In 2013, 1025 colleagues—without remote work contracts—worked 5639 days from home.

Work from Home Days

The 'Work from home days' campaign was continued in 2013. This program offered the employees the opportunity to work from their home on the last Friday of each month, provided that they fulfill certain criteria:

- be in such job that allows teleworking,
- availability of the necessary IT tools/network/internet,
- availability of remote desktop application,

- the colleague may not have such duty on the given day that requires personal presence.

All employees are informed about this possibility on the intranet in a communication letter after which a reminder letter is also sent on a monthly basis. Since 2013, it is possible to work remotely on displaced workdays.



Similarly to Magyar Telekom, T-Systems Hungary Plc, is also in contact with Forrás Consulting Ltd. that pursues its business activities with helping the employment and integration of disabled persons. Since the beginning of 2014, T-Systems employs 1 person with disability as a project assistant. We concluded an agreement in principle with ROMASTER association that helps young Roma people to find employment.

The T-Systems office building is accessible for people with disabilities, several floors are equipped with accessible toilets and parking places in the garage.

T-Systems employs 195 persons above the age of 50, out of which 5 persons work for the company after retirement.

Crnogorski Telekom actively supports equal opportunities and applies it as a basic principle in all phases of the employment,

in line with the following policies: Recruitment and Selection Regulations, the Code of Practice, the Employee Relations Regulations etc.

Crnogorski Telekom currently employs 14% more 51–61 year old employees.

Neither the local legislation, nor the company requires any official certificate from current or future employees on their potential deteriorated ability to work.

In the 2013 best employer benchmark survey Crnogorski Telekom won two prizes:

- Best Workplace: 1st place (best results)
- Special award: Fair Play Award for the relationship between the employer and employees

One of the criteria measured was equal opportunity.



CT's exemplary conduct significantly contributed to the implementation of equal opportunity as an everyday practice.

Makedonski Telekom pays special attention to comply with the required female quota at recruiting. In managerial positions, the quota is around 30%. Makedonski Telekom, as a company ensuring equal opportunities, does not discriminate based on ethnicity, religious belief, gender, etc.

Child labor

As a socially responsible company, Magyar Telekom is committed to eliminate child labor.

Since 2010, we regularly monitor the headcount under the age of 18. Based on our database, Magyar Telekom Plc. did not employ any employee under the age of 18 in 2013.

Forced and compulsory labor

Employment at Magyar Telekom Group is compliant with the principles laid down in international treaties against forced and compulsory labor. Magyar Telekom Group member companies comply with the respective country's laws and other regulations on the prohibition of forced labor. Magyar Telekom Group member companies process and control the employees' identification documents—in line with the respective country's data protection laws—solely to the extent and duration necessary for the employment and determination of the employees' benefits. In 2013 no complaints were filed with the relevant authorities against Magyar Telekom Group's affiliates in the context of forced labor, and no proceedings or investigations were launched against the Company in this regard.

Freedom of association and collective bargaining

Magyar Telekom Group has acknowledged the freedom of association and the right for collective bargaining in its Social Charter. Magyar Telekom strives to maintain a dialogue and cooperation with employee representation bodies in the spirit of openness and trust. The Social Charter and the long-standing relationship between Magyar Telekom's management and the employee representation bodies are the guarantee that the relevant rights are observed. Some 97.5% of the Group's employees in Hungary, 90% in Macedonia and 100% in Montenegro come under the scope of collective bargaining agreement. Additionally, all employees in Macedonia are governed by a general collective agreement of the private sector, so with these employees the ratio of employees covered by collective agreement is 100% in Macedonia.



In the 2013 best employer benchmark survey Crnogorski Telekom won two prizes:

- Best Workplace: 1st place (best results)
- Special award: Fair Play Award for the relationship between the employer and employees

"Magyar Telekom Group is committed to the abolishment of exploiting child labor, and guarantees that it always observes the minimum age of entering employment within Magyar Telekom Group, in compliance with the laws of the countries concerned." (Social Charter, Section 4)

"Magyar Telekom firmly rejects all forms of illegal labor." (Partnership, Article 1)

"Magyar Telekom Group emphatically declares that it opposes any form of forced labor." (Social Charter, Section 3)





“Magyar Telekom is committed to promoting the enforcement of trade union rights and does not hinder the formation and operation of employee representative bodies. Magyar Telekom is committed to seeking negotiated settlement to any labor dispute and will only resort to legal consequences if the negotiations fail to reach a result.”
(Partnership, Article 10; Social Charter, Section 2)

5.4. MANAGING CHANGES

Employee representation bodies

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 workers' 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 communication is managed both verbally (negotiation) and in writing. The Chief HR Officer and the HR Management Director are responsible for central-level 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 workers council. The HR partners of the given governance area are responsible for communication with the local employee representation bodies.

At Magyar Telekom, communication with the employee representation bodies—both verbally and in writing—is the exclusive right and responsibility of the HR area. This can ensure that rights are exercised in full compliance with the regulations of the Labor Code and the collective bargaining agreements. On the other hand, this practice helps relieve

the business areas from the difficulties of managing the employee representation bodies. Naturally, when necessary, the executives of the business areas are also actively involved in the process under the coordination of the HR area.

Organization restructuring

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 workers' councils (Central Workers' Council) must be consulted with regard to draft resolutions, aiming at organizational changes without regard to the number of employees concerned.

If the significant organization restructuring measure does not impact any components of employees' job contracts (job, place of work, etc.), then a notice is to be sent under the general obligation to cooperate, but no specific deadline is defined by either the Labor Code or the Collective Bargaining Agreement. Individual notices are also provided to the employees before the changes take place.

Foreign affiliates inform their collective bargaining partners and employees in accordance with the relevant stipulations of the local statutes.

Results of the 2013 negotiations with the employee representations—Agreement with the Interest Reconciliation Council, amendment of the Collective Agreement

In September, 2012, Magyar Telekom reached an agreement with the employee representation bodies about the 2013 wage and headcount issues. According to the agreement of the Interest Reconciliation Council in 2013, the company plans to terminate employment of 500 persons with the parent company. Most of these employees left the company at the end of 2012. In case of mass termination of employment, the company continues to maintain its principle of provident dismissal. The affected employees are entitled to severance and a period of dismissal notice (release from work), pursuant to the provisions of the Labor Code. Dismissed employees are entitled to an extra severance pay, pursuant to the Collective Bargaining Agreement, if their employment is terminated with mutual agreement, or the employees accept an inactive status. Reemployment of dismissed employees is supported within the Chance Program, which has been running successfully for several years, including active jobhunting, labor market training and retraining. The affected persons may keep their SIM cards during the period of notice, and may also continue to use the tariff package provided to the employees for a period not longer than three months.

In 2013, the company implemented an overall wage increase of 4% with effect April 1, 2013. Contribution to the deferred start pension insurance was reduced from the former 4% to 3% with effect January 1, 2013, but the basis of the contribution remained unchanged. From January 1, 2013 a standard employee life, accident and sick insurance system



was introduced, while the supplementary insurance (Egyszisztencia) provided to managers was simultaneously discontinued. The amount of the employers' support of the Dimenzió Mutual Insurance and Self-help Association was decreased from January 1, 2013, but the standard and scope of the services provided have been retained. The other elements of the fringe benefits system remained broadly unchanged.

The January 1, 2013 amendment of the Collective Agreement was signed together with the Interest Reconciliation agreement.

The higher wage supplements than specified in the Labor Code remained in force for yet another year, till December 31, 2013. These include the supplement for night shift and the supplement for extraordinary work on a working day, as well as the supplement for work in continuous shift. The more favorable calculation formula of the severance pay and the pay for the period of release from work on dismissal stays in effect till June 30, 2013.

'Chance' program continues
'Chance' Program continued in 2013 by supporting employees dismissed through

collective redundancy in finding new employment under. In this program employees dismissed can, after registration in the program, use various services that support finding new employment. The services offered under the program include a 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.



The information package (Chance Package) set up for the program participants aims to provide targeted information, enhance their chance for a successful change and finding the right new job.

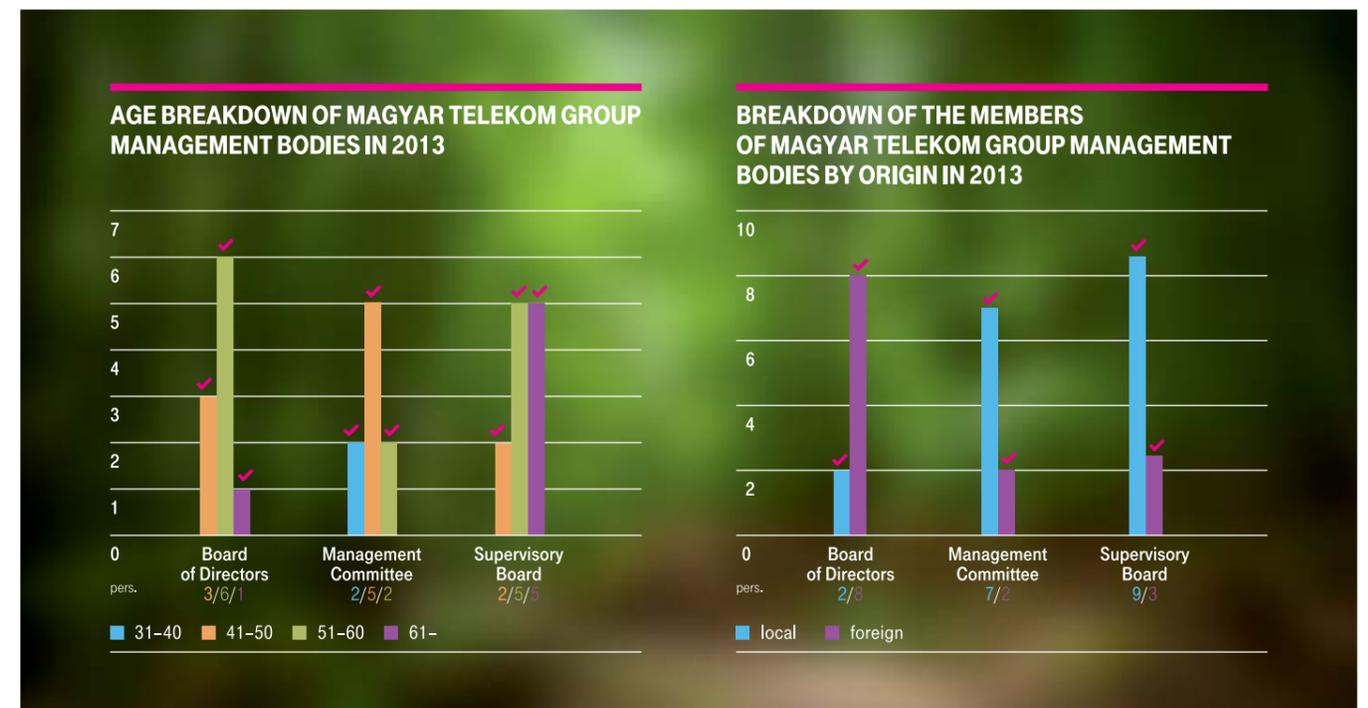
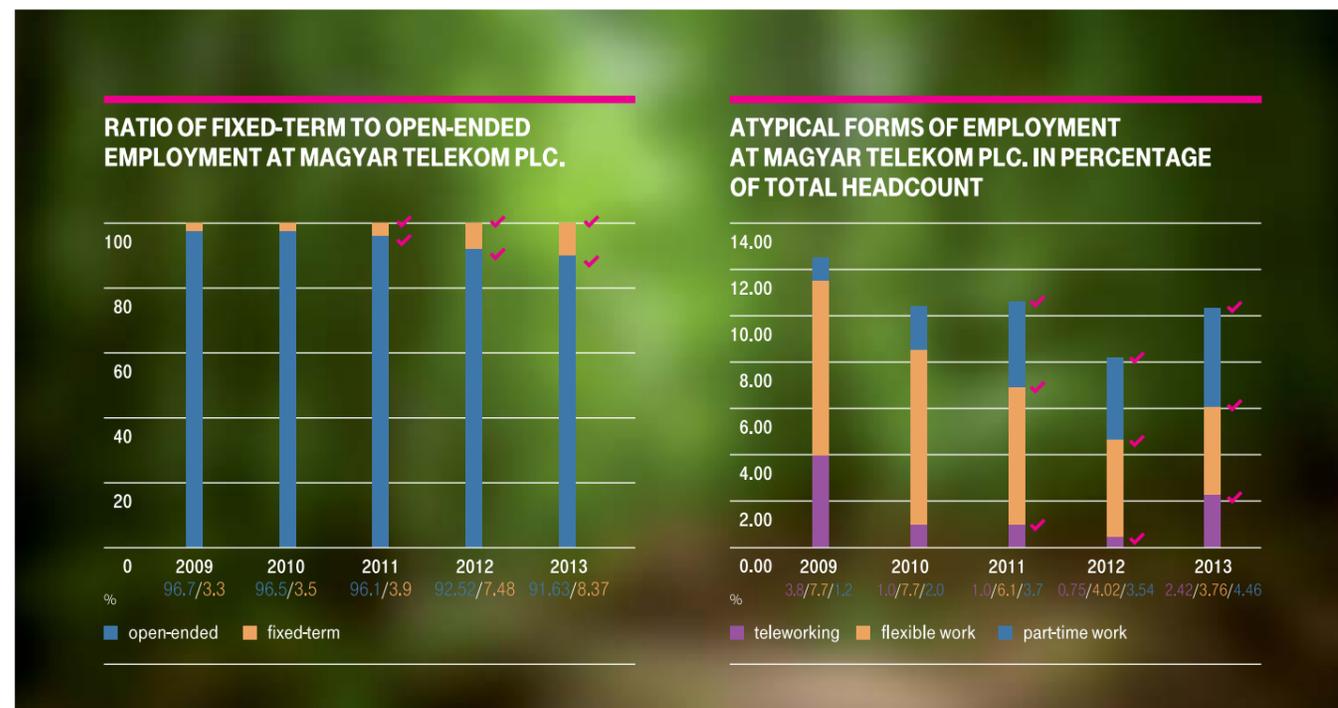
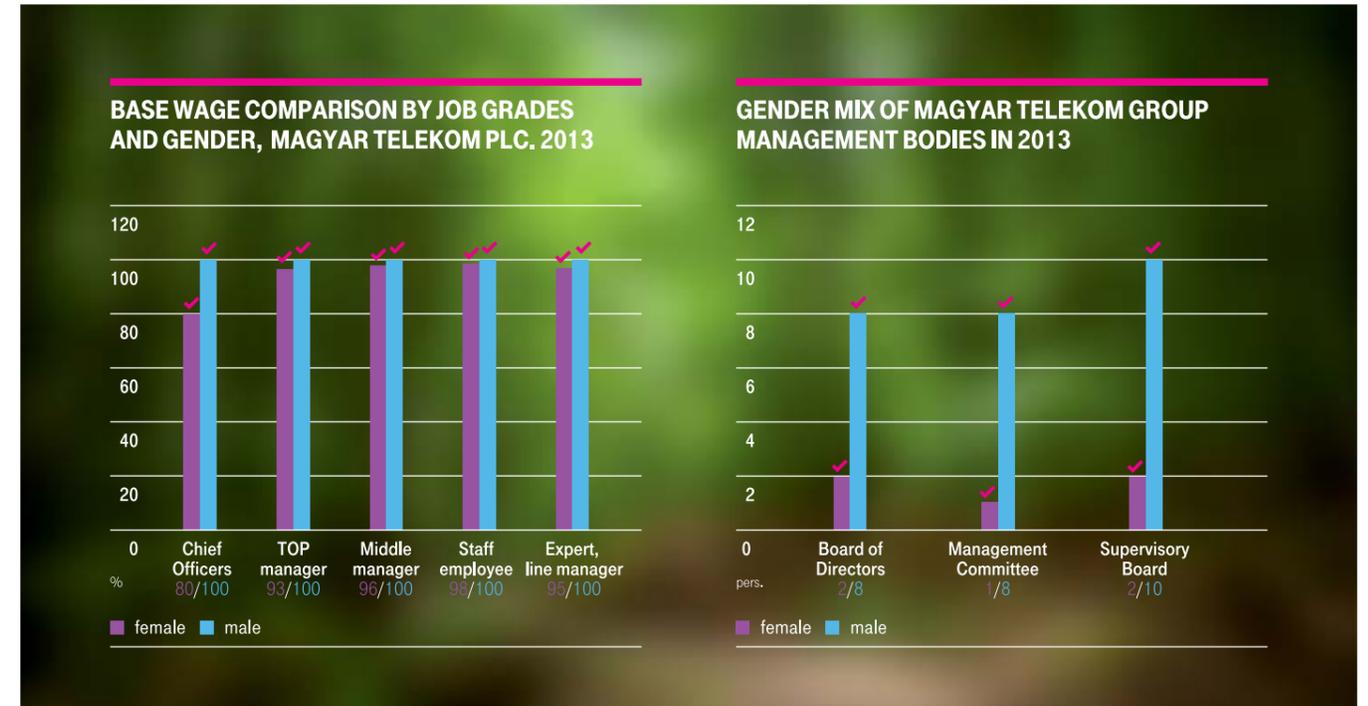
FLUCTUATION AT MAGYAR TELEKOM GROUP³³

	2009 (Plc./Group)	2010 (Plc./Group)	2011 (Plc./Group)	2012 (Plc./Group)	2013 (Plc./group)
Total fluctuation	12.1%/10.2%	10.0%/8.9%	9.3% ✓/9.5% ✓	10.6% ✓/8.0% ✓	13.4% ✓/13.5% ✓
Termination initiated by the employee	1.5%/2.2%	1.5%/1.6%	2.1% ✓/2.8% ✓	3.7% ✓/3.8% ✓	3.9% ✓/3.4% ✓

³³ There are no data available broken down to age and other indicators.

The number of employment terminations, with the exception of data from 2012, are compared to the previous year's closing headcount, due to the employment of the rented workforce; in 2012 we calculated with an annual average headcount. This change does not impact the comparability of the data.

5.5. HUMAN RESOURCE INDICATORS



5.6. INVOLVEMENT OF OUR EMPLOYEES



Activities, trainings and communication in relation to sustainability are natural part of the company's life. hello holnap! club is a regular and casual form of knowledge transfer on sustainability topics that was launched in spring 2013.

The club is organized once a month with various topics to discuss. The place of the event is Magyar Telekom's headquarters, but any employee may join in through the online broadcast.

In March, 2013, we welcomed Péter Müller at one of the club events who discussed life strategies with Péter Koncz, Corporate Strategy Director.

In April, Gyula Szabó, leader of the Eco-Service, delivered a presentation on the ways of building a sustainable home; accompanied by Gábor Pukler, Innovation and Business Development Director who presented digital home solutions. On the next occasion Sándor Finta, General Architect of Budapest, talked about virtual and real spaces with the contribution of István Matits, social media manager. In summer, the club is on holiday and restarts the events in September when our guest will be Vilmos Csányi to deliver a presentation on the nature of communities. The guest of the last event before the holiday was Annamária Tari, clinical psychology specialist, who was discussing the underlying risks of our children's excessive use of the internet.

The company has been paying special attention to the sustainability training and awareness raising of new entrants. As part of this effort the orientation program of new employees includes sustainability elements.

As in every year since 2008, in 2013 too, we have participated in the Hour of Earth initiative. Besides our actions for customers (turning off the light in shops, providing special discount for environment friendly telephone sets) our employees receive text message reminders at the start of the action to turn off their electronic equipment in their homes for 60 minutes.



hello holnap! club



The Budapest Sport Office, organizer of the Viviccittá run, together with the Budapest office of the Hungarian Red Cross, organized a joint running shoe and outfit donation event on the occasion of the 28th Telekom Viviccittá City Run. The event addressed everybody, naturally the employees of the company, too: volunteers could donate their spare running outfit and shoes to those would like to do sports but do not have the necessary accessories. Our employees donated their redundant items at the place of the Viviccittá run, the Margaret Island in Budapest. The donations were distributed by the Red Cross to those in need in the Northern-Pest region.

As a responsible and sustainable employer, the company has been paying much attention to preserve the health of its employees. Within the frame of this effort we organized the first Health Week from May 6 to 10. For one week we focused our attention to physical and mental health. The objective of the event was twofold: our employees were given information on the company's health services and their awareness was also raised on the fact that everybody is responsible for his or her own health.

Numerous screening opportunities were offered to our colleagues, including PSA, HPV, ultrasound mammography and retinal photography examinations. They could measure their stress level, attend presentations on everyday addictions, parent-children relations and could do sports together with Péter Kropkó, several times IronMan champion and the company's newly elected 'running ambassadors'.

We have been organizing the Academy Days as well as the Employee Academy event series for years. During the Academy Days external experts give presentations on a predefined topic, whereas at the Employee Academy—as the name suggests—Magyar Telekom experts do the same to the audience.

In 2013, the Academy Days offered topics like software development, building online businesses, atypical forms of employment, social business, digital future and the world of startups. At the Employee Academy, among others, there were presentations on the Telekom Video on Demand service, sport clubs at Magyar Telekom and volunteer programs.



RITA ÁBRAHÁM
Sustainability
manager

hello holnap! point collection

It is well known among our colleagues that the company is a forerunner of sustainability initiatives, and these efforts are acknowledged in the form of awards, thanks to our committed sustainability team.

We may share their happiness but it is hard to share prizes, so we decided to express our appreciation and gratitude personally, while continuing our colleagues' education.

In March 2013, we launched the hello holnap! point collection campaign. The essence of our initiative is to award participation in hello holnap! events with points. After one year we give out prizes for the three most active point collectors. We gave points for voluntary work—Mobilsuli or Digital Bridge—, TeleBike and Telecar use, participating in the hello holnap! club, Sustainability Day, sustainability training, Viviccittá run or the Telekom Olympic games.

In the annual sustainability survey we asked our colleagues what prizes they would be most happy with. The majority of the votes was cast on a bicycle. Magyar Telekom and Csepel Bicycle Manufacturing company established good relations during the TeleBike project, and they were our partners to select the prizes for the three winners. Within one year, 2624 employees collected at least one point. The campaign is successful: our colleagues like it and help our work with new ideas, recommendations.



TeleBike



TeleBike, as a unique service in Hungary, offers free bicycle rent for employees in Budapest to commute between four sites of the city in the spirit of health and environment protection. In the first year of the community bike system more than 1100 employees registered to the service, and the bikes were rented almost 6000 times.

Telekom relay team was at the start line of the Ultrabalaton running contest to support ill children, aided by the Smile Foundation. The participants were running or cycling the 5.4-km Smile relay contest around the lake. The donation raised by the runners and cyclists was spent by the Foundation on seriously ill children. The children supported by the Smile Foundation and the supporters completed the 212 km round in 45 smaller parts, within 2 days. The participant children spent the first night of the race at the Telekom Hotel, in Balatonkenese, as the courtesy of the company.

The biggest voluntary program of Magyar Telekom is Mobilsuli (Mobile School). The objective of the initiative is to equip children with the essential knowledge on the safe use of mobile telephones and the internet. Upon request of primary schools, Mobilsuli volunteers go to schools and give presentations to pupils in important topics on the two subjects.

Mobilsuli started in 2010 upon the initiative of enthusiastic Magyar Telekom employees. The leaders of the program—operating as an association by now—set the objective to inform



The success of Mobilsuli is proven by the fact that several hundreds of schools and more than ten thousand children were involved in the program with the help of more than a hundred volunteers from Magyar Telekom. In 2013, the program won the Volunteer Center Foundation's Voluntary Program of the Year award.

as many primary school pupils as possible on the risks of using mobile phones and the internet, as well as how these risks can be avoided and how one should use them while taking care of each other.

Besides Mobilsuli, the company contributed to the employees' sensitization with the organization of other voluntary programs as well. In 2013, 8% of all team building exercises had charitable elements.



Mobilsuli (Mobile School)



In 2013 15 voluntary programs ✓ were organized, where 662 employees ✓ worked a total of 5204 working hours ✓ that equals to 29.4 million HUF ✓ donation in voluntary work.

During the flood in June, 200 Magyar Telekom employees helped to prevent damage to Budapest and its suburbs. As agreed with the governmental emergency organizations, our teams worked in Leányfalu, Szigetszentmiklós, at the Dagály Bath and Tímár street in Budapest, while also helping the Hungarian Charity Service of the Order of Malta to distribute donation cards.



Volunteers at the Dagály Bath



Within the frame of the It is Good to Give! cookie campaign, Magyar Telekom employees and the members of the Sustainability Media Club make home-made cookies to be sold to our colleagues, and the income is spent on charity. The company supplemented the employees' donations of 852,000 HUF with another sum of 3 million HUF.

Magyar Telekom has always been paying special attention on helping the disabled. The company organized a sensitization program for the employees with the objective to make them more open and to know more about the needs of the disabled, as well as how to serve these customers. On December 3, 2013, on the occasion of the International Day of Persons with Disabilities, Magyar Telekom employees had the opportunity to attend a 4-hour interactive presentation series where external experts called their attention to the special needs of sight, hearing impaired or disabled or mentally ill customers. Based on this, we organized the It is Good to Give! cookie campaign for the third time: the donations were offered to support the work of the Equal Opportunities Fund.

Thanks to the efforts of our company in this field, the knowledge of our colleagues about sustainability issues is much higher than the national average. In 2013, a residential survey found that 18.6% of the respondents have heard about the term of sustainability, among our employees the ratio was 74.3%. Besides, 61% of the employees think that Magyar Telekom is a forerunner in sustainability matters (the ratio was 29% in 2010), whereas the same ratio in the residential area is 6.6%.



It is Good to Give! cookie campaign





6.

INVESTOR RELATIONS



Magyar Telekom also puts emphasis on its home page to satisfy the information needs of those interested. Up-to-date information can be found under the 'For Investors' menu item about the corporation's strategy, financial situation, general meetings, dividend payment furthermore, current listing of Magyar Telekom's shares, as well as all the information that is necessary to get in touch with the corporation is also available. The e-mail address and telephone number of the Investor relations department can be found on the web site and staff of the department responds to questions sent to the e-mail address within 24 hours.

Meeting in person seems to be the most important tool to maintain investor relations. There are two ways of meeting people in person: either the investor and/or analyst pays a visit in person in Budapest, where she/he can meet as required with the company's top management and/or staff of the Investor relations department, or the possibility of meeting personally is taken when Magyar Telekom's representatives travel abroad in the framework of a road show or conference. Magyar Telekom's top management and staff of the Investor relations department spend in the order of 20–25 days abroad on various road shows and conferences in the main centres 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.



In addition to the above, the corporation regularly assesses investor needs each year with the help of a questionnaire. An independent specialized firm is commissioned to prepare a so-called perception study, which assesses investors' opinion, needs and expectations with the help of a list of

questions elaborated in detail on a representative sample. The summary presentation of the final results of the survey is prepared by the Investor relations area and presented at the meeting of the Management Committee.

Magyar Telekom continues to be the target of responsible investor evaluations. Responsible investors are investors who, in addition to traditional financial and risk analyses also take the environmental and social performance of the corporations into consideration.

In 2013, Magyar Telekom participated in the Carbon Disclosure Project (CDP) again. In the framework of the worldwide initiative major companies report to the major investors about their climate protection approach, the related risks and possibilities as well as their CO₂-emission (currently the asset value is 92,000 billion USD).

In addition the Sustainalytics and GS SUSTAIN responsible investment, consulting organisations also assessed the sustainability performance of Magyar Telekom Group in 2013.

According to the responsible investment rating review of Oekom Research, Magyar Telekom has been rated Prime, i.e. recommended for investment.

In 2013, Magyar Telekom was once again included in the CEERIUS (Central and Eastern European Responsible Investment Universe) index launched by the Vienna Stock Exchange among the companies performing the best in terms of sustainability in the Central and Eastern European region.





7. COOPERATION

7.1. PROFESSIONAL COOPERATION



As a determinant player of Hungary's telecommunication market, Magyar Telekom consciously forms its relations with areas, standardizing organs, innovation organisations and higher education institutions that are tightly pertinent to the telecommunication industry.

We are active members of the Mobility and Multi-media Cluster, established in 2007 to coordinate the Hungarian mobile and multi-media technology players and the Hungarian research and development capacity and, based on this capacity to introduce Hungarian inventions to the (global) market. By today, the MMCluster has become one of the most important collaborations in Hungary with members ranging from large telecommunication and IT companies to small and medium sized enterprises focusing on info-communication innovation, as well as universities operating research centres.

We actively take part in the work of Hungarian scientific organisations like HTE (Scientific Association for ICT Hungary), MISZ (Hungarian Association for Innovation) and IVSZ (ICT Association of Hungary).

Our relations with institutions of higher education are diverse. In addition to cooperation in research and development, we contribute to practice oriented training of students by donating equipment and by presenting case studies and organising series of lectures and local site visits. We nurture a close professional relationship with the Mobile Innovation Centre and regularly take part and deliver lectures in their professional conferences.

In recent years, international cooperation among DT companies has also moved to the

forefront in order to exploit synergies within the group. In this area we specifically deal with the adaptation to the Hungarian market of development results, sharing product rollout experiences and coordinating vendor relations and purchases provided they are justified in terms of business. In the framework of domain meetings held regularly (Fix Access Domain, Mobile Access Domain, IP and Core Network Domain, Service Development Domain, as well as OSS Community), we take part in joint projects, the results of which efficiently support the tasks of the technology area, promote the strengthening of our competitiveness in terms of technology and the improved exploitation of our financial resources.

We continue to nurture close relations with our strategic vendors, which enable us to harmonize technology roadmaps, to mutually join development phases and familiarize with market experiences in other countries.

7.2. COOPERATION IN THE FIELD OF ENVIRONMENT PROTECTION AND SOCIETY

In addition to professional challenges, the company group is also looking for possibilities to cooperate in order to solve social and environmental issues.

The company group is a member of the Hungarian Business Leaders Forum (HBLF) in several areas:

- Partnership and Voluntariness Working Group
- HBLF for Diversity HR Working Group
- Equal Opportunities Working Group
- Health Working Group
- Environmental Protection and Sustainability Working Group
- Community Programs Working Group
- Business Ethics and Transparency Working Group

The company group has been an active member of the Sustainability Working Group of ETNO (European Telecommunications Network Operators) for years. Members support each other in addressing the most divergent problems pertaining to sustainability. In addition to meetings organised three times a year, an Internet portal supports joint work and the sharing of best practices.

We contributed to the scientific work of the Presidential Committee of Environmental Sciences of the Hungarian Academy of Sciences and the National Adaptation Centre with our expertise. Our colleagues keep contact with several institutions of higher education: acting as thesis consultants, enhancing the awareness of students writing their thesis and delivering professional lectures.





In 2013, we organised the Sustainability Day for the sixth time with the main objective to demonstrate the new ideas and solutions having come about in the previous year in the field of sustainable development and to thus provide inspiration and help for an increasing number of people in leading their life consciously. The motto of the festival's conference was 'Saving differently', which was aimed to express the endeavour to make society aware of unique, sustainable and innovative solutions.



Annamária Tari at the social section of the 6th Sustainability Day



Ádám Somlai-Fischer, the co-founder of Prezi

Professional discussions this time again addressed the three pillars of sustainability, through a specific topic each. The inspirational lecture was delivered by Ádám Somlai-Fischer, manager of Prezi.com on the relationship between sustainability and start-ups. The Sustainability Media Club discussion addressed the impact of media consumption on our children's intellectual and emotional development; the exchange of ideas discussion focused on current and future society; in the environment section the adaption to environmental change was elaborated, and the business section focused on innovation. As an additional section, a discussion was held about the role of communities. The sections were introduced by Sándor Badár with his mini lectures, seasoned with a special sense of humour.

In addition to the professional discussions a great number of programs, exhibitions, discussions in sections and concerts were organised for the visitors of the event, held in the Millenáris Park. A series of animation programs awaited children and grownups: they had the possibility to familiarize with bio-food, sustainable solutions, renewable energy production, recycled clothing and they could also get acquainted with the life of people with disabilities. Visitors had the chance to make a bag out of used molinos, try the world's smallest foldable bicycle and even drive an electric car.

Prizes were also handed over during the event: we announced the winners of the creative competitions launched on the occasion of the 6th Sustainability Day. The day concluded with an after party, the proceeds of which were for planting trees.



RandomTrip concert



Molino workshop at the 6th Sustainability Day

8.

CORPORATE
CITIZENSHIP

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8.1. SPONSORSHIP



Magyar Telekom has been the supporter of Children's Island, the biggest free leisure time family event in Hungary in 2013, for more than a decade. In its own area at the event called hello holnap! Liget, Magyar Telekom organized children's activities, concerning sustainability and environmental consciousness.

The goals of the company's sponsoring activities are the creation of experience and value for the customers and partners.

The Group, as 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.

In 2013, Magyar Telekom announced a toy donation event for the visitors of Children's Island again. With respect to the situation created by the unusually high flood of the Danube, we offered donations of the first two weekends for the Hungarian Charity Service of the Order

of Malta, the toys of the second and third weekends for the Tölösi Péter Foundation, that cares for children with leukemia and other tumoral diseases. The Sustainability Media Club of Magyar Telekom also participated in the charity event in order to promote sustainability.

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 much prominent national and international sport success as a sponsor. As a part of its support activities, Magyar Telekom supported the Hungarian team and the Hungarian Olympic Committee in the 1996 Olympic Games in Atlanta, later in Sydney, Athens, Beijing and London, too.



Until 2016, Magyar Telekom, throwing in a broad array of its telecommunication services, promotes the attainment of the goals of the HOC and the preparation of future Hungarian athletes for the Rio de Janeiro Olympic Games as platinum sponsor.





As the committed sponsor of the Hungarian Swimming Association, Magyar Telekom also contributed to winning the rights to organize the 2021 Swimming and Waterpolo world championship in Budapest.

By way of an important element of its sponsoring strategy, Magyar Telekom, as one of the chief sponsors of the men's national football team and the Hungarian Football Association, has claimed an important role in promoting and developing the national junior football, the amateur and youth soccer sports too. To make publicity for the latter sports, Magyar Telekom and the Hungarian Student Sport Association pooled forces to organize the football events of the Students' Olympic Games, which already have traditions of decades. Telekom Football Students' Olympic Games were attended by female and male students from several

primary and secondary schools, in several age groups between April 20 and June 17, 2013. In the county elimination rounds of the Telekom Football Students' Olympic Games, held with the participation of 8500 players of 760 teams, not only the young football players, but also the accompanying teachers, family and friends could choose from an array of entertaining programs and skill contests with valuable wins. The visitors of the events could enter a kick-ups football competition, try adventure photography and even spot some prominent sportsmen and celebrities. Beyond the above reasons, it was also worth visiting the events



MKB Veszprém



In the spirit of sustainable festival experience, in VOLT and Nagyon zene! festivals for the first time, Magyar Telekom introduced the use of repohár (recup). The recycling of cell phones used at the VOLT festival provided material for quality works of art and sculptures that were created with the help of contemporary visual artists.

to promote a noble cause: Magyar Telekom, a committed supporter of Hungarian football, rewarded the school that activated the most supporters with a valuable gift.

As the most loyal sponsor of the MKB-MVM Veszprém handball team, the company is committed to support the national handball sport.

Magyar Telekom, as the chief supporter of festival experiences in 2013, contributed to quality entertainment events with various local activities as well as digital solutions and services.

Magyar Telekom supported Kaposcs Festival as a communications partner. In 2013, we contributed to the success of this biggest all-art festival by providing free broadband internet access.

According to the sponsoring strategy of Crnogorski Telekom the company supported various sport, art and cultural programs in 2013, too. For 6 years, CT has been the gold level support of the national soccer team of Montenegro, and it sponsors the first division soccer teams of Montenegro, too. At the same time, the company supports the Budućnost



Ball throwing at VOLT festival



As the committed supporter of the culture of Hungarian music—besides the Palace of Arts–Budapest Music center, the newest musical institution of Budapest, as well as the renovated and newly opened Music Academy, became the cooperating partners of Magyar Telekom in 2013.

Basketball Club, which is one of the most successful sports club of the country. Besides, the company supported other events as well, that popularized sports and a healthy lifestyle.

Music enjoys the company's support as well: last year it sponsored Asfaltiranje and the Southern Soul Festival, just like the second Electronic Beats Festival of Montenegro, that is a musical program supported by DT. In the areas of arts and culture CT sponsored the City Theater of Podgorica as the official partner of its 2013–14 season. At the same time the company was the main sponsor of Telekom Underhill Fest (international documentary festival), the TV Festival Bar 2013 and the FIAT 2013 alternative theater festival.

During the summer season, the T brand supported events held in a number of Macedonian cities including the Strumica Open Festival and the Struga Poetry Evenings. The company traditionally sponsors the Skopje Jazz festival as well.

Besides traditions, music and culture, T-Home and T-Mobile, as the traditional supporter of Macedonian sports, sponsored the Sar Planina Ski Championship, the MZT Skopje Club Basketball team and the Macedonian Tennis Association. At the same time the company supported the largest sport event of the company and the country, the Ohrid Swim Marathon, too, during which about 20 swimmers completes the 30-km-long Klime Savin lane in the lake.



As the most significant supporter of Macedonian cultural life, the T brand (Makedonski Telekom and T-Mobile Macedonia) supported in 2013, like in the past 16 years, the Ohrid Summer Festival, which is the largest and most significant cultural event in Macedonian culture, art and music. About 1000 artists from 14 countries of the world participated in the event.



8.2. DONATION

Development of communities, consciousness forming



In 2013, based on earlier thematic proposals, Magyar Telekom, bound to the Vivicitá City Run, announced its proposal for elementary school students in which the company pledged to build community gardens for the students' teachers' and parents' communities of the three winning schools.

In the implementation of the program, our partner was the Foundation of Center of Contemporary Architecture, the organization we cooperated with in a number of successful programs.

The aim of the initiative for the winning school communities—teachers, students and parents—was to get to know the joys of working together, accounting for the interests of the environment and the community alike. At the same time,

through the creation and maintenance of community gardens, they get to know the positive effects of self-sufficiency on healthy lifestyle and the environment.

The three winning schools:

- Homoktövis Elementary School of Újpest
- Lázár Vilmos Elementary School of district XX of Budapest
- Gyurkovics Tibor Elementary School

reGARDEN

Our school's students and their parents were enriched with a garden by Magyar Telekom's financial support and K.É.K.'s (Kortárs Építészeti Központ: Center of Contemporary Architecture) professional guidance.

By way of building the garden, our students have the opportunity to enhance their commitment to sustainable development. This way the majority of our children's knowledge on nature may come from practical and live experience. Family gardening creates a tight bond between the school and parents.

After the official opening ceremony of the garden on May 16, it already served as a place for joint work, science lessons, party place for retiring colleagues and senior students and playground during the summer holiday.

In the reGARDEN we have twelve experimental gardens and eleven family gardens.



We planted hippophaë in the garden—the plant that our school was named after—wreathed herb spirals and we left room for many other flowers as well.

The garden, built with Magyar Telekom's support, is not only a community building place, but also helps to have an impact on our students' environment consciousness.

Istvánné Rab
Project Manager, Homoktövis Primary School, Újpest



Community garden at the Homoktövis Primary School of Újpest



Adni jó! Sütiakció (It is Good to Give! cookie campaign)

Last year we organized for the third time our Christmas charity program, It is Good to Give! cookie campaign, together with the Sustainability Media Club. Our goal of last year's campaign was to support the disabled and the beneficiary was the Equal Opportunities Fund. The organization of 22 years has been providing work countrywide for more than 600 people with severe mental and physical disability. Last year's cookie campaign was enhanced by the work of the Foundation's employees; they offered self-made candles, toys and themed table cloths for the advent holiday. The 852,000 HUF employee donation from the sale of home-made cakes was matched by Magyar Telekom by 3 million HUF, thus the beneficiary of the It is Good to Give! cookie campaign received a total of almost 4 million HUF donation in 2013.

Digital education: conscious mobile phone and internet use for children

Last year the company signed a three-year cooperation agreement with MobKomX Association for supporting the Mobilsuli program. In 2013, Telekom won the Corporate Volunteer Program of the Year award of the Volunteer Center Foundation with its Mobilsuli program. More information about the program can be found in chapters 5.6 and 9.1.

T-Systems

The entire amount of 5 million HUF, set aside for the end-of-year company presents, was offered for the Hungarian Ecumenical Aid. The donation provided the means from which the playground of Kastélyosdomó's social and development center, operated by the Aid, was built.

T-Systems Hungary supports the work of Hungarian Ecumenical Aid in other ways, as well. In the summer of 2013, together with Hungaroring

Sport Ltd., the company donated 100 TV sets for social and development institutions, operated by the Aid. Some of our colleagues contributed with material donations for the sustenance of families in crisis. T-Systems Hungary delivered 7 big boxes and bags full of clothes and toys to the Family and Child Protection Services of Soroksár, operated by the Ecumenical Aid.

Crnogorski Telekom

One of the main foci of CSR strategy was the improvement of health care in Montenegro. Following the numerous efforts of previous years in this field, the company began to raise funds for the Danilo I hospital of Cetinje, so they can purchase a mammography machine. Furthermore, it supported a blood sugar measuring program in the schools located in the northern part of the country, and continued to be part of the regular preventive screening program of the Ministry of Health.

Besides, CT supported the projects of various civic organizations in the fields of health care, culture, arts, new technologies and start-up enterprises: it donated TV sets and IPTV subscriptions for kindergartens in Montenegro, supported the first national secondary school electronics contest, the Hakaton competition of developers, the Hubraum Krakow events, etc.

A company that values knowledge and talent, and supports education, CT has been providing rent-free accommodations for the University of Fine Arts, since the university had to look for a new place due to fire damage.

In November of 2013, UNICEF and T-Mobile's Foundation for Macedonia started a 12-month campaign entitled 'The first five are the most important'. The aim of the campaign is to raise awareness of early childhood development and to attract supporters for the establishment of new centers of early development.

Makedonski Telekom

The 'The first five are the most important' campaign aims to reinforce the public opinion about the importance of children being given a safe and stimulus-rich environment in the first 5 years of their lives, and that they must be well looked after. It is indispensable that in these years children be given an opportunity for healthy physical, social, emotional and cognitive development. In order to bridge the gap between the urban and rural areas, in the latter of which kindergartens are sparsely provided, new centers for early childhood development are built in regions of the most need. Thanks to the financial donation of the initial 50,000 USD of the Foundation of T-Mobile for Macedonia, eight of these centers are being built with a completion date of 2014.

The first Macedonian e-Bonton handbook, that lays down the etiquette of internet communication, was published online in June of 2013, and 2000 copies appeared in printed format, too.

13688: hello holnap! Donation line

As a result of official regulations, from January 1, 2013, the Donation line service of Magyar Telekom collected citizen donations on its new 13688 telephone number throughout the year, for 6 beneficiary organizations.

The company provides the service free of charge, which means that the total amount

donated is transferred to the beneficiary, without aiming to generate profit, the related costs (VAT) are covered by the company, and significant support is also provided to the communication campaigns of the organizations in question, mounted in the collection period (e.g. public commercial film, television and other press coverage).

Beneficiaries in 2013:

- Csodalámpa (Magic lamp) Foundation
- Hungarian Foundation of SOS Children's Village
- National Association for Children with Tumor and Leukemia
- Fehér Bot (White Cane) Foundation
- Tölösi Péter Foundation
- Igazgyöngy (Pearl) Foundation



By calling 13688, anyone can donate 100 HUF to public benefit organizations, working on solving social problems.



In December 2012, Magyar Telekom launched the Donation Booth campaign, in association with the hello holnap! Donation line. Under this project, 25 Donation Booths were appointed and converted in a way that the revenue from each call made from a Donation Booth was donated by Magyar Telekom to an actual beneficiary of hello holnap! Beneficiaries' donation campaign was supported by the company in 2013, too, with the revenue of the Donation Booths, in the total amount of 3,136,000 HUF.

Civil and CivilNet tariff package

The company launched its Civil tariff package service in March, 2004. Civil tariff package provides 500 minutes of free calls without monthly fee and connection fee in the domestic fixed line 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 2013, the company invited applications on two occasions and provided discount schemes to 67 organizations in an overall value of 3,451,054 HUF.

8.3. OUR EMPLOYEES AS CORPORATE CITIZENS

The core element of the Supplemented Individual Donations program, renewed in 2012 and named as Supplementary Volunteer Donations, is that in addition to financial donation, employees are also expected to commit themselves to the supported NGO with voluntary work.

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, being part of his voluntary donation, in the annex of the form provided under hello holnap! The voluntary work may be physical or intellectual contribution, but the request to do voluntary work must come from the supported NGO.

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

- The employee's own initiative: In this case the maximum amount of company support is 50,000 HUF. Supplementary support is provided as follows:
 - employee donations up to 15,000 HUF the company matches with twice this amount;
 - employee donations between 15,001 HUF and 50,000 HUF the company donates an equal amount
- Collective initiative of employee groups: In this case the maximum amount of company support is 200,000 HUF.

Supplementary support is provided as follows:

- in case of the collective initiative of employee groups, where minimum 4

Magyar Telekom employees are involved in the donation and the connected voluntary work, and the amount of the donation paid by the employees is minimum 50,000 HUF, the company supplement will be 200,000 HUF;

- in case of the collective initiative of employee groups, where fewer than 4 Magyar Telekom employees are involved in the donation and the connected voluntary work, and the amount of the donation paid by the employees is minimum 25,000 HUF, the company supplement will be 100,000 HUF.

We increased the sense of social responsibility of our employees with the organization of volunteer programs; 8% of team building activities had charitable elements as well. In 2013, 15 such programs were organized, where altogether 662 Magyar Telekom volunteers participated in 5204 hours. With these programs we provided 29.4 million HUF worth of theoretical contribution to the society. Protection from flood is a significant one among the volunteer jobs: our colleagues spent altogether 1200 hours helping others.

In December 2013, we organized a donation campaign for charitable purposes again, with the involvement of employees. We asked them to bring home-made cookies on that day (It is Good to Give! cookie campaign). The cookies were sold to each other based on the honor system: everybody paid an amount he or she wished to. The company supplemented these donations adding up to more than 852,000 HUF, and donated another sum of 3 million HUF to the Foundation for Equal Opportunities.



In 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.

Following the annually organized volunteer programs, in 2013 the employees of Crnogorski Telekom organized a clothes campaign for those in need thus supporting the initiative of the Local Government of Podgorica and the Red Cross of Montenegro.

During the event of the traditional New Year Caravan, more than 200 employees of Make-

donski Telekom donated gifts as volunteers for more than 1000 children in need. In 2013, too, like in every year, the employees of MKT and the TMMK participated in the humanitarian grand slalom tournament. The entry fee was donated for the medical treatment of children suffering from rare genetic disorders.



PÉTER NOVÁK

The size of the essence

My decennial 'social awareness' activities are mostly related to Magyar Telekom, sometimes quantitatively, none the less qualitatively as well. It is undeniable that it was here that I learned to polish my understanding of responsibility at civil, corporate and state level, it was here that I understood what environmental, social and business harmonization means—as the only sustainable future vision.

For romantics, like me, this is the definition of the Human Being who tries to find its place in the universe and uses the tools available in these days and age with the need to reform them...

Big words? Definitely! If I look at the efficiency of the effort I experience that global changes will not take place within the blink of an eye. There is no critical mass without the individuals of the criticized mass, and we must be enlightened, persuaded, sensitized one by one.

Sisyphus had an easier job—as one might think. If I had to do it alone I would agree with the statement. But I am not alone!

The club's name is hello holnap!, where from time to time Telekom people come together—either in person or through the internet—to get acquainted. With what? Well, with the notions relevant to the topic, their sociological background, the impact of the responding innovative developments on the society in light of the company's strategy.

Big words ... Definitely! This way they get to know each other indirectly, and instead of the grinding mill of a training, the micro-community aspects come into the foreground, much clearer and articulate than in my interpretation—although I am a professional moderator. A great place to find soul-mates, with the same vision and—maybe—consciousness. Although the event attracts some fifty persons per occasion, the size of the essence remains the same: a community of 7.2 billion humans as the shareholders of Planet Earth. This company must be operated properly by all means!



9.1. PROTECTION OF CHILDREN



Magyar Telekom aims to provide the best possible service to its customers and to protect them—especially minors—from the unwanted consequences of the development of information communication technology.

Magyar Telekom provides in various ways for the protection of minors and helps to increase their aware media use.

Protection against content harmful for children

Safe internet

By their own account, 38% of 9-12-year-old internet users have their own profile on a social site, despite all the age limits. Over 30% of children access the internet with a mobile phone and 26% with a game console. Four out of 10 children say they have already experienced the dangers of the internet, for example they were exposed to harassment, received content that encouraged them to adopt anorexic or self-destructive habits, or others misused their personal data (source: European Commission).

The internet security service of Magyar Telekom not only provides protection against external attacks and computer viruses, but also offers other functions.

Origo Ltd., as a member of Magyar Telekom Group is one of the country's biggest content providers, operating close to 40 websites, including Videa and freemail. On the home page of [origo] an article addressed to parents offers guidance on safe internet use and the software available for this purpose (fairy tale browser, network filter, protective programs,

etc.) to help parents understand how they can protect their children on the internet. On the Videa videosharing surface adult content is tagged and can only be accessed after an age warning to the user. If the content is not tagged appropriately or is thought to be abusive, this can be reported with a single click. Only content expressly designed for children can be uploaded by users to the Videakid site.

[origo] creates its own content as well, mainly on the origo.hu and life.hu websites. [origo], as a press product and the contents published by Origo Ltd. come under the provisions of Act CIV of 2010 on freedom of the press and the fundamental rules of media contents, as well as of Act. CLXXXV of 2010 on media services and mass communication, so no minors can access wide-access content harmful to minors on these sites, or can only access after having read the relevant age warning, which comes in the form of a pop-up window. The warning also makes available a free child protection filter program with the recommendation of the Hungarian Association of Content Providers, that parents can download with a single click. Finally, the chatrooms also available to children are continuously monitored through moderators (participating in the chat) ([origo], Telekom mobile). Magyar Telekom also regularly monitors adult content sites to prevent uploading of forbidden pornographic contents.



The content filter recognizes and blocks undesirable websites and URLs, and with the parental control function parents can use a password to block undesirable content.

9.

RESPONSIBLE

CONTENT SERVICE



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Magyar Telekom's free Child Lock service is a tool for parents to protect their children from harmful contents that can be accessed via a mobile phone.

On the initiative of the European Commission, at the end of 2011, 29 leading technology and media companies—including Deutsche Telekom—pooled forces to make internet use safer for children. In the past years, Magyar Telekom closely cooperated with DT in these efforts. The Coalition published its objectives in February 2013, and not only Deutsche Telekom, but all its subsidiaries, including Magyar Telekom, agreed to fulfil them. The most important measures focus on the

demands of the generation that is beginning to use the internet at an ever younger age. In addition to making it simpler to report dangerous content, these measures also provide data privacy and parental control settings tailored to the age of the users.

We also consider it important for parents to know and use these tools, therefore we help their orientation with various teaching material, available on the internet.

Voluntary Corporate Program of the year in 2013: Mobilsuli (Mobile School)

In 2013, the Volunteer Centre Fund (ÖKA) presented the 'Voluntary Corporate Program of the Year' award for the fifth time, when it was won by the Mobilsuli program. Up to the end of the year the more than 200 Telekom volunteers participating in the program helped 10,000 children to learn the smart and safe use of mobile telephones.

The Telekom Mobilsuli program started its activities in July 2010, with the active contribution of a few enthusiastic colleagues. The idea of the program came from customer service staff members who experienced in their work that primary school-aged children who use mobile telephones and the internet know very little about the basic ethical and communication principles of the use of mobile devices. The voluntary program also received an award from ÖKA. From January 2014, the program was updated with teaching material on the use of the internet and offers tangible and measurable support for the young generation.



Dr. Balázs Máthé, Chief Legal and Corporate Affairs Officer at the ÖKA award ceremony



On the child protection website, launched in 2013, the company supports this effort with controlled content, advice, education and events organized for children and their parents to be prepared for dangers that arise in the digital world.

Safe mobile phone usage

Magyar Telekom's free Child Lock service is a tool for parents to protect their children from harmful contents that can be accessed via a mobile phone.

Child Lock prevents access to:

- adult contents presented, sold/resold, on the [origo] mobile portal, which can be accessed via mobile phone
- all the premium rate SMS, MMS or voice services, and
- the broadcasts of adult channels provided in the frame of Mobile TV service

Parents can increase the safety of mobile internet use by content screening available via the internet security software application, described previously.

Safe television viewing

To provide safe television viewing we have made the Child Lock service available also with our Telekom Digital Cable TV, SatTV and IPTV services, which enables parents to lock out children from adult programs and channels by applying a code, and also to control purchases in the video-on-demand.

Education

Magyar Telekom lays great emphasis on training children and presenting the proper use of info-communication devices.

Child protection website

Magyar Telekom is committed to children's safe use of the internet and uses all the means at its disposal to support it. On the child protection website, launched in 2013, the company supports this effort with controlled con-

tent, advice, education and events organized for children and their parents to be prepared for dangers that arise in the digital world.

For further details visit: https://www.telekom.hu/about_us/society_and_environment/society/protection_of_our_children website.

Expanding partner relations

Bűvösvölgy (Magic Valley)

Magyar Telekom is among the partners of the Bűvösvölgy (Magic Valley) project. The media training centre was built to receive thousands of children a year, at the initiative of the National Media and Infocommunications Authority (NMHH), in order to provide guidance to the young generation in the globalized virtual world, to call their attention to new learning opportunities offered by modern devices, as well as their dangers.

In professionally equipped studios children can edit their own magazine, learn how green box technology works and can peer behind the scenes of news reading and weather reporting on TV.

Magyar Telekom supports the Blue Line Child Crisis Foundation, which has set itself the task of listening to the complaints of children and minors, and ensuring the enforcement of children's rights. We also support the International Foundation of Pediatric Emergency Care; in our annual Children's Day event we offer special programs and facilities for children.

Magyar Telekom works closely with the National Media and Communications Authority in a number of other fields too (protection

against internet crime, Internet Hotline etc.). Further partners include Matisz, GSMA and ETNO in the area of child protection.

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

The activities and the enforcement of decisions of the National Cyber Security Office's Coordination Council are supported by industry-specific and functional cyber security work groups, one of which is the Child Protection Work Group, composed of governmental, corporate and NGO experts. Magyar Telekom actively participates in the work of the Child Protection Work Group.

The Child Protection Internet roundtable was established by the National Media and Infocommunications Authority (NMHH). The objective of the initiative is to encourage the protection of minors on the internet. To this end the project elaborates positions and recommendations to promote child-friendly internet use, including the use of content-filtering software, as well as the increased media awareness of parents and their children. The members of the roundtable are child protection professional organizations and the representatives of the Hungarian professional internet associations. Their work is supported by Magyar Telekom.



The virtual world, created as the joint effort of Magyar Telekom and the T-City Szolnok program, is a virtual community space for future city dwellers. A space where they can chat and share films, videos and photos. Besides entertainment, this is also an exciting and useful education tool as in the virtual classroom students can attend classes, take part in extracurricular activities or entrance exam trainings from home.

T-City Szolnok

The joint development and innovation project of Magyar Telekom and the city of Szolnok has been presenting cutting-edge telecommunication, IT and content services to the public since 2009. The residents, companies and institutions of Szolnok—as a T-City—are among the first to learn about and use Magyar Telekom's new services and can directly experience their advantages that make life easier.

Magyar Telekom pays special attention to the info-communication training of the residents in Szolnok in the form of organizing the 'T-City Kids' extracurricular classes for children and the public Internet academy—where professional presenters teach the basics of the use of computers and the internet—free of charge. Potential future services are transformed into operable and useable services with interactive communication and the involvement of the local citizens and companies.

School card

In the 2009–2010 school year, Magyar Telekom launched as a pilot study an admission system based on RFID technology in the Szabadszőlős Primary School. All students involved in the system test received a School Card, which is a plastic ID card based on RFID technology. Access to and exit from the building is controlled by the admission card, and students have to pass through a turnstile, installed at the entrance, which significantly enhances the security of students and school property. Entries and exits are logged on a continuous basis, and the logs can be checked by the parents, even via the internet, at any time. On request parents can even receive SMS notification of their children's arrival to and departure from the school. As a

result of the tests a comprehensive modular system covering all aspects of school life was developed, which serves for the security of children and also assists education, furthermore it offers a cost-efficient solution in the area of school administration. In the 2011–2012 school year, the Budapest Szilágyi Erzsébet Secondary Grammar school also introduced the School Card for testing.

T-City Visuland: T-City's virtual reality

In the virtual classroom teachers and students can use photos or videos in real time and can highlight or pinpoint any small detail of a chart or graph. Owing to the innovative solutions students do not have to be physically present at school—disabled students who are unable to attend classes can also be present or it can be easier to organize remote language courses with a native language teacher.

T-City offers users countless new and exciting opportunities. It is the task and challenge of the local community to fill the virtual world with life and exciting content.

9.2. ADDRESSING LEGAL AND ETHICAL ASPECTS OF CONTENT SERVICE PROVIDING

Today the internet is the main forum for the exchange of knowledge, information and goods as well as amenities and recreation. In sync with the continuous development and the accelerated world, customer needs have also changed: the internet is used more intensively, frequently and to access more diverse contents.

Origo Media and Communication Services Private Limited Hungary (Origo Ltd.) operating the origo.hu portal as an affiliate company of Magyar Telekom Group and the founding member of the Association of Hungarian Content Providers (MTE) is committed to the Code of Ethics of Content Providers. The Code of Ethics can be accessed on MTE's web site: http://www.mte.hu/dokumentumok/mte_kodex_eng.doc

The online portfolio of Origo Ltd. recommends the installation of a screening program to protect children from harmful content. An innovation of the previous period is that due to changing internet needs today the screening programs aimed to protect children can be downloaded to mobile phones as well. In addition, Origo Ltd, as a member of the Association of Hungarian Content Providers attaches a major emphasis to child protection. Therefore, in early 2012, it entirely renewed the www.bigyoo.hu site that offers guidance to safe internet use for children.

As regards data bases of Origo Ltd. the all types of access rights for users is authorized by Origo's Media and Communication Services Private Limited Company. In the course of licensing and in compliance with the recommendations of the Ethical Code of Content Providing, the corporation pays attention to safeguarding personality rights and intellectual property as well as to conduct compliant with the Ethical Codes of Content Providers.

For videa.hu, which belongs to the portfolio of Origo Media and Communication Services Private Limited Company, one of the most important developments in 2013 was search optimization, which enabled minimizing the publication of adult contents. As a result of the development, the hit list provided in response to any kind of search (key) word will not display adult contents. Display of searches with content of this nature is possible only by using category selection. In order to further reinforce the responsible content provider status, we introduce category screening, which can be linked to registration and using which the adult category of Videa will become inaccessible until withdrawal.

Apart from the commitments through MTE, origo.hu avails of its own code of ethics, which is constantly revised and expanded.

In 2011, DT launched several initiatives with respect to content purchases, which result in savings through exploiting the benefits deriving from the size of the company group and reduce related risks through the direct contact between DT and major vendors. The initiatives initially will be implemented as a pilot, and, if proven successful, they will result in the expansion of the content purchasing activity. In the meantime, local and regional television companies will broadcast without any cost implication in the offer of Extra TV, as both broadcasters and DT are mutually interested in being present in the corporation's successful IPTV platform. Video-on-demand purchases are also implemented at the group level, which reduces relevant legal and ethical risks.

In 2013, several efforts of Crnogorski Telekom paid off in savings and new content acquisition contracts in the total cross section of DT Group. Furthermore, the group level approach reduces risks. These initiatives have already been through the pilot phase and are applied by us as a standard for the major content service providers. Furthermore, most content providers are in the process of standardizing their sales activity, thus eliminating merchants, distributors and partners, which adds to reducing risks and creates favourable conditions for CT as well. The acquisition of content for the videothèque also takes place at group level, which reduces legal and ethical risks.

All the content providing and related activities of Makedonski Telekom and T-Mobile Macedonia fully complies with the applicable rules and legal framework, including, but not limited to copyright, but also other legal regulations applicable to the acquisition, production and distribution of content. We devote a special attention to asserting the principles of equal treatment in the course of extending content and other relevant services not only with respect to the customers' ethical, national, gender and age affiliations, but also the nature of content, to ensure that contents should not promote military aggression or the incitement of hatred on ethnic, gender or religious basis.

10. DATA PROTECTION



Among the 2013 sustainability objectives, Magyar Telekom lays great emphasis on the protection of personal data.

To the end of protection of personal data we continuously monitor potential changes of the relevant regulations and best practices disseminated by the Hungarian National Authority for Data Protection and Freedom of Information. We treat our customers' personal data related complaints and inquires as matters of key importance, and provide factual responses thereto within the relevant deadline.

In 2013, Magyar Telekom received requests and complaints from the authority or directly from the customers, which were duly investigated by the Data Protection Group of Magyar Telekom, and the findings were reported to the complaining customer and the authority. In 2013, we received 18 requests, to investigate personal data management complaints, and only 6 of these were found to have a ground. Based on the results of the investigation, we review our processes and make the necessary adjustments.

For further information, please visit the following website: http://www.telekom.hu/about_us/data_protection

In 2013, T-Systems Hungary Plc. was operating a certified data and information protection system (ISO/IEC 27001), the objective of which is to ensure secrecy, unharmed operation and uninterrupted availability of our data and information. The data and information protection system manages the data files managed and produced by T-Systems Hungary, the company's business data, the data of its partners and employees, offices, commercial and developed software, buildings, offices, equipment and IT systems. The maintenance of the system is ensured through the application of new and continuously developing information and communication technology. We respond to information security exposures in a way that residual risks may not adversely impact our work and the company's operation.

In 2013 Crnogorski Telekom's key data protection activities were as follows:

- Data protection training for all employees.
- Implementation of the PSA process in line with DT's instructions, where the privacy officer and the IT security department delegate project managers responsible for the data protection activities of new projects.
- ICS control.
- Regular (quarterly) report to the Group Privacy area.
- Intense cooperation with the National Data Privacy Authority.
- Data Privacy Conference (December, 2013) organized jointly by the National Data Privacy Authority and CT.

Makedonski Telekom and T-Mobile Macedonia pay special attention to the protection of personal data in all business processes and to this end implements all relevant Macedonian and internal standards. The basic data protection principles laid down in details in DT's Privacy Code of Conduct are all implemented and realized at MKT. The Privacy Code of Conduct—in conformity with the requirements of the Macedonian Data Protection Law as well as DT Group Privacy—is adopted by both companies in the form of a CEO Directive. Compliance with the above regulations is supervised annually by Data Privacy Officers at both companies and DT's Group Privacy area also performs privacy audits among employees.

In 2013, Makedonski Telekom's key data protection activities were as follows:

- The amendments to the MKT CEOD 029 Directive on the Privacy Code of Conduct were adopted in order to define the principles of cooperation between the Data Protection Officer and Security Department.

- The Manual on the Protection of Customers' Personal Data was adopted, appropriately designed and published on the company's web site.
- The amendment of MKT CEO Directive 033 and the implementation of technical and organizational measures are designed to ensure secrecy and protection of personal data.

The major projects and activities in 2013, such as M-Payment, Mobi Wallet, Fleet management system, ERP Pantheon cloud, Olive box, Cloud message and others have been audited by the Data Protection department for potential privacy implications. Internal employee data protection trainings were conducted for different target groups. The company implemented an automated process for the verification of completion of the mandatory data protection training by employees.

Upon request and on behalf of MKT and TMMK, the Security Department performed Data Protection Audits both at MKT and TMMK (involved systems: SAP, PPE, HRMS and HR4me, ICBS, Cash Back, IRB and Mediation, Mobi+ and BSCS, Customer Care and Online Sales).

The Internal Audit Department performed the MKT/TMMK Customer Data Protection Audit as well. The relevant measures, based on the findings of the audit, are expected to be implemented by the Security Department, the data protection officers and the Data and NT/IT Security department by the end of 2014.

11.

SAFE USE

OF MOBILE PHONES,

ELECTROMAGNETIC

FIELDS



As a part of the corporation's general training program and in the course of mandatory orientation training, every new employee is enabled to obtain information regarding issues related to electromagnetic fields.

At the end of 2013, there were 11.5 million mobile subscribers in Hungary, 2.2 million in Macedonia and 340 thousand in Montenegro. Beyond providing high-quality services to these customers through the mobile telecom network, UMTS licenses were distributed for operators in Hungary in December 2004, for operators in Montenegro in June 2007, and for operators in Macedonia in June 2009. Furthermore in December 2011 Magyar Telekom obtained the license for launching LTE services, the commercial sale of which took place in 2012. At the end of 2013 Magyar Telekom's LTE service was available at over 100 settlements.

LTE-related network may heighten the interest of communities in the issue of electromagnetic fields, which will increase the importance of the company's strategy in addressing the issue.

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

Within Deutsche Telekom Group, issues related to electromagnetic fields (EMF) are

regulated in the objectives related to EMF topics, the so called EMF policy recommendations, with special emphasis on transparency, providing information, support of and involvement in research. Deutsche Telekom's relevant recommendation has been applied as mandatory to it by Magyar Telekom since 2004, by T-Mobile Macedonia since March 2011. The Management Committee of Crnogorski Telekom adopted the company's EMF regulation aligned with DT's relevant regulation on October 27, 2011.

To support preventive measures, both Magyar Telekom and T-Mobile Macedonia set up dedicated work groups, which meet regularly each quarter and continuously monitor EMF-related national and international research and developments, and furthermore respond to any arising queries by authorities, residents or employees. Further information about T-Mobile International's EMF Policy Recommendations adopted by Magyar Telekom is available in English on the website of T-Mobile International³⁴.

Within this framework, Magyar Telekom and its subsidiaries address complaints and inquiries in an efficient manner.

The EMF policy was also endorsed by Crnogorski Telekom and T-Mobile Macedonia. The policy defines the core principles of responsible use of mobile communication technologies. In this document we assume commitment for greater transparency, information providing and involvement in the relevant processes.

³⁴ T-Mobile EMF-Policy Health and Electromagnetic Fields Background Document



As a result of cooperation among three mobile operators, an EMF portal was established in 2006 and continued to operate in 2013 as well for the purpose of information (<http://www.emf-portal.hu>). In this portal questions regarding EMF topics can be asked, the latest relevant news is rendered available along with the results of the EMF-related measurements and research is requested by operators from external organizations.

Mobile network, network development

According to the practice applied at base stations, the antennas are always installed in such a manner that employees should not be able to stay in the area facing the antenna, they should not and need not have to work in that zone and passageways should not cross that particular area.

If in an extraordinary case they still need to pass by or work in the area facing the antennas—which occurs mainly with external contractors, for example when renovation work is carried out on the exterior of buildings—safety distance data are made available. If necessary, the possibility to carry out local measuring is also available and, in justified cases, antennas can be temporarily relocated or their transmission performance reduced to the desired extent.

In the event Magyar Telekom employees who perform work near the antennas come across some unidentified signal source, they determine the boundaries of the safe zone using their personal RADMAN radiation detector, thus avoiding any eventual health hazards.

Compliance with the value limits defined by law for Magyar Telekom's mobile network is, whenever necessary, audited and certified by independent measurement bodies. In 2013, the company had 23 local measurements performed for non-ionizing electromagnetic exposure, which in all cases demonstrated values well below the limit values related to electromagnetic fields.

Prior to each and every base station construction or tower installation the company harmonizes and cooperates with those concerned. Where a need for it is shown, citizens' forums are held in an effort to reach an agreement.

Communication

Despite the fact that Magyar Telekom in all cases remains far below the limit values identified by the ICNIRP guidelines regarding both the handsets and base stations, the company considers important to inform its employees as well as its customers³⁵.

In the internal training programs conducted in 2013, nearly fifty colleagues attended presentations delivered by the expert of the 'Frederic Joliot-Curie' National Research Institute for Radiobiology and Radio hygiene (OSSKI).

In addition to internal communication, Magyar Telekom continued to be open in 2013 to answering any inquiries related to safe mobile phone use.

Apart from the EMF portal Magyar Telekom also runs its own internet page addressing the same topic (<http://www.bazisallomas.com>), which also provides answers to questions of the health, legal and technological aspects of mobile networks.

The SAR values³⁶ of the devices are available in the user manuals in the mobile set boxes and at the T-Points as well. Beside all this Magyar Telekom's web shop also provides the same data under the detailed description of devices.

Research

The exposure of the world's population to non-ionizing electromagnetic radiation and electromagnetic fields has increased considerably during recent decades. As civilized society cannot go without using appliances emitting non-ionizing electromagnetic radiation—among others mobile telecommunication devices, satellite and terrestrial television and radio broadcasting devices, meteorological satellites, flight navigation, radio astronomy and space exploring devices—the exposure of the environment and the population is expected to increase further in the future. The World Health Organization (WHO) and several other international organizations and research groups analyze the impact of technological development on human health.

The assumed health impacts of mobile telecommunications have already been studied and analyzed for twenty five years. To date, scientific research has not been able to confirm any kind of negative health effects of mobile telecommunications on the human organism.

The largest research project of this kind conducted so far, the INTERPHONE project organized by WHO-IARC (International Agency for Research on Cancer) with the participation of 13 countries, was closed in 2011. After closing the INTERPHONE project on May 31, 2011 WHO-IARC classified electro-magnetic

fields in carcinogenic category 2B. According to the chairman of the WHO-IARC working group "evidence is strong enough to confirm the 2B categorization and also the conclusion regarding the occurrence of some risk. In view of this the studies into the connection between mobile phones and the occurrence of cancer must be continued." At present the agents classified to category 2B are among others, black coffee, petrol, exhaust fumes of petrol fuelled engines, nickel and alloys, talcum powder, network frequency magnetic fields and mobile telephone use.

Through its GSM Association membership Magyar Telekom contributed directly to the promotion of independent research analyzing the health impacts of mobile networks.

Every national affiliate of Deutsche Telekom is committed to supporting independent research that expands our knowledge regarding the effects of electromagnetic fields. For this purpose T-Mobile International, in cooperation with operators in the UK and Germany, has been jointly supporting an international research program since 2002 in the value of over twenty million EUR, and additional six million EUR through the GSM Association. This makes Deutsche Telekom Group one of the world's largest supporters of research on this subject.

³⁵ https://www.telekom.hu/about_us/society_and_environment/society/health_and_safety

³⁶ The SAR value (Specific Absorption Rate – specific absorption value) enables the measurement of the size of the energy absorbed by the tissues.



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 7th July 2014 for the purpose of reporting to Magyar Telekom Nyrt. (the "Company") in connection with the 2013 Sustainability Report.

Management's Responsibility

The Management of Magyar Telekom Nyrt. is responsible for the preparation of the Sustainability Report in accordance with the GRI criteria as set out in Sustainability Reporting Guidelines of Global Reporting Initiative G3 version A+ criteria ("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 2013 Sustainability Report is prepared by the Management of Magyar Telekom Nyrt. in line with the GRI criteria.

Our Responsibility

Our responsibility is to report on the selected information and data in the 2013 Sustainability Report based on our work performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Information" ("ISAE 3000"). This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether the selected information and data included in the 2013 Sustainability Report has been prepared, in all material respects, in accordance with the GRI criteria.

Summary of the work performed

Within the scope of our work we performed 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 all of the basic performance indicators required by GRI criteria are included in the report. If not, proper explanation should be included;
 - whether the supplemental indicators specific to the telecommunications sector are also included in the report.
- Analytical review, which contains inquiry of management about certain changes or fluctuations in the information and data marked with the check symbol ("✓") compared to the previous period;
- Performing sample testing for the accuracy of the information and data marked with the check symbol ("✓"), for example by inspecting statistical reports, accounting records, documents from external service providers, conduction 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 has come to our attention that causes us to believe that the selected information and data (marked with the check symbol ("✓") in the 2013 Sustainability Report) has not been prepared, in all material respects, in accordance with the GRI criteria.

28th July 2014

Balázs Árpád
Partner
PricewaterhouseCoopers Könyvvizsgáló Kft.



GRI CONTENT INDEX

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 included in the report attached to specific GRI indicators. You can read more about the guidelines and the indicators on the following website <https://www.globalreporting.org/resource/library/G3-Guidelines-Incl-Technical-Protocol.pdf>

GRI CONTENT INDEX-REPORT ELEMENTS IN CORE AND ADDITIONAL INDICATOR CATEGORIES

GRI SECTION	Chapter
STRATEGY AND ANALYSIS	
1.1	Letter from the CEO
1.2	Our approach
ORGANIZATIONAL PROFILE	
2.1	About the Group
2.2	About the Group
2.3	About the Group
2.4	About the Group
2.5	About the Group
2.6	About the Group
2.7	About the Group
2.8	About the Group
2.9	About the Group
2.10	Letter from the CEO

GRI SECTION	Chapter
REPORT PARAMETERS	
Report profile	
3.1	About the report
3.2	About the report
3.3	About the report
3.4	About the report
Report scope and boundary	
3.5	About the report
3.6	About the report
3.7	About the report
3.8	About the report
3.9	About the report
3.10	About the report
3.11	About the report

GRI SECTION	Chapter
GRI content index	
3.12	GRI content index
Certification	
3.13	About the report, Assurance Statement
GOVERNANCE, COMMITMENT AND ENGAGEMENTS	
Governance	
4.1	Sustainability coordination, 1.1
4.2	1.1
4.3	Not relevant
4.4	5.3, 6.
4.5	1.1
4.6	1.3
4.7	5.1
4.8	Our approach, 1.3, 5
4.9	Sustainability coordination
4.10	1.1
Commitments to external initiatives	
4.11	1.2, 1.6, 4.1
4.12	7.
4.13	7.
Stakeholder engagements	
4.14	Stakeholders
4.15	Our approach
4.16	Stakeholders, 1.6, 5.6, 6
4.17	Sustainability strategy, Stakeholders

ECONOMIC PERFORMANCE INDICATORS			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Economic performance			
EC1	About the Group		
EC2	4.1		
EC3	About the Group, 5.2		
EC4	About the Group		
Market presence			
EC6	1.6		
EC7	5.3, 5.5		
Indirect economic impact			
EC8	3.2, 8		
ENVIRONMENTAL PERFORMANCE INDICATORS			
Materials			
EN1	4.1		
EN2	4.1		
Energy			
EN3	4.1	EN5	4.1
EN4	4.1	EN6	4.1
		EN7	4.1
Water			
EN8	4.2		
Biodiversity			
EN11	4.3		
EN12	4.3	EN14	4.3

ENVIRONMENTAL PERFORMANCE INDICATORS			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Emissions, effluents and waste			
EN16	4.1	EN18	4.1
EN17	4.1		
EN19	4.1, 4.4		
EN20	4.4.		
EN21	4.4		
EN22	4.5	EN24	4.5
EN23	4.4, 4.5		
Products and services			
EN26	3.1, 4.1, 4.4		
EN27	4.5		
Compliance			
EN28	1.4		
Transport			
		EN29	4.1
Overall			
		EN30	4.6

SOCIAL PERFORMANCE INDICATORS			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Employment			
LA1	About the Group, 5.5		
LA2	5.4		
Labor/management relations			
LA4	5.3		
LA5	5.4		
Occupational health and safety			
LA7	5.2		
LA8	5.2		
Training and education			
LA10	5.1	LA11	5.1
		LA12	5.1
Diversity and equal opportunity			
LA13	1.1, 5.5		
LA14	5.5		
Investment and procurement practices			
HR1	1.6	HR3	5.3
HR2	1.6		
Non-discrimination			
HR4	5.3		
Freedom of association and collective bargaining			
HR5	5.3		
Child labor			
HR6	5.3		

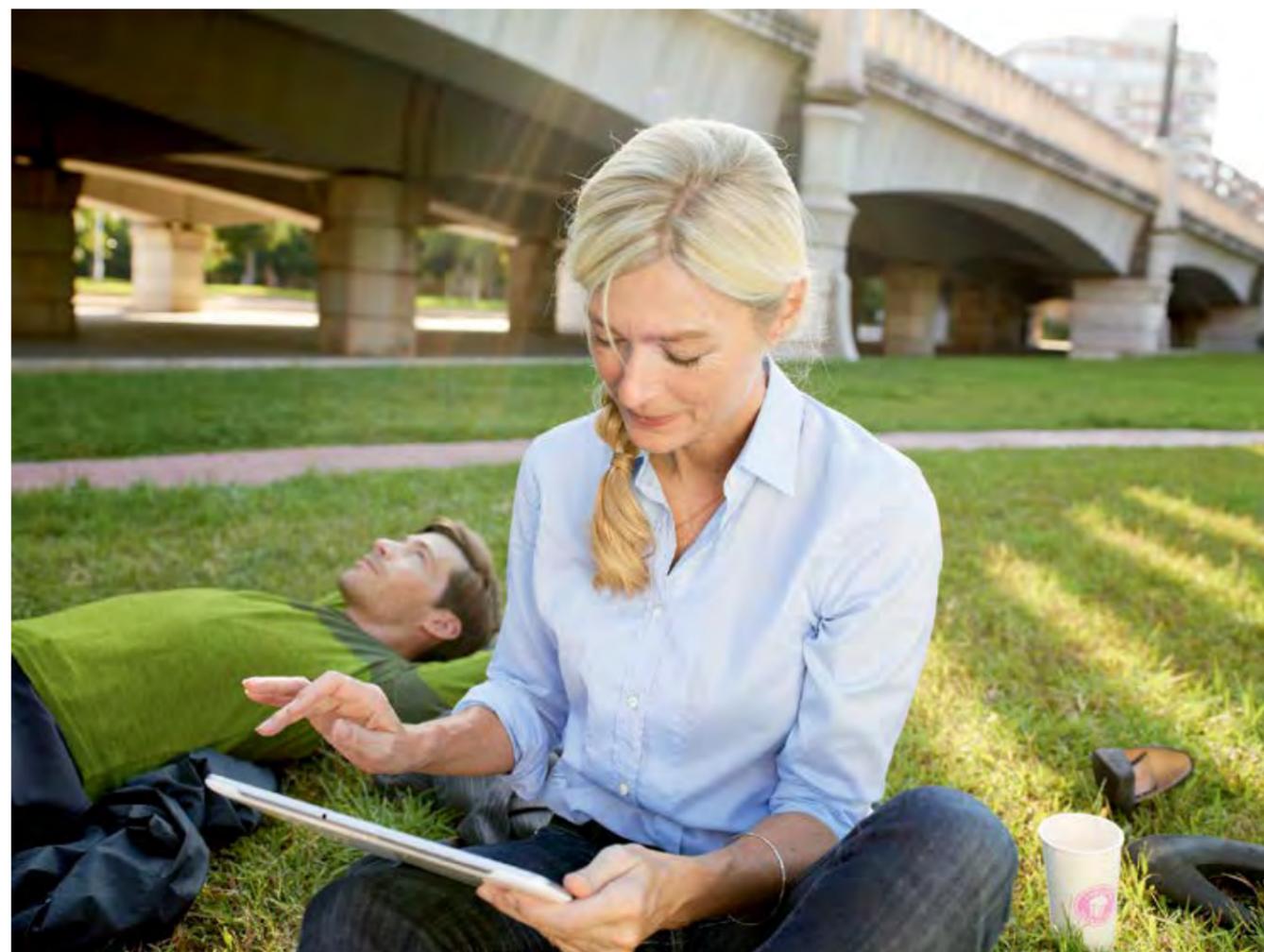
SOCIAL PERFORMANCE INDICATORS			
Core		Supplementary	
Indicator	Chapter	Indicator	Chapter
Forced and compulsory labor			
HR7	5.3		
Security practices			
Indigenous rights			
Community			
SO1	3.2		
Corruption			
SO2	1.3		
SO3	1.3		
SO4	1.3		
Public policy			
SO5	1.5	SO6	1.5
Anti-competitive behavior			
		SO7	1.4
Compliance			
SO8	1.4		
Consumer health and safety			
PR1	3.1, 9.1, 9.2, 11		
Product and service labeling			
PR3	2.2		
		PR5	2.4
Marketing communication			
PR6	2.3	PR7	1.4
Customer privacy			
PR8	10		
Compliance			
PR9	1.4		

TELECOMMUNICATION SPECIFIC INDICATORS	
Indicator	Chapter
Internal operation	
Investments	
IO1	About the Group, 3.2
IO2	Not relevant
Health and safety	
IO3	5.2, 11
IO4	11
IO5	11
IO6	11
Infrastructure	
IO7	4.3, 11
IO8	4.3
Ensuring access	
Access to telecommunication products and services	
PA1	3.2
PA2	3.2
PA3	3.6
PA4	About the Group, 3.6, 11
PA5	3.2
PA6	3.1, 3.6
Access to content	
PA7	9

TELECOMMUNICATION SPECIFIC INDICATORS	
Indicator	Chapter
Customer relations	
PA8	11
PA9	11
PA10	2.2
PA11	2.5, 3.1, 3.3, 4.1, 7

In accordance with GRI (Global Reporting Initiative) year 2006 Guide. (www.globalreporting.org)

TELECOMMUNICATION SPECIFIC INDICATORS	
Indicator	Chapter
Technological applications	
Resource efficiency	
TA1	4.1
TA2	3.1, 3.3, 4.1
TA3	4.1
TA4	4.1
TA5	7.1, 9.2



COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL COMPACT

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

GLOBAL COMPACT PRINCIPLES	Chapter
1. Support and respect the protection of internationally proclaimed human rights	1.3, 1.6, 5.2, 5.3, 10
2. Make sure that they are not complicit in human rights abuses	1.3, 1.6, 5.3
3. The freedom of association and the effective recognition of the right to collective bargaining	5.3
4. The elimination of all forms of forced and compulsory labour	5.3
5. The effective abolition of child labour	5.3
6. The elimination of discrimination in respect of employment and occupation	Our approach, 1.6, 5.3
7. Support a precautionary approach to environmental challenges	Our approach, 4
8. Undertake initiatives to promote greater environmental responsibility	Our approach, 2.5, 3.5, 4.1, 7.2, 8.2, 8.3
9. Encourage the development and diffusion of environmentally friendly technologies	Our approach, 3.1, 4.1
10. Work against corruption in all its forms, including extortion and bribery	Our approach, 1.3, 1.6



LIST OF ABBREVIATIONS

Abbreviation	Full name
4V	managers in change, change in managers program
AC	air conditioner
ADSL	asymmetric digital subscriber line
AG	Aktiengesellschaft (Company limited by shares)
AGM	annual general meeting
AIIESEC	Association Internationale des Étudiants en Sciences Économiques et Commerciales
AmCham	American Chamber of Commerce
BB	broadband
BBU-VÜK	Business Services Business Unit-business customer relations
BME	Budapest University of Technology and Economics
BSC	BSC Bachelor of Sciences
BS OHSAS	British Standard for Occupational Health and Safety Advisory Services
BTS	base transceiver station
CAPEX	capital expenditure
CATV	Cable TV
CC	call center
CDP	Carbon Disclosure Project
CEERIUS	Central and Eastern European Responsible Investment Universe
CEO	chief executive officer
CES	customer effort score
CEMP	Central European Media & Publishing
CHRO	Chief Human Resources Officer
Co.	company
CO ₂	carbon dioxide
CPEX	direct electronic procurement transactions

Abbreviation	Full name
CR	Corporate Responsibility
CRM	customer relationship management
CSR	Corporate Social Responsibility
CT	Crnogorski Telekom
DDoS	distributed denial-of-service
DELFIN award	Award for a Committed, Sustainable, Innovative Generation
DJSI	Dow Jones Sustainability Index
DSL	digital subscriber line
DSLAM	digital subscriber line access multiplexer
DT	Deutsche Telekom
DTAG	Deutsche Telekom Aktiengesellschaft (Company limited by shares)
D2D	door-to-door
EBIDTA	earnings before interest, taxes, depreciation and amortization
EC	economic performance indicators
ÉFOÉSZ	Hungarian Association for Persons with Intellectual Disability
EIR	Energy management system certificate
ELTE	Eötvös Loránd University
EMF	electromagnetic fields
EN	environmental performance indicators
ESzCsM	Ministry of Health, Welfare and Family Affairs
ETNO	European Telecommunications Network Operators' Association
EU	European Union
EVN	Macedonian energy provider
E2E	exchange-to-exchange
FGSM	Fixed Global System for Mobile Communications
Gbit	gigabit (1,000,000,000 bits)
GC	global compact
GE	General Electric

Abbreviation	Full name
GeSI	Global e-Sustainability Initiative
GmbH	Gesellschaft mit beschränkter Haftung
GMC	General Management Committee
GPON	gigabit passive optical network
GPS	Global Positioning System
GRI	Global Reporting Initiative
GS	Goldman Sachs
GSCC	Group Sustainability Coordination Council
GSM	Global System for Mobile Communication
GSMA	GSM Association
GVH	Hungarian Competition Authority
GWh	gigawatt-hour
HBLF	Hungarian Business Leaders Forum
HR	Human Resources
HR	human rights performance indicators
HOC	Hungarian Olympic Committee
HSPA	high-speed packet access
HTE	Scientific Association for ICT Hungary
HUF	Hungarian forint
HVAC	heating, ventilation and air conditioning
IAESTE	The International Association for the Exchange of Students for Technical
IARC	International Agency for Research on Cancer
ICCA	International Customer Contact Analysis
ICCM	integrated customer care modul
ICNIRP	International Commission on Non-Ionising Radiation Protection
ICT	information and communication technology
IFRS	International Financial Reporting Standards
IMS	IP multimedia subsystem
IO	Internal Operations

Abbreviation	Full name
iOS	mobile operating system developed and distributed by Apple Inc.
IP	internet protocol
IPTV	internet protocol TV
ISAE3000	Revised International Standard on Assurance Engagements
ISDN	integrated services digital network
ISO	International Organization for Standardization
IVR	interactive voice response
IVSZ	ICT Association of Hungary
IWF	British Internet Watch Foundation
iWiW	international who is who
KFKI	Central Physical Research Institute
Kft.	limited liability company
KIBU	Kitchen Budapest
KKV	SMB–small and medium-sized business
KMR	performance management system
KPI	key performance indicators
KTV	cableTV
kWh	kilowatt-hour
LA	labor practices and decent work performance indicators
LLC	limited liability company
Ltd.	private company limited by shares
LTE	long-term evolution
MakTel	Makedonski Telekomunikacii
MATISZ	Hungarian Association of Content Industry
Mbps	megabit per second
MC	Management Committee
MEBIR	Occupational Health and Safety Management System
MEOSZ	National Federation of Disabled Persons' Associations
MISZ	Hungarian Association for Innovation

Abbreviation	Full name
MKB	Magyar Külkereskedelmi Bank (Hungarian Foreign Trade Bank)
MKT	Makedonski Telekom
MMS	multimedia messaging service
MSAN	multi-service access node
MSC	Master of Sciences
MSZ	Hungarian Standard
MT	Magyar Telekom
MTE	Association of Hungarian Content Providers
MTIP	mid-term incentive plan
MVGYOSZ	Hungarian Federation of the Blind and Partially Sighted
MWh	megawatt-hour
NAC	network access control
NAT	network address translation
NeMo	network modernization
NG	next generation
NGO	non-governmental organization
NIIF	Institute National Information and Infrastructure Development Institute
NJSZT	Neumann János Computer Society
NMCA	National Media and Communication Authority
NMHH	National Media and Communication Authority
NPS	net promoter score
NYSE	New York Stock Exchange
Nyrt.	(Plc.) public limited company
OASE	optical access seamless evolution
ÖKA	Volunteer Centre Fund
OPEX	operational expenditure
ORL	oto-rhino-laryngology
OSS	open source software
OSS	operation support system

Abbreviation	Full name
OSSKI	'Frédéric Joliot-Curie' National Research Institute for Radiobiology and Radiohygiene
PA	providing access
PEM	proton exchange membrane
Plc.	public limited company
PM	performance management
POS	point of sale
PR	public relations
PR	product responsibility performance indicators
PSTN	public switched telephone network
PSU	power supply units
Q2	quarter2
Q4	quarter4
RAN	radio access network
RFID	radio-frequency identification
RSU	remote switching unit
R&D	Research and Development
SAR	specific absorption rate
SatTV	satellite TV
SB	Supervisory Board
SEE	South-East Europe
SGS	Société Générale de Surveillance
SIM	subscriber identity module
SINOSZ	Hungarian Association of the Deaf and Hard of Hearing
SMB	small and medium-sized business
SMS	short message service
SO	social performance indicators
SROP	social renewal operational program
TA	technology applications
TCG	Telekom Crne Gore/Crnogorski Telekom/Telekom Montenegro

Abbreviation	Full name
TCR	public service advertisement
TCS	telephone customer service
TED	technology, entertainment, design
TM	performance management system
TMMK	T-Mobile Macedonia
TNU	tone receiver unit (dial voice and DTMF-code receiver)
TRI*M Index	a standardized indicator system to explore customer satisfaction and customer loyalty
TSM	T-Systems
UMTS	universal mobile telecommunications system
UN	United Nations
UNEP	United Nations Environmental Programme
VAT	(áfa) value added tax
VoCa	voice over cable TV
VoIP	voice over internet protocol
VPN	virtual private network
VSAT	very small aperture transmission
Zrt.	cPLC
WHO	World Health Organization
WWF	World Wide Fund for Nature



IMPRESSUM

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