



SUSTAINABILITY REPORT

2015



EGYÜTT. VELED

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LETTER FROM THE CEO

Dear Reader,

Another year has passed, and now you are reading Telekom's report on the completion of its third Sustainability Strategy, which has been compiled, similar to last year, in full compliance with the 4th generation guidelines of the Global Reporting Initiative (GRI) and also reports the achievements related to the UN Global Compact as Magyar Telekom remains committed to the 10 principles set forth by the Global Compact in the areas of human rights, environmental protection and anticorruption.

While working hard on the last stretch of implementing the current strategy and laying the ground for the new one, in 2015, we mainly focused on network development to thus strengthen our technological leader position. We accelerated our high-speed broadband fixed-line network development efforts, and continued to roll out our 4G mobile network. We are committed to building a state-of-the-art infrastructure in Hungary, integrated into Europe's overall broadband network.

Last year, we spent a significant amount of money on fixed-line network development. Relying upon our own resources, we provided high-speed broadband internet to more than 464 000 additional households by the end of the year, thus exceeding our original target.

Our 4G mobile network already demonstrated its power in 2015. By now, the most sophisticated mobile internet services are available at more than 2700 settlements, and the nationwide residential outdoor coverage exceeds 97%. The number of 4G/LTE users among our customers reached one million. This dynamic increase confirms that people are open to the technology launched in 2012, i.e. top quality, fast mobile internet, and the number of 4G/LTE-capable devices are increasingly popular.

While increasing our coverage, we also focused on quality: Telekom's broadband mobile internet network achieved the best test results in course of the independent, international and Hungarian tests conducted during the year. The latest measurement results were published by a company highly esteemed in the mobile industry, OpenSignal, according to which Magyar Telekom's 4G services provide 30 Mbit/s download speeds on average, which makes us the ninth 4G provider in the world and the third in Europe.

Another novelty of mobile nature is associated with the first venue of the Digital Hungary Program, Nyiregyháza. It was the first settlement in Hungary where Telekom's mobile internet service, provided in cooperation with Ericsson and reaching as high nominal speeds as 300 Mbit/s became available in December 2015. That is

As a result of the development, Telekom's high-speed fixed-line internet coverage reached 2.3 million households.

The greatest sustainability success of 2015 we can look back upon is that the whole corporate Group went carbon-neutral. We were the first to achieve that status among large enterprises in Hungary, and only a few companies worldwide can boast of the same.

the fastest mobile internet technology available in Hungary currently, i.e. LTE-Advanced, which is the next stage of 4G.

Building, modernizing and developing the network cannot be the main objective in itself. We wish to make the digital world understandable and accessible, for which digital services are needed, which in turn require that users possess the appropriate digital competencies. Let us enumerate a few further achievements from last year:

- The Digital Bridge Program visited its 200th location in Hungary. The program, which has been in place since 2004, demonstrates benefits of the internet and provides crash courses on its use to small, typically disadvantaged, settlements where less than 3000 people reside, with the involvement of employees who volunteer for the task.
- In the framework of our safe internet use program called Telekom Smart Digital, and aimed at mainly primary school pupils and secondary school students, the company's volunteers have educated more than 62 000 users by now.
- The Group launched its "Become an IT expert!" program, which familiarizes students with the promising future offered by an IT career. The program takes place in the form of 45-minute classes held by IT experts of Magyar Telekom and T-Systems Hungary.

By now, most service providers have realized that the first and foremost key to success is understanding customer demand and providing experience. We have done a lot in this field, but are also aware that we still need to improve. We firmly believe that customer experience starts with service experience. We deem it important to provide real genuine high quality to both residential and business customers.

A good example is our simple-to-use Webkönyvnyen service, which enables any micro, small or medium enterprise to establish a full-fledged online presence. The reason is that what matters is not only the quality inherent in our services, but also how effortlessly and quickly can customers make business with us. The company strives to make it quicker, simpler and more comfortable to conduct business with us by continuous innovation. Telekom's webshop, accessible from cellphones and tablets, was redesigned in February 2015. Customer can establish their Telekom accounts which enable them to make business with us through a single point of contact since June, and e-signatures are accepted in our shops since August.

Let me also provide you information about Magyar Telekom's subsidiaries.

For approximately EUR 42 million, we purchased Deutsche Telekom's 100% stake in GTS Hungary LLC. By this acquisition, our main

goal was to further strengthen our market position on the business service market.

One of the greatest achievements of our affiliate providing services to large enterprises and state administration, T-Systems Hungary, in 2015 was that it won Coca-Cola HBC's tender for data center outsourcing services, in cooperation with OTE Greece. The EUR 43 million contract is one of the greatest ICT business successes achieved by Deutsche Telekom Group in Europe, as well as an excellent example of cross-border cooperation. The agreement promotes the achievement of Deutsche Telekom's goal to strengthen its positions in the European B2B segment. Affiliates of the Group, like T-Systems Hungary, owned by Magyar Telekom, play an increasingly important role in that, as its integrated operations, comprehensive ICT portfolio and market leader position in Hungary make it possible to successfully implement international projects, across multiple countries.

Our affiliate in Montenegro introduced its integrated billing and CRM system in October 2015, and went all-IP with its total network in November.

T-Mobile Macedonia merged into Makedonski Telekom (MKT) on June 30, 2015. The merger had been preceded by long negotiations with MKT's second largest shareholder, the State of Macedonia. The merger was necessary due to the increasing significance of fix-mobile convergent products and propositions on the Macedonian market.



Getting back to topics closer to home and initiatives that aim to achieve more than business success, our company won the Family-friendly Workplace title for the second time in May 2015 and the Handicapped-friendly Workplace title in November 2015.

Sustainability is for our joint benefit. Therefore we strive to make it accessible and educative for everyone in a playful manner. We further developed the "hello holnap!" mobile application, by which customers collect points by taking sustainable action, and then make monetary donations debited to those points.

It is also within the interest of all of us to support communities. That is why we opened community gardens at three of our less used premises

last year, including the largest community garden of Budapest established at our Soroksári Road facility, where close to 100 families living in the tenement buildings close-by can maintain their own vegetable gardens.

I am proud that our company, which has done excellently at sustainability for years, can draw attention by such an outstanding achievement, which is an authentic representation of our objective to lead by example.

It is my pleasure and I consider it important to highlight that Magyar Telekom achieves its outstanding business success as a responsible and sustainable enterprise, and always keeps customers and employees, i.e. its environment, in mind, along its new five-year sustainability strategy.

As CEO, I consider it an objective and also expect employees to continue to act in the same spirit.

Magyar Telekom remains committed to the 10 principles set forth by the Global Compact in the areas of human rights, environmental protection and anticorruption, the achievements related to which are also included in the report.

Christopher Mattheisen
Chief Executive Officer

Budapest, June 23, 2016

OUR APPROACH

VISION
First now, first forever.

MISSION
We make the digital world more understandable and accessible for everyone. We enable people to have a more effortless, colorful and successful life.

CORPORATE STRATEGY

Thanks to the concentrated strategic efforts Magyar Telekom successfully kept its leading position in the Hungarian fixed voice, broadband, pay-TV, mobile and ICT market in the fourth quarter of 2015 while improving the company's customer retention ability as well as its quantifiable results. We continued to expand our network and customer service capabilities, proactively exploiting our diverse partner relation models, too.

We continue our transformation along our strategic focus points to become a diversified digital service provider: our objective is the renewal, enhancement and expansion of the core activity which, while boosting revenues, serves the purpose of developing a more agile organization. Our medium-term strategic objective is to become a more efficient and agile organization, to streamline our product and service portfolio and to enhance the automation of our processes while providing more online customer services. As an integrated service provider our main objective remains to provide special customer experience through our leading brand and excellent technology.

Amongst changing customer needs, technological development and new business models we leverage our capabilities to win a leading role in providing digital services for the homes of our consumers. We continue the exploration of new business opportunities in the field of e-healthcare, IoT, cloud-based financial and insurance services that serve the objective of customer retention and offer new revenue sources both in the residential and business segments. As a result of the changing business environment we abandon the residential natural gas market. At the same time, in order to develop and optimize our energy services, we establish a joint venture to service our business energy customers.

Our strategy enables us to leverage and develop our extensive customer base, considerably improve our efficiency, and seize the growth opportunities in the field of information and communication technology as well as in the related industries which, in the long term, result in stable cash generation.

SUSTAINABILITY APPROACH

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 all other 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, the environment and the economy.

The figure presents the complex relationship of the Group with sustainability on the triple pillars 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 to each other.

Sustainability values

Within the three dimensions of sustainability the following values characterize the company's sustainability efforts:

Economic dimension

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

Social dimension

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

Environmental dimension

- Land
- 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 single, 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.

STRUCTURAL APPROACH OF SUSTAINABILITY



SUSTAINABILITY STRATEGY – PRELIMINARIES AND PLANS

Last year, we completed our third Sustainability Strategy, covering the years 2011-2015, and started to lay the foundation for our new, five-year strategy.

Our main objective during the past five years was to make sustainability an integral part of Magyar Telekom's identity, thus giving a competitive edge to the company in the long run.

We had prioritized topics according to how much focus and resources they required. That is how we selected five topics from the more than one hundred tasks and key indicators. The selected topics and their level of performance at the end of 2015 were as follows:

Brand management – the concept of sustainability and linking it to the Telekom brand

One of our objectives was to achieve 20% awareness among the public about sustainability and 80% among employees, as people cannot consciously take action to support something that they do not really know.

According to the surveys conducted in 2015, 24% of the public and 79% of the employees understood the concept of sustainability.

Our other objective was to achieve that 10% (original target: 20%) of the public and 60% (original target: 50%) of the employees mention Magyar Telekom as the most sustainable company. In course of the five years, we had to revise the original targets, thus we decreased the target of public awareness due to resource reasons, while increased the employee awareness target.

By the end of the period covered by the Strategy, 12.8% of the public and 61.3% of the employees mentioned Magyar Telekom as the most sustainable company.

Innovation management – innovation aimed at society and the environment

We set the goal to achieve that at least 10% of all of our research and development efforts should focus on innovation aimed at the society and/or the environment.

We overachieved that target in each year of the period covered by the strategy. The ratio of innovation aimed at society and the environment was 61% in 2015.

Supplier standards – sustainable supplier chain management

We aimed to establish and to run a sustainable supplier chain management process, based on international standards.

The full, policy-based process was implemented, and its pilot was successfully completed in 2015.

Climate protection – carbon-neutral operations along the climate strategy

Our goal was to decrease CO₂ emissions, for which we had originally identified a target of 20% decrease (compared to the year 2004 as a basis), then we decided to aim for total carbon-neutrality by the last year.

It is our great pleasure to announce here, too, that Magyar Telekom achieved total carbon-neutrality in its operations on Group level in 2015, which is partly due to the fact that it bought 187 GWh of renewable energy.

Telecommunications services impact – sustainable competitive advantage

We firmly believe that ICT can be applied for sustainable development. Therefore, we considered it a valid expectation to ensure that

one fifth (20%) of our annual sales revenue should come from products and services of a sustainable nature.

By the end of 2015, 21% of Magyar Telekom's Hungarian sales revenue came from products and services of that type.

The above well demonstrates that we achieved our objectives of topmost priority, and the overall performance level of our strategy is 83%.

Some of our initiatives closest to our hearts are the Sustainability Day event, an annual festival-conference, which had been in place for 8 years by 2015, the "hello holnap!" mobile app, which educates people about how to promote sustainable development, while supporting NGOs of disadvantaged position, the community gardens at Budapest, which were set up on our own premises in the spirit of sharing economy, the "hello holnap!" tariff package, which is the first such package in Hungary available to all disabled people, and we could list many other achievements of ours that can be considered drops of water creating waves in the ocean of sustainability.

When discussing our achievements, we must also emphasize that during the years of 2011-2015, covered by the strategy, several responsible investment analysts ranked our performance outstanding, but we are most proud of the fact that Oekom Research ranked Magyar Telekom third among 108 leading telecommunications companies of the world. Only Deutsche Telekom and British Telekom were ranked higher than us. By that, we are positioned almost incredibly well on the world chart.

It was in light of our strategic achievements that we started to elaborate our new, five-year strategy, the main directions of which have been influenced by not only the steps we have already made, but also the expectations of

responsible investors, EU directives, industrial and corporate trends, as well as local, i.e. Hungarian conditions and consumption patterns.

The main objective set forth by the new strategy covering the period through the end of 2020 is to make sustainability part of Magyar Telekom's business, meaning that we should capitalize on our responsible identity.

To achieve that end, we defined three major foci:

Climate protection

Our goal is to make our customers climate-conscious, too, and to be an authentic and responsible company that helps them along that journey.

It is our ambitious objective to generate revenue from our climate protection activities, as the ICT world offers especially great potential for that, at the same time to push Magyar

Telekom Group's actual CO₂ emission below 100,000 tons.

In order to achieve the above, in addition to the emission decreasing initiatives, we also need to work on elaborating "green" services specifically.

Education

We want to assume a role in educating the public and our customers.

Our goal is to directly or indirectly reach 100,000 people in Hungary with our trainings by the end of the period covered by the strategy. We shall primarily focus these trainings on two areas: programs aimed at eliminating the digital gap and the succession pool of the industry.

Digitally enabled sustainability

Being a sustainable digital company, it is our clear expectation that our customers should

also use sustainable digital services. To that end, we strive to pursue responsible marketing and activities that enable and inspire others, as well as are based on sharing.

In this context, our goal is that awareness about Magyar Telekom, as a sustainable company should reach 50%.

It is not easy to aim even higher with the fourth strategy, but we believe that we managed to set objectives the challenge posed by which make all of us smarter than we were five year ago, i.e. when the previous strategic period started. And by smarter we mean more sustainable, more conscious people, demonstrating more responsible conduct and being better qualified, as well as solutions that enable us to pursue activities cheaper, more efficiently and on digital platforms. That is the bridge we build to the future.

Budapest, June 30, 2016



ÉVA SOMORJAI

Chief HR Officer
as top executive in charge of sustainability



KATALIN SZOMOLÁNYI

Head of the Corporate Sustainability Center
as senior executive in charge of coordinating the company's sustainability activities

MATERIALITY

When preparing this report - in compliance with the "Comprehensive" level of the fourth generation Global Reporting Initiative (GRI G4) - we put the emphasis on materiality, stakeholder inclusiveness, completeness, accuracy, comparability, timeliness, reliability, balance and sustainability.

The scope and the content of the report was defined on the basis of Magyar Telekom's materiality analysis and as an external resource we also used the questions of responsible investor analysts (RobecoSam, Oekom Research, Sustainalytics) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector (<http://gesi.org/portfolio/report/79>). Magyar Telekom's materiality analysis helps to define all sustainability topics that are important and actual for the company and its stakeholders and supports the implementation of the stakeholders' interests into business processes and strategic objectives.

The topics were defined, prioritized and grouped during the preparation of Magyar Telekom Group's Sustainability Strategy in the first place, then the topics were verified - and if necessary revised and amended - upon their annual submission to the Management Committee. The development of the materiality process is also supported by continuous harmonization with other strategies of the company.

When defining the scope, content and structure of the year 2015 report we took into account the results of the stakeholder survey. Our stakeholders are presented in details in the "Stakeholders" chapter.

Based on the comparison of the sustainability strategy priorities for the period between 2011 and 2015 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows:

High priority topics

- Climate protection and energy efficiency
- Innovation for sustainability
- Sustainability in the supplier chain
- Procurement locally
- Involvement of our employees
- Initiatives to eliminate the digital divide
- ICT products for sustainability
- Customer satisfaction
- Supplier Relations
- Emissions
- Resource-consumption
- Human rights, equal opportunities

Medium priority topics

- Protection of our children in the Digital Age
- Informing our customers
- Environmental targets, costs and compliance
- Our employees as corporate citizens
- Community investments
- Sponsorship
- Involvement of our customers
- Regulatory compliance
- Cooperation in environmental and social issues

Low priority topics

- Corporate governance
- Occupational health and safety
- Safe use of mobile phones, electromagnetic fields
- Data protection
- Professional cooperation
- Talent management
- Management of customer complaints
- Service availability
- Addressing legal and ethical aspects of content service providing
- Risk management
- Managing changes
- Investor relations
- Corporate compliance
- DELFIN Award to responsible companies
- Operational data
- Political presence

Based on the analysis and the materiality ranking we believe that all topics have significance both inside and outside the company.

The structure of the report follows the priorities of the materiality analysis: high and medium priority topics are presented in details

PROCESS FOR DETERMINING THE CONTENT OF THE REPORT

OBJECTIVE AND USE OF THE REPORT

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

SPECIFICATION OF THE TOPICS

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

INVOLVEMENT, TESTING VALIDATION

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

PRIORITIZATION OF THE TOPICS

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

whereas information on low priority topics are primarily provided in the GRI table of contents to provide as transparent information to all stakeholders as possible on the company's corporate governance, environmental and social impact as well as the underlying risks and opportunities.

STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH

Human resources 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. Magyar Telekom's human strategy for 2011-2015 was elaborated in line with the company's strategy. The vision is to operate a livable, lovable and successful company. This strengthens our employees' commitment, satisfaction and it is attractive in the labor market.

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 the human capital (training-development, career management)
- Energized company - an international, diverse, healthy community, sharing successes

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

The development of the employees will be implemented through enhancement of the employee experience, which is the key element of our strategy. We identified the stations of a Magyar Telekom employee's employment life cycle, and assigned the necessary HR tools to the implementation of each HR sta-

tion. In 2012 we earned the second place in the Best Employer survey in the big enterprise category and proudly held the title for three years.

■ 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: New entrants 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 our new colleagues, which also facilitates their integration in the organization's culture.

■ Remuneration: We operate 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.

■ Improvement of training, organization development: We thank our competitive edge to our qualified employees. The financial resources devoted to the development of our employees are in line with the best international practice. We gave high priority to internal knowledge sharing and the majority of trainings are provided from internal resources.

■ Work, private life: Our energized employees make us successful. We help to keep our employees' mental and physical health with programs organized by the company as well as various benefits.

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

In 2015 the implementation of the objectives was evaluated and the Y2016 new human strategy was elaborated.

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 provides the support in a centrally controlled way, in line with audited 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.

The company's sponsoring activity is primarily focused on sports and music and embraces the support of Hungarian professional sports, amateur sportspeople, pop music festivals and music institutes. It is important for Magyar Telekom to harmonize its sponsoring activity with the other elements of its CSR activity. This also means that we attach much importance to sponsoring initiatives with other than financial forms of support, and seek to aid the realization of the projects with our core activity info-communication solutions.

In view of the corporate social and economic responsibility arising from the sheer size of the Company, Magyar Telekom is trying to answer the challenge of 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.

Since 2013, in line with the senior management's decision and the corporate strategy, the company's social responsibility practices are linked to the core activities. i.e. Telekom supports digital education programs that develop the society's digital maturity and conveys knowledge that can be used in our everyday lives. This is why we established the Telekom Smart Digital Program in 2013 that was amended with the Become an IT expert! program at the end of 2015.

Environmental policy

Magyar Telekom Group upholds its commitment to sustainable development and the environment protection in the environmental policy. The policy contains obligations for the members of the Magyar Telekom Group both individually and as a Group:

https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf

Quality policy

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

Management systems

In November 2014 Magyar Telekom Group renewed the ISO 9001, ISO14001, ISO 27001 certificates; in the same year DT extended its HSE (ISO 14001, OHSAS 18001) certificate to Magyar Telekom Plc. as well. The integrated management system of Magyar Telekom Plc. includes a company health and security management system too (MSZ 28001:2008 (BS OHSAS 18001:2007)). T-Systems has its ISO 50001 energy management system and an ISO 20000-1 IT service management system too.

In order to achieve Magyar Telekom's strategic objectives it is essential to operate successfully, to sustain the continuity of services, to preserve the health of employees, to protect the company's physical and intellectual property in any and all circumstances, both within and outside the competence of the company (e.g. extraordinary weather conditions, flood). Telekom was the first company in Hungary that obtained the ISO 22301 business continuity management system certificate (in 2014). Magyar Telekom Plc. has been consciously optimizing energy consumption and is committed to implement and obtain the ISO 50001 energy management system in 2016.

For further information on Magyar Telekom Group's quality guarantees, please visit http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees

MAGYAR TELEKOM GROUP'S ISO14001 CERTIFIED MEMBER COMPANIES:

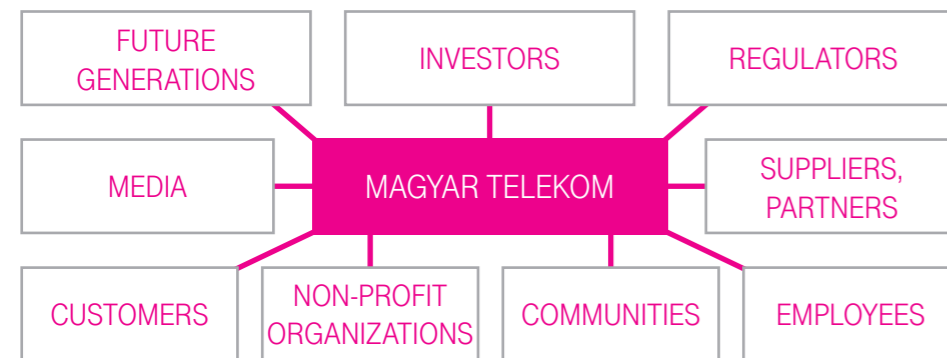
Member company/Organization	Validity of the certificate
Magyar Telekom Plc.	December 8, 2017.
T-Systems Hungary Plc.	June 25, 2016
Makedonski Telekom	March 29, 2017
DT HSE-certificate	December 9, 2016

(http://www.telekom.hu/static-tr/sw/file/ISO_14001_2004_Nyrt_E.pdf)

STAKEHOLDERS

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

Our most important stakeholders are considered to be the regulators, investors, employ-



ees, communities, NGOs, suppliers, partners, the media and future generations.

In 2015, we organized the 16th 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 as well as to present our sustainability achievements and goals.

Within the frame of the sustainability roundtable discussions we introduced non-profit organizations that help the company's digitalization, sustainability and donation efforts through the hello holnap! mobile telephone

Based on the survey the most important areas for our stakeholders are climate protection, efficient use of energy, emissions and cooperation in the field of environment protection and social matters.

application. The participants could familiarize with the company's sustainability strategy and results as well as the relationship between consumer attitudes and sustainability.

The most important issues discussed with the stakeholders are contained in the memorandums of previous Sustainability Roundtables:

<http://www.telekom.hu/rolunk/fenntarthatosag/esemenyek/2015/kerekasztal-beszelgetes>

In the Sustainability report - besides referring to the available surveys and research - this time we invited the stakeholders to express their opinion on certain matters via filling in a survey sheet. We asked them to judge the importance of the individual topics within the Company's sustainability performance in a scale of 1-5.

In general we may conclude that our stakeholders find active participation in politics as the least important activity in respect of the Company's sustainability efforts.

The feedback of our stakeholders was taken into consideration when preparing the materiality analysis of this report.



16th Sustainability Roundtable

TOPICS EVALUATED BY THE STAKEHOLDER GROUPS AND THEIR IMPORTANCE

	Regulator	Supplier, partner	NGO	Employee	Future generation	Investor	Community	Media	Customer
Climate protection and energy efficiency	3,5	2,9	2,9	2,9	2,8	2,6	2,7	2,6	2,7
Emissions	3,5	2,8	2,9	2,8	2,7	2,5	2,6	2,7	2,6
Cooperation in environmental and social issues	3,5	2,7	2,8	2,8	2,8	2,6	2,6	2,6	2,6
Resource-consumption	3,0	2,9	2,8	2,7	2,6	2,6	2,5	2,7	2,6
Human rights, equal opportunities	3,0	2,8	3,1	2,8	2,6	2,3	2,5	2,7	2,5
Corporate governance	3,0	2,9	3,0	2,7	2,7	2,2	2,6	2,6	2,6
Occupational health and safety	3,5	2,9	3,0	2,5	2,6	2,3	2,6	2,4	2,5
Protection of our children in the Digital Age	3,0	2,8	2,8	2,8	2,7	2,5	2,6	2,4	2,4
Innovation for sustainability	3,0	2,9	2,4	2,7	2,6	2,5	2,5	2,6	2,5
Sustainability in the supplier chain	2,5	2,8	2,9	2,6	2,6	2,5	2,5	2,6	2,5
Informing our customers	3,5	2,8	2,3	2,8	2,5	2,5	2,5	2,1	2,5
Procurement locally	2,5	2,7	2,9	2,7	2,6	2,5	2,6	2,3	2,5
Involvement of our employees	3,0	2,6	2,7	2,6	2,5	2,5	2,4	2,3	2,3
Environmental targets, costs and compliance	2,0	2,7	2,9	2,6	2,6	2,6	2,4	2,7	2,3
Safe use of mobile phones, electromagnetic fields	3,5	2,3	2,5	2,5	2,4	2,4	2,3	2,3	2,3
Initiatives to eliminate the digital divide	3,0	2,6	2,6	2,7	2,5	2,4	2,3	2,1	2,3
Our employees as corporate citizens	2,5	2,5	2,6	2,7	2,7	2,4	2,4	2,3	2,3
ICT products for sustainability	3,0	2,7	2,4	2,6	2,5	2,5	2,2	2,2	2,3
Data protection	3,0	2,6	2,4	2,6	2,5	2,5	2,3	2,0	2,3
Professional cooperation	3,0	2,7	2,1	2,4	2,4	2,5	2,3	2,6	2,2
Donation	2,5	2,4	2,8	2,6	2,6	2,5	2,2	2,3	2,2
Customer satisfaction	2,5	2,8	2,3	2,6	2,4	2,4	2,3	2,2	2,4
Supplier relations	2,0	2,8	2,7	2,4	2,3	2,5	2,3	2,3	2,4
Sponsorship	2,5	2,2	2,8	2,4	2,4	2,5	2,2	2,4	2,0
Talent management	2,5	2,5	2,2	2,4	2,4	2,3	2,3	2,6	2,2
Management of customer complaints	2,5	2,8	2,2	2,5	2,3	2,5	2,2	1,9	2,3
Involvement of our customers	2,5	2,6	2,2	2,4	2,4	2,3	2,2	2,1	2,2
Service availability	2,5	2,5	2,4	2,3	2,2	2,1	2,2	1,9	2,2
Addressing legal and ethical aspects of content service providing	2,5	2,7	2,5	2,4	2,3	2,1	2,1	1,8	2,0
Risk management	2,5	2,5	2,5	2,3	2,2	2,1	2,1	2,0	2,2
Managing changes	2,0	2,4	2,5	2,3	2,3	2,3	2,2	2,1	2,0
Investor relations	2,0	2,7	2,1	2,2	2,2	2,3	2,1	2,4	2,0
Regulatory compliance	2,0	2,4	2,7	2,2	2,1	2,0	2,0	2,0	2,1
Corporate compliance	1,5	2,4	2,4	2,3	2,2	2,1	2,0	2,0	2,0
DELFIN Award to responsible companies	2,5	2,5	1,9	2,1	2,0	2,3	1,7	1,7	1,9
Operational data	1,5	2,4	2,2	2,0	2,0	2,2	2,0	1,9	2,0
Political presence	1,0	1,4	1,6	1,2	1,5	1,9	1,3	1,2	1,2

We wish to continue our co-thinking and cooperation with our stakeholders therefore we encourage everyone to share their comments, ideas and opinion with us by sending them to the fenntarthatosag@telekom.hu email address.

STAKEHOLDER INVOLVEMENT

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

Frequency of the involvement of our stakeholders and key events in 2015

SHAREHOLDERS

Four times during the year 2015 the Chief Financial Officer presented quarterly results to the representatives of investors and professional financial journalists (25 February: Release of fourth quarter 2014 results; 12 May: Release of first quarter 2015 results; 5 August: Release of first half 2015 results; 4 November: Release of third quarter 2015 results).

On 15 April 2015 the Annual General Meeting was held, convened by the Board of Directors of Magyar Telekom Telecommunications Public Limited Company, at which the AGM approved the audited consolidated and standalone financial statements of the Company, as well as the Corporate Governance and Management Report of the Company for the business year of 2014, and decided on the use of the profit after tax earned in 2014.

In 2015 we participated in eight investor conferences and roadshows around the world

- 27 January 2015: Raiffeisen Roadshow – Wien
- 2 March 2015: Concorde investor lunch – Budapest
- 17-19 March 2015: European and Emerging Markets Telecoms Conference, London;
- 9 April 2015: Concorde Conference, Budapest;
- 20-22 May 2015: US Roadshow organised by Goldman Sachs – New York, Boston, Los Angeles

- Investors – Investor (and responsible investor) assessment
- Customers – Sustainable products and services
- Employees – hello holnap! points and club
- Regulators – conformity, regulatory relations

- 9-10 September: HSBC EEMEA Investor Forum – London;
- 24 September 2015: Goldman Sachs CEE3/Russia Corporate Day – Frankfurt
- 6-7 October 2015: Erste Conference, Stegersbach;

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

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

In addition to the above, the corporation assesses investor needs each year with the help of a questionnaire. An independent specialist firm is commissioned to prepare a

- Local communities – Digital Bridge, voluntary work
- Non-profit organizations – sustainability panel discussions
- Suppliers – sustainable supplier chain
- Media – Sustainability Media Club
- Future generations – Telekom Smart Digital Program, Become an IT expert!, sustainable innovation, hello holnap! mobile app

so-called perception study, which assesses investors' opinions, needs and expectations with the help of a series of detailed questions asked to a representative sample. The summary presentation of the final results of the survey is prepared by the Investor Relations department, and presented at the meeting of the Management Committee.

Magyar Telekom continues to be the target of responsible investor analyses. Responsible investors are those who take into consideration the environmental and social performance of the Company when making their analysis in addition to the customary financial and risk analyses.

In 2015 Magyar Telekom was listed again among the CEERIUS (Central and Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange, rating Central and Eastern European companies that offer outstanding sustainability performance.

Magyar Telekom participated in the Carbon Disclosure Project (CDP) also in 2015. In the framework of this worldwide initiative the largest companies report about their climate protection approach, the related risks and opportunities and their CO₂ emission to the key investors. Before this report was published the responsible investment consultants of FTSE4Good and Trucost analyzed the 2015 sustainability performance of Magyar Telekom Group.

CUSTOMERS

On November 25, 2015 T-Systems Hungary organized the Symposium for the fourth time in the Budapest Congress Centre with almost 2000 registered guest. The Symposium, regarded as the biggest whole-day professional event of the industry, presented actual and future technological challenges that companies and institutions have to face in the future.

The presenters of the plenary morning session of the Symposium included Brad Templeton, Singularity University's expert, who gave a presentation on Moore's law on disruptive technologies and Albert-László Barabási, professor of the Harvard University. The presenters also included Michael Ganser, Cisco Systems' Central-European Vice-President and Gábor Gonda, HP Hungary's managing director. During the evening session of the Symposium the "Partner" awards were distributed for the second time along with the "Project of the Year" award. The nominees of the latter award were presented by Mihály Németh, T-Systems Hungary's Chief Officer, and the participants could vote on the best project through the Symposium mobile application.

In April this year Telekom announced the "Business Applications Competition" where those business applications could be nominated that were developed on the basis of actual business needs and support small and medium enterprises. The top prize, i.e. the 10 million HUF worth advertisement campaign, was awarded to Accessium Kft. for the e-Access cloud-based building access control system. The e-Access access control system is a combination of wireless data transmission technology and cutting-edge data protection procedures. The solution offers the connection of unlimited number of locations and their management in a single system. On top of that the solution is not only useful in traditional office buildings but also in vehicles (e.g. trucks) or in remote places (e.g. farms) there there is no access to the fixed line network infrastructure. The user interface of the cloud-based system, communicating through the mobile network, is available both on mobile phones and tablets. The system provides real-time information on the operation and status of all devices integrated into the system.

In 2015 the former customer satisfaction measurement methods were replaced by the

Contact person satisfaction survey. The contact person satisfaction survey is performed at the end of each quarter among customers who used T-Systems' telephone or email based fault reporting and administration processes. Within the frame of the survey we contacted our customers' contact persons who turned to the Corporate customer support department or the T-Systems Service Desk with fault reports or complaints. The survey is performed with the involvement of an external partner at the end of each quarter whereby we contact approximately 200 contact persons by telephone; then based on the answers we prepare an evaluation report at the end of the quarter. Upon closing the fourth quarter's survey we prepare an annual contact person satisfaction report which is presented to the management of the company.

Within the frame of the Omnibusz survey we ask Telekom and non-Telekom customers about their consumption habits four times a year. We survey core services, such as TV, internet, telephone service as well as energy and insurance too. Twice a year we include questions on sustainability as well. We normally involve 1430 persons in the survey.

REGULATORS

Magyar Telekom regularly harmonizes the following topics with ministries (in particular with the following ministries: Ministry of Interior, Ministry of Justice, Prime Minister's Office, Ministry for the National Economy, National Development Ministry, as well as with authorities (in particular with the following authorities: National Media and Info-Communications Authority, Hungarian Energy and Public Utility Regulatory Authority):

- industry-specific draft strategies;
- comments to draft legislations circulated by the lawmaker for public discussion;
- further discussions initiated by the lawmaker

in relation to the above mentioned comments;

- elaboration of the lawmaker's standpoint in matters of legal interpretation to ensure full compliance with the intentions of the lawmaker;
- matters on the practical interpretation of the law to obtain the authority's standpoint to ensure full compliance with the intentions of the lawmaker.

Besides the above Magyar Telekom keeps contact with market players and competitors too. Harmonization with interest representation forums (in particular with the: Communications Reconciliation Council [HÉT], IVSZ Alliance for the Digital Economy) where the company's key objective is to establish a common legal opinion on the legislative process. HÉT

is the dedicated consultation partner of the telecommunication industry in respect of the Digital National Development Program (DNFP), launched as a result of the InternetKon national consultation that determined the future of the domestic internet market, and from December, 2015 the Digital Welfare Program (DJP). During the planning and implementation of the government decree, issued to ensure the implementation of the DJP, the HÉT represents the standpoint of the industry.

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

EMPLOYEES

In 2015 Magyar Telekom supported the 30-year old Telekom Vivicitá city run as a naming sponsor. The event was simultaneously held in 3 cities for 4 days. Our colleagues were encouraged to take part in the city run with free admission to the race and a preliminary campaign. More than 1000 employees - together with the families - took part in the biggest sport event of spring. Depending on the distance completed the participants were awarded with hello holnap! points and could collect one extra point only for cheering.

Several hundreds of employees took part in the Y2015 "It is good to give!" cookie campaign. The event was organized by 38 volunteers in 15 sites where 222 employees made cookies that were sold to several thousands of employees on December 7. On the day of the event almost 1.7 million HUF was raised for the Autistic Art-Smile Fund.

Within the frame of our Smart Digital Program 52 Telekom volunteers gave 485 lessons in more than 300 schools across Hungary. Only last year 12,576 children attended our interactive presentations on the safe use of the internet and mobile communication.

Under the Digital Bridge for Small Settlements program (Digitális Híd Kistélepüléseken) the volunteer team of Magyar Telekom visits disadvantaged settlements with fewer than 3000 inhabitants to give them efficient, customized IT education. In 2015 we held the 200th events in Kaba and Mikepércs.

We increased the sense of social responsibility of our employees with the organization of volunteer programs; 2% of team building activities contained charitable elements. In 2015 10 such programs were organized and at these occasions altogether 649 Magyar Telekom volunteers participated in 4412 hours. With these programs we provided 21.8 million HUF worth of theoretical contribution to the society.

Several thousands of employees attended the Kick-Off event at the beginning of the year. At the Kick-Off event the Group CEO presented the Y2014 results and outlined the objectives and expectations for 2015.

Magyar Telekom organized the traditional "Health Week" in 2015 too to preserve the health of employees. This year T-Systems also joined the program. The motto of 2015 was the following: "A week focusing on health and stress management". Within the frame of the program we provided stress examinations, mental health programs, presentations, trainings and free consultation with psychologists where our colleagues could collect information on this topic and seek help if they deemed it necessary. We organized complex stress factor medical screening (online stress test and medical, laboratory tests) in six sites in Budapest and five in the countryside. The online stress survey was filled in by 1076 employees and 708 employees attended medical exams.

COMMUNITIES

The first phase of the complex Digital Hungary government program was implemented in the city of Nyíregyháza where this spring Magyar Telekom launched various development projects together with the Ministry of National Development and the Municipality. The network development work was performed in several parts of the city. Besides, in order to improve digital literacy, we continued the Telekom Smart Digital program in Nyíregyháza: we launched an intensive series of training sessions for adults and elderly people on the basics of the use of the internet and our volunteers visited schools to give lessons to pupils on similar subjects.

Ferencvárosi Torna Club and Magyar Telekom signed a long term, three-year sponsorship agreement in November. By signing the agreement Telekom expresses its commitment to deepen the current cooperation between the company and the sports club. The company has been sponsoring the youth development of FTC from 2014 and from November 28, 2015 supports the first division football team as its main sponsor thereby contributing to the club's success even more than before.

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

In November Telekom renewed the cooperation agreement concluded with the Veszprém

handball team which is of key importance for the sports club. Telekom, as the most loyal sponsor of the MVM Veszprém handball team, supported the successful preparation of the team for Hungarian and international matches through financial support and with the provision of telecommunication services and devices.

Deutsche Telekom's very popular and successful electronic music festival was organized again between October 16-18, attracting visitors with numerous new programs, exclusive music and visual experience.

The multiple-day event makes life more colorful in Budapest not only with music programs but also with various arts, technology, gastronomy and fashion shows. Festivalgoers can visit new venues this year, the main events were organized in the Akvárium, the A38 boat and Anker't. The program included several exciting daily events and some of the exhibitions, concerts and all night parties were organized by partners representing the local community.

T-Systems has been supporting numerous organizations that fit into Magyar Telekom Group's sustainable strategy. The fulfillment of the objectives of these programs give us an opportunity to build a renewable society and environment. We supported the Hungarian Interchurch Aid with 5 million HUF to purchase a new "Life Changing" house for the social and development center in Kastélyosdombó. We supported the building of an IT room in Orosháza with 5 million HUF at a nursing home, available both for adults and children and also donated another 5 million HUF to modernize the heating system in a transitional home built for families in Szolnok thereby supporting the sustainable operation of the building.

Makedonski Telekom's Smart City project delivered in 2015, was performed in cooperation with the municipality of Skopje. With the Smart City project we enable smart transport as the main bloodpipe in the city, we inform citizens on latest technologies and innovative infocommunication solutions. The use of these technologies does not only make their lives easier but also contributes to them shaping a more sustainable and conscious lifestyle.

For the 13th year in succession, the Telekom for Macedonia Foundation organized a humanitarian New Year's Caravan for the most vulnerable groups of children in December, 2015. The caravan visited more than 2,000 children without parental care, children with special needs, impaired hearing and vision or other physical disabilities, and children from socially vulnerable families. A special New Year's play was staged and gift bags handed out to the children. The caravan was organized and managed by approx. 50 volunteers from Makedonski Telekom, who visited 45 institutions. The Caravan did not only brighten the lives of these needy children but also raised awareness among the employees for the importance of corporate volunteering.

Besides the donation contest in 2015 Crnogorski Telekom supported a number of initiatives dealing with problems of socially vulnerable groups. These included donation to purchase a sterilizer for the Danilovgrad Primary Health Center and donation for the purchase of a telephone exchange for a Special Hospital in Risan. Both devices were urgently needed for the daily activities of the medical institutions. The National Breast Cancer Awareness Month Campaign in Montenegro was supported too.

NON-PROFIT ORGANIZATIONS

Everyone has the opportunity to exchange ideas and experience with NGOs at the annual Sustainability Roundtable discussions. In 2015 the panel discussion was organized on June 12.

The Sustainability Day has been organized for eight years on the last Saturday of September. In 2015 there were 50 exhibitors at the event, including non-profit organizations. The event was attended by 3000 visitors.

As a preparation for the year 2015 Sustainability Report we distributed a survey sheet among non-profit organizations trying to find out which topics of the report are most useful and important for them. The survey was sent to all non-profit organizations that were granted donations from Magyar Telekom in the past four years as well as the partners and beneficiaries of the hello holnap! mobile application, the organizations that took part in the elaboration of the hello holnap! fee package, the organizations representing people with disabilities, the organizations participating in the 8th Sustainability Day and the winners of the Civil and Civil Net Application for Funds.

In the process of the preparation of the hello holnap! mobile application Magyar Telekom had non-profit organizations as cooperation partners: the "Szatyor" consumer community, the 30km.hu and the Oszkár car sharing service, the Amnesty International, the Suhanj! Foundation, the Budapest Bike Maffia and the Hungarian Bird Science Association. In 2015 the following organizations became beneficiaries: Autonómia Foundation, Budapest Bike Maffia, "Heti Betevő" (Weekly Meal), Hungarian Bird and Environment Protection Association and the Suhanj! Foundation.

Magyar Telekom launched its Civil Tariff Package service in March, 2004. In 2014 the Company invited applications on one occasion and provided discount schemes to 27 organizations in an overall value of 2.4 million HUF.

In 2015 Crnogorski Telekom organized donation contest "Za svako dobro", which is supporting socially responsible projects of special importance for the community, for the second year in a row. Total amount of funding for this year's contest was 35,000 euros, which is an increase of 67% compared to the previous year.

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

Among 50 NGOs that applied for grants, 6 projects were selected and awarded with funds for implementation.

The goal of the "All the best" program is to support socially responsible projects that are contributing to the community's welfare, engagement of important stakeholders and gaining their trust as well as the increase of transparency in the company's social engagement. In order to ensure transparency and the selection of the best projects, besides Telekom employees, representatives from NGOs, the media and the local UNDP office participated in the selection of the winning projects.

The company also participated in disaster relief activities by supporting collection of aid for migrants in Southeast Europe, through a donation line. The donation line was opened in cooperation with Red Cross Montenegro, in order to enable our customers to give a contribution and help those in need.

of selected suppliers. The uniform auditing system promotes and ensures compliance with the minimum social and environmental standards. As part of the system, in 2015 a total of 16 indirect Magyar Telekom suppliers were audited.

Deutsche Telekom's cross-border initiative 'Together for Sustainability' was created in 2014. This is a supplier development program, and in 2015 seven key ICT product suppliers cooperated in it.

companies participated directly in the survey in 2015. Respondents were informed about their results, where they have received topic specified feedback on their performance.

T-Systems Hungary organizes every year the T-Systems Symposium infocommunications conference, where we present in cooperation with our partners the innovations and trends in the ICT world, as well as a vision of the future.

Deutsche Telekom conducts worldwide audits

SUPPLIERS

We invited our TOP80 key suppliers to fill out the EcoVadis assessment, which evaluates companies in terms of economic, environmental, social and responsible procurement aspects, and we received 33 responses from our direct and indirect suppliers.

Magyar Telekom Sustainability questionnaire is a series of questions on environmental, social and business ethics topics. 15 out of 40

MEDIA

Magyar Telekom's sustainability center and the organization responsible for media relations organized two meetings for the members of the Sustainability Media Club. All nine members took part in the meeting. The participants, besides Magyar Telekom, were: CEMP-group, TV2, RTL Klub, Class FM, Ringier AxelSpringer, Metropol, Origo-group and Centrál Média.

Almost 50 applications were submitted to Magyar Telekom's Sustainability media award. Projects could be nominated in three categories: "Bottom View", "Wide-angle View" and Blog. The projects were required to address environmental, social or economic phenomenon. The awards were distributed among the winners on the eighth Sustainability Day.

In 2015 a record-breaking number of participants - more than 26 thousand - took part at the Telekom Vivicitá Run for the City event. The members of the Sustainability Media Club as well as several hundreds of employees of nine Hungarian media companies run to support children in need and the future of the next generation.

FUTURE GENERATIONS

On February 10, on the occasion of the Safe Internet Day, Telekom volunteers visited and educated 1000 children in 14 schools in 12 cities on the conscious and safe use of online technologies. Our volunteers taught practical tips and tricks on the use of the internet, called the children's attention to potential dangers on the web, showed them useful browser settings and talked about the etiquette of communicating through electronic channels. The objective of Telekom's **Smart Digital Program** is to support the development of Hungary's digital maturity and literacy. In partnership with the Academy of Digital Knowledge our volunteers have been visiting schools for four years and teach practical tips and tricks on the use of the internet, call the children's attention to potential dangers on the web, show them useful browser settings and talk about the etiquette of communicating through electronic channels. On the Safe Internet Day, besides three schools in the capital, our volunteers also visited schools in Budaörs, Szentendre, Diósd, Győr, Cegléd, Szolnok, Eger, Miskolc, Szeged, Pécs and Nyíregyháza. The interactive sessions are organized as 45 minute school lessons and taking into account the inherent features of the age group such topics were discussed as password protection, avoiding dangerous web content and cyber bullying.

On the 8th Sustainability day in 2015 – where the target group was young, educated city-dwellers within the age group of 18–35 – as many as 3000 persons visited the event that was comprised of four panel discussions.

Music and festivals are among the main target groups of Magyar Telekom's sponsoring efforts. The company has been supporting the VOLT and Balaton Sound festivals for years and in 2015 we started to support the Sziget Festival too. Besides offering a great opportunity to present our brand these events are also important occasions for the event-specific presentation of our ICT products and services.

By way of supporting festivals Magyar Telekom reached more than 700,000 young adults in 2015: 123,000 persons partied at the VOLT, 145,000 at the Balaton Sound and 441,000 at the Sziget festival.

The Become an IT expert! career guidance program was launched by Magyar Telekom and T-Systems Hungary where the companies use their knowledge base to inspire students to choose the IT profession. In 2015 the program reached 1114 students. Within the frame of the program Telekom volunteers present the advantages and characteristics of the IT and engineering profession in 45 minute school lessons, mainly in secondary and primary schools.

In December 2015 the e-Engagement educational caravan project of the Macedonian subsidiary ended with the closing conference at the Telekom Innovation Center. The event was organized by the NGO Youth Union with the support of the e-Macedonia Foundation, established by Makedonski Telekom. The aim of the project was to encourage young people to use digital tools for self-improvement and creating positive changes in society.

In 2015 Makedonski Telekom organized 12 workshops in 12 cities. In the two years of its existence, the educational caravan visited 16 cities around the country and over 1,500 young people were actively engaged. Through these workshops young people were encouraged to become leaders and creators of the future, both in the civil society and in youth cooperation. The closing conference on December 12, which was attended by 15 lecturers and the most motivated and active young people, produced many useful conclusions and recommendations about how young people's electronic engagement can support strategies for proactive involvement in all spheres of social life.

The partnership between UNICEF and the Telekom for Macedonia Foundation aims to raise awareness of the importance of early education. After all, children develop most in the first five years of their lives, and children who attend high-quality pre-school programs are more successful in school and life in general. To this end, the partnership is striving to open early childhood development centers so that children from vulnerable environments enjoy the same opportunities for early education as their peers who go to kindergartens. In order to close the gap between urban and rural areas, where kindergartens are underrepresented, the new early childhood development centers are being built in the communities that need them most. Overall, nine centers have been opened by the end of 2015. The Telekom for Macedonia Foundation made an initial cash donation of US\$ 50,000 (€ 46,000) to help pay for the new centers, and also donated some of the revenues from text messages sent on New Year's Eve.

COOPERATION IN ENVIRONMENTAL AND SOCIAL ISSUES

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

The Group is a member of several working groups of the Hungarian Business Leaders Forum (HBLF):

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

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

In respect of the hello holnap! Fee package we held various forums with the involved organizations (SINOSZ, MVGYOSZ, MEOSZ, ÉFOÉSZ, AOSZ). Our cooperation with these bodies is continuous, active and based on the proposals we continuously improve our relationship with the disabled people and develop our relevant services. In 2016 we implement the latest version of the fee package that provides several services at the cheap price for disabled people. Our most important new initiative is that each entitled member can use



Sustainability Press Award ceremony

two hello holnap! subscriptions to involve a family member or an attendant.

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

Sustainability Day

The sustainability Day (FN8) was organized on the eighth occasion on September 26th. The conference on distances that "separate" and "connect" was opened by **Róbert Alföldi**. In his inspirations speech Alföldi said that it is important to be open, to get even closer to things around us and to step out of one's comfort zone.

In the **environmental section** the participants discussed genetically manipulated and organic products as well as innovative technologies to be applied in agriculture, including the use of drones. After the discussion of the environmental section the participants of the **economic section** continued the discussion of distances between stakeholders in the world of business as well as trends and the biggest challenges and opportunities of the Hungarian

and global economy. In the **social section** the topics of discussion were poverty and segregation. During the discussion the participants highlighted the importance of calling young people's attention to the importance of voluntary work while they came to the conclusion that social problems can be best eliminated with the improvement of living conditions and stimulation of development. The participants of the **+1 section** were debating on the topic of immigration and emigration – which were particularly actual in September, 2015. To let in or to let go? To open or to close? To admit or to accept? To call or to keep distance? Is there a good solution? These were the questions that the experts were trying to answer.

The attendees of the event could visit 40 exhibitors, including the Traveling Market, selling agricultural products, T-Systems' newly implemented bus timetable operated by solar cells and dynamo or could purchase Kele Clothing pullovers made with the use of the drawings of autistic children supported by the Mosoly Otthon (Home of Smile) Fund. The CollMot Robotics prepared a very spectacular presentation for the audience: the Dance of Drones.

Several awards were distributed at the FN8 event. For example the winners of the "How long are you around?" application for funds were announced as well as the awardees of the Sustainability Press Award.

Within the frame of the Sustainability Press Award the applications were submitted in three categories. The winner of the Bottom View category was a journalist from RTL Klub TV: **József Czakó** with his "Asbestos trilogy" report. In the Wide Angle category the members of the jury, delegated by Telekom and the Sustainability Media Club, gave the first prize to **Tóth Bálint** for the „Karmas – community builders” film while in the E-world category the first prize was given to **Petra Gál** from RTL Klub for the report „Kamureg” (Fake registration).

In line with our traditions acknowledgments were given to the three most popular exhibitors on the basis of the attendees' votes. This year the acknowledgment was given to the **Responsible Gastro Hero**, the Molinó Bag Workshop and the Homoktövis Primary School. (**The Homoktövis Primary School** was one of the winners of the community garden application for funds, related to the Vivicittá city run, organized in 2013.)

The all-day event was closed by a huge party to the music of Bohemian Betyars, Rotfront and the Dublic dj duo.

The hello holnap! application

Magyar Telekom concluded donation contracts with six new non-profit organizations for years 2015–2016.

The **Autonomy Fund** primarily supports the Roma people's integration, the strengthening of the civilian society and helps segregated communities. The **Budapest Bike Maffia** and the **Heti Betevő** gives food to those in need; the former delivers food donations by bike and the latter distributes restaurant quality food among disadvantaged people. The **Hungarian Bird and Environment Protection Association (MME)** helps to protect birds all around Hungary, the **Hungarian Environment Protection Association** improves the citizens' and decision-makers' awareness on environment protection with view-shaping programs. The **SUHANJ! Fund** helps to share the joy of doing sports with handicapped and disabled people.



DELFIN Award ceremony



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

DELFIN Award

In 2008 our company established the DELFIN Award: The award stands in Hungarian for a Committed, Sustainable, Innovative Generation (http://www.telekom.hu/rolunk/fenntarthatosag/gazdasag/delfin_dij.)

With the **DELFIN award** Magyar Telekom wants to promote the idea of sustainable development among all companies in Hungary and recognize efforts made towards this goal. The award is given to suppliers offering outstanding performance in the field of sustainability, on the basis of applications judged by a board of professionals.

Members of the professional jury:

- Péter Bodó – founder of the Route4U wheelchair navigation application
- Viktor Nagy – leading analyst of Portfolio
- András D. Tóth – RTL Klub's editor-reporter, representing the Sustainability Media Club
- Dr. György Pataki – dean of the Corvinus University of Budapest
- Ernő Simon – journalist
- Katalin Szomolányi – head of Magyar Telekom's sustainability center

The seventh award ceremony was held on June 12, 2015 at the 16th Sustainability Roundtable discussion. The roundtable discussion and the DELFIN Award ceremony was organ-

ized in the Design Terminal in Budapest. The professional jury of the event rewarded exemplary sustainability solutions and performance among the competing companies.

Any Hungarian enterprise could apply for the DELFIN award in 2015 – with implemented and running programs. Winners of the DELFIN Award in 2015:

- In the Sustainable Innovation category the Y2012 DELFIN award winner Budapest Taxi won again with purchasing electric cars and establishing the first “green”, environmentally friendly taxi fleet in Hungary.
- In the climate protection category the winner was Ericsson Hungary’s Take-Back program thanks to which, first in the region, 100% of outdated and dismantled mobile network equipment was recycled.
- In the Equal Opportunity category, after 2013, JOB HR Consulting won the award again by creating the www.rehabjob.hu portal to facilitate the integration of people with reduced capacity to work into the labor market via their Facebook site and blog .
- In the Awareness category the winner was Hegyvidéki Sport Hall and Sports Facility Center (MOM Sport) for organizing competitions for sportsmen in multiply disadvantaged situation.

The application materials can be found on the following website:

<http://www.telekom.hu/rolunk/fenntarthatosag/esemenyek/2015/kerekasztal-beszzelgetes>

PROFESSIONAL COOPERATION

Upon the initiation and financing of T-Labs (Telekom Innovation Laboratories, Berlin) a new faculty department was launched at the ELTE University from September, 2016 to connect education and R+D+I activities. The

objective of T-Labs is to create an EU Labs researcher network. Hungary is the first pillar in this effort. The department was established for a definite term of five years and they plan to employ one Associate Professor and two PhD students. The positions have been advertised and there are applicants already. The planned name of the department is: Data Science and Engineering Department. Magyar Telekom will support both the education (trainee positions, knowledge transfer, external consultant) and research (financing of the R+D efforts) activities of the new department. For 2016 we plan to propose two R+D topics to the MT R+D Committee.

In recent years special emphasis has been laid on the development of international cooperation among DT member companies to tap the synergies of the group. We play an important role in the international program designed to restructure the operation model of the mother company. The objective of the effort is to establish the necessary infrastructure to support the future operation as well as the service portfolio thereby making DT group the leading European service provider and optimizing the network infrastructures and resources at a company group level.

To this end we have taken part in several international projects:

- In April 2015 we established the Fixed Access SSC – MT and OTE Hub – centers through which we provide access network services to DT EU countries based on service catalogues and contracts concluded with the respective countries.
- In line with the company’s strategy we give key priority to customer satisfaction to further improve it from network side. To this end we launched a joint project with DT called CNE (Customer Network Experience) to improve our customer’s satisfaction with our services.
- We continuously strive to improve quality: together with DT subsidiaries we jointly assessed the fault rate of the IPTV service

and based on our findings we elaborated joint quality improvement action plans the success of which will be assessed together in the future.

- Our colleagues took part in the DT PANNET project within the frame of which we will establish a uniform infrastructure and operation model.

Within the frame of the PSTN replacement project, launched in 2014, we migrate our PSTN/ISDN customers to a modern and long-term sustainable MSAN technology IP network by the end of 2016.

The MSAN’s advantage is that the equipment is operated on a cheaper and energy efficient IP network while the services for our customers are provided in unchanged quality and with unchanged parameters.

By the end of 2015 half of the centers was switched off thereby we managed to save a significant amount of energy.

We have the equipment to dismantled by contracted subcontractors with the use of environment friendly methods and in consideration of sustainability. Each and every “part” of the centers will be recycled.

The project continues by the end of 2016 and more centers are expected to be switched off with which we may save as much as 10% of the annual electric energy consumption of Telekom.

In March 2015 we started our cooperation with Telenor Hungary within the frame of which we build the LTE800 network in the countryside together. The network will be built by Telekom in the areas east from the Danube while in the western part of the country Telenor will design and build the facilities. The cooperation is not extended to joint efforts in Budapest.

Our main objective is to jointly achieve the coverage commitment made to the National Media and Info-Communications Authority.

With the joint effort we can build cutting-edge mobile technology facilities for our customers in the countryside and the cooperation scheme was designed in a way that none of the companies have to abandon their plans to complete important developments, not even if it is not a preferred option by the partner.

Besides, the 10-10 Mhz bands acquired by the two companies will be shared thus both enterprises can build 20 Mhz bandwidth which results in double nominal speed.

We may conclude that the winners of the cooperation are the subscribers of the two companies. They can use the internet sooner and at a higher bandwidth while the network is built cost effectively, as a result of the joint effort.

In 2015 T-Systems Hungary was a member of various industry-specific interest representation bodies, chambers. The objective of membership in chambers is the targeted management of professional, economic and opinion leader organization activities besides the opportunity to acquire useful information and knowledge. Membership also helps us to actively keep contact with market players and professional organizations.



1.

CLIMATE- AND ENVIRONMENTAL PROTECTION

1.1	Climate protection and energy efficiency	16
1.2	Resources management.....	18
1.3	Emissions.....	21
1.4	Environmental objectives, costs and compliance	23

Magyar Telekom, as a leading info-communication service provider of the region – is committed to sustainable development and within it to environmental issues – in line with its mission.

One of the key-topics of Magyar Telekom's sustainability strategy for the period 2011-2015 is the climate strategy to reduce CO₂-emissions. Further, highlighted environmental, operational eco-efficiency goals:

- Energy consumption: saving energy (reduce consumption), increasing energy efficiency levels, using green energy,
- Reduction of paper consumption, increased use of recycled paper,
- Popularization of solutions to replace travel, and dematerialization solutions,
- Waste management: reduction of waste (increased recycling-rate).

The company pays increased attention to supply our networks with energy-efficient equipment, as many of our products and services must comply with the requirements of environmental sustainability, and in order to be able to leverage the relevant opportunities we offer our customers options to save on energy and to protect the environment. (For more information, please refer to the "2.2 ICT for Sustainability" section.)

Based on the Business Continuity Management System (BCM) we identified the critical climate risks (floods, heat waves) and made plans for them. The yearly measure of the climate damage in the networks did not reach the level for taking action (monthly 50 million HUF).

The DELFIN ("a committed, sustainable and innovative generation") Award competition established by Telekom in 2008 was open for all Hungarian companies in four categories, by submitting projects or programs implemented in 2015. In the Sustainable Innovation and the Climate Protection related procurement and development category the jury gave the DELFIN Award to developments that are aligned with environment protection objectives:

In 2015 the company set the objective of carbon-neutral operation. Magyar Telekom Group (including its foreign subsidiaries, Makedonski Telekom and Crnogorski Telekom) as the first Hungarian large enterprise – and being among the first leading European telecommunication companies – has become completely carbon neutral.

To commemorate the above, T-Systems Hungary symbolically donated 50 trees planted in Budapest to its customers and partners in an eDM. The recipients could download or post the virtual tree on **Facebook**.

- The award went to RT 5 Taxi Holding for implementing the country's first environment friendly "green" taxi fleet and deploying the first electric taxi cabs.

- For climate protection development the jury granted the award to Ericsson Hungary's product re-take program, offering a solution to recycle the devices outphased during the modernization of mobile networks.



In 2015 we continued our carbon offset project. We spent half of the income from our company car policy regulated bonus-malus system to carbon offset. Our aim was to be carbon neutral in 2015. We reached it by using 100% renewable energy for our electricity and we offset the rest of our emissions, by purchasing and retiring CER (Certified Emission Reduction) units. The reduction came from a Chinese (Jiangsu Rudong Huangang Dongling wind power plant) wind farm project and a Peruvian (El Platanal Hydropower plant), with that we offset 52,189 tons of CO₂.

In 2015 Magyar Telekom Plc. purchased 187 GWh of renewable energy, which represents 100% of the total amount of electricity used by the Company. Magyar Telekom Plc. spent 50% of the amount collected as malus payment (HUF 20,408,548 in 2015) by users of personal use cars with emissions above the reference values on decreasing our CO₂ footprint.

Crnogorski Telekom believes that is very important to have a structured approach towards sustainable development and therefore we defined and adopted sustainability targets related to 3 main strategy focuses: reduction of CO₂ emission, volunteering and selective waste collection. In the contest organized by Employers Federation of Montenegro, CT received the award for CSR in the category - environmental protection, for the project: Crnogorski Telekom in the service of sustainable development.

1.1 CLIMATE PROTECTION AND ENERGY EFFICIENCY

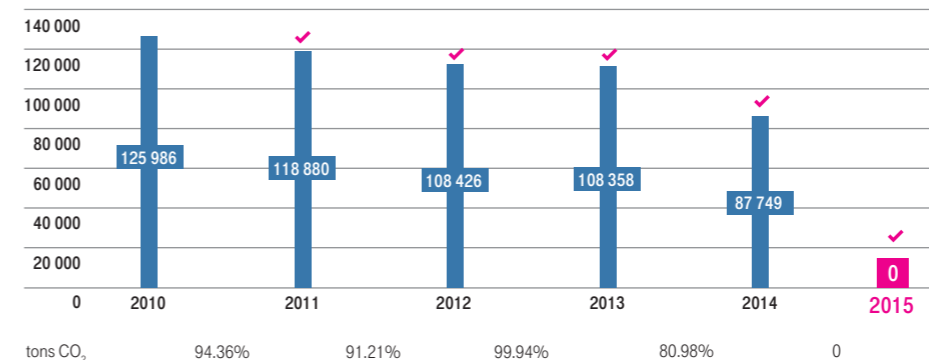
To present the quantitative greenhouse gas emissions of Magyar Telekom Group's activities we use a carbon dioxide index. (We do not

measure greenhouse gases separately; we do not have biogenic CO₂-emissions).

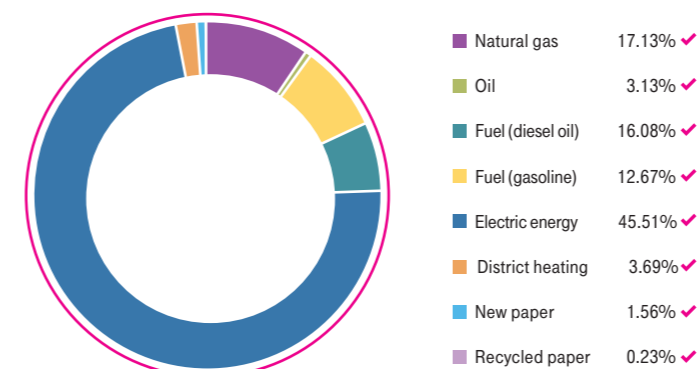
The details of Magyar Telekom Group's CO₂-emissions are given in the following table. The CO₂-conversion factors were determined on the basis of the 2007 recommendations of

the International Energy Agency Data Services (electricity), the UNEP guidelines (heating oil, fuel, natural gas) and by the data provided by a prominent Hungarian paper factory.

AGGREGATED CO₂ IMPACT MAGYAR TELEKOM GROUP



CO₂ IMPACT SHARING, 2015



At Magyar Telekom, we do everything to treat the risk from operation of the fluorine-greenhouse gas containing equipment: a leakage of 1% filling of operating air conditioners would cause a leak of 300 tonnes of CO₂, which would be 0.3% of the total CO₂-emissions. Based on the inspections carried out in accordance with the regulations there was no leakage in 2015. Due to scheduled replacement the R22 filled air conditioners, the number of operating air conditioners decreased with nearly 35% compared to 2014.

1.1.1 CLIMATE PROTECTION RESULTS

Taking the purchase of green energy and carbon offset into account, total ✓ carbon dioxide emissions was neutralized by the Magyar Telekom Group.

The CO₂-emissions from direct and indirect energy consumption remained roughly at last year's level (change within 1% ✓).

At Makedonski Telekom the optimization provides better usage of working space with increased usage ratio which also leads to decrease of the usage of electricity and improvement of the energy efficiency. Crnogorski Telekom set the target to reduce CO₂ emission by 23% until 2020 and made much progress in the field of energy saving, for example reduced CO₂ emissions of the technological area in 2015.

MAGYAR TELEKOM GROUP'S TOTAL CO₂-EMISSIONS ✓

CO ₂ IMPACT [tCO ₂]	2010	2011	2012	2013	2014	2015
Direct energy consumption						
Natural gas	15 372	16 051	10 922	11 400	9 824	8 910
Oil	2 702	2 604	3 001	2 600	2 004 ⁽¹⁾	1 629
Fuel (diesel oil)	8 777	8 853	8 315	8 217	8 317	8 364
Fuel (gasoline)	6 745	6 669	6 359	6 436	6 631	6 590
Fuel (total)	15 521	15 522	14 673	14 653	14 949	14 954
CO₂ emission of direct energy consumption	33 596	34 177	28 596	28 653	26 777	25 493
Indirect energy consumption						
Electric energy	99 849	98 517	94 483	91 361	86 655	87 010
Green energy	11 855	17 381	18 228	11 516	11 516	63 337
Electric energy (adjusted with renewable energy consumption)	87 995	81 136	76 255	79 845	75 139	23 673
District heating	2 475	2 367	1 957	2 156	1 863	1 918
CO₂ emission of indirect energy consumption (adjusted with renewable energy consumption)	90 469	83 503	78 212	82 001	77 001	25 591
Total energy consumption						
CO₂ emission of energy consumption (adjusted with renewable energy consumption)	124 065	117 680	106 808	110 654	103 778	51 084
CO₂ emission of paper consumption						
New paper	1 815	1 038	1 455	1 078	961	813 ⁽²⁾
Recycled paper	106	162	162	146	144	122 ⁽²⁾
CO₂ emission of total paper consumption	1 920	1 200	1 618	1 223	1 106	935
Cumulated CO₂ emission						
CO ₂ emission of indirect energy consumption (adjusted with renewable energy consumption)	124 065	117 680	106 808	110 654	103 778	51 084
CO ₂ emission of total paper consumption	1 920	1 200	1 618	1 223	1 106	935
CO₂ emission eliminated by the Carbon offset project				-3 520	-17 135	-52 189
Cumulated CO₂ emission (adjusted with renewable energy consumption and carbon offset)	125 986	118 880	108 426	108 358	87 749	0⁽³⁾

Comments:

(1) The 2014 yearly CO₂-emission calculation has been revised (page 147 of Sustainability report 2014), due to the adjustment of MaKTeI's annual fuels use in 2014 (see chapter 1.2.3).

(2) The Y2015 CO₂ - emission from paper usage is a partly measured and partly calculated data (see chapter 1.2.5).

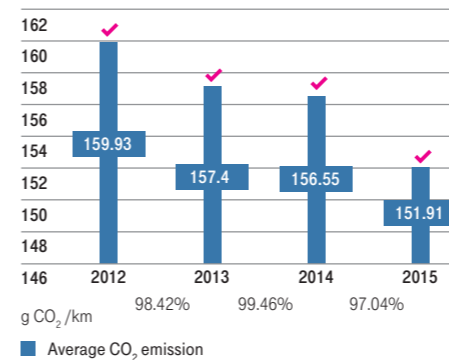
(3) With carbon offset we induced CO₂-emission above the actual emissions (the amount of paper used in the induction contained a higher estimate).

1.1.2 ENERGY EFFICIENCY

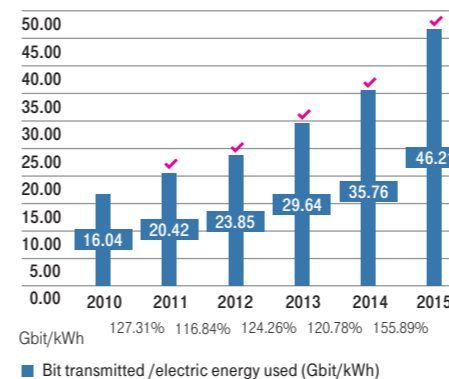
In 2015, the ambitious target set in 2011, the 48 Gbit/kWh was approached, but failed to achieve. The energy efficiency indicator in 2015 46.21 Gbit/kWh.

We apply energy intensity indicators to show the change in two factors that amount to the largest proportion of our CO₂-emissions: the network of electricity use and fuel consumption of motor vehicles. The effectiveness of the energy consumption of Magyar Telekom Plc.'s operation is characterized by the Gbit/kWh (forwarded bits/electricity consumption) energy efficiency indicator. The indicator shows that as the quantity of forwarded

THE AVERAGE CO₂ EMISSION OF CAR POOL MAGYAR TELEKOM PLC.



BIT TRANSMITTED/ELECTRIC ENERGY USED MAGYAR TELEKOM PLC.



Magyar Telekom-related emissions by suppliers have not been monitored. In 2015 the monitoring of our suppliers' Magyar Telekom-related emissions have been included already in the sustainable supply chain management process within their sustainability evaluation on energy use and emissions.

information grows the energy consumption proportionally reduces (i.e. we transfer more information with less energy). The fuel consumption efficiency is characterized by car pool average CO₂-emissions in g/km ✓.

We would like to increase the first and reduce the second indicator. Average carbon dioxide emissions from vehicles decreased further to 156.55 from 151.91 g CO₂/km.

1.1.3 EQUIPMENT IN CUSTOMERS' PREMISES

Our customers generate significant energy consumption by operating our CPEs, but they are

essential for using our services. We identified three major areas where the energy consumption is significant: the use of mobile phones, TV services, internet services. Because we have no information about what kind of mobile phones they are using, we made our calculation based on an average smartphone's energy consumption (1 kWh/year); for TV services we used an average TV modem (87 kWh/year); and we took an average router (58.2 kWh/year) for internet services. For the calculation we used the number of subscriptions, thus the CPEs' energy consumption worked out as 146.9 GWh, which is equivalent to 49,762 tons of CO₂. It's 5% more than in 2014, due to the increased number of customers.

CUSTOMERS	CONSUMPTION/ YEAR (KWH)	TOTAL CONSUMPTION/ YEAR (KWH)	CO ₂ EMISSIONS (TONS)
Magyar Telekom Plc.			
Mobile subscriptions	4 949 874	1	4 949 874
Broadband subscriptions	985 952	58.2	57 382 406
TV subscriptions	960 092	87	83 527 961
T-Systems Hungary			
Mobile subscriptions	554 090	1	554 090
Broadband subscriptions	8 676	58.2	504 943
Hungarian services total:		146 919 274	49 762

1.2 RESOURCES MANAGEMENT

1.2.1 ELECTRICITY CONSUMPTION

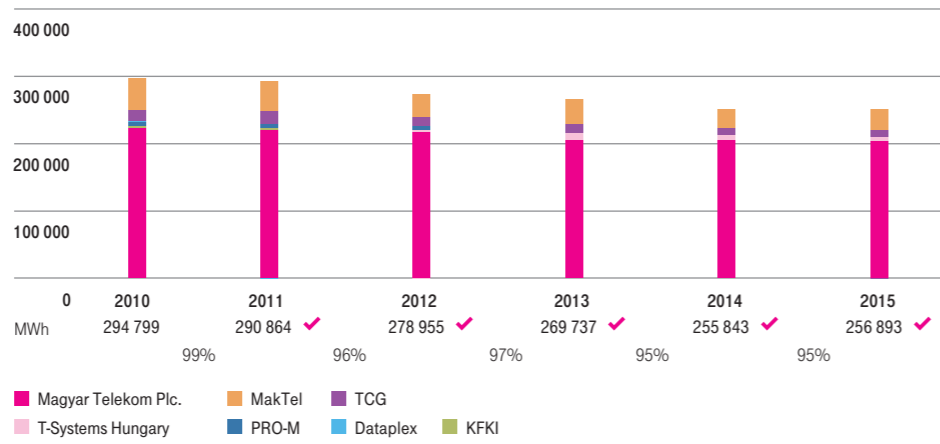
Magyar Telekom Group in 2015, strived to operate energy-efficiently: compared to 2014 electricity consumption continued to decline by 5%.

At Magyar Telekom these days instead of solutions that would represent a huge leap forward, the aggregate of several smaller transformation and caring projects may jointly help us to further reduce energy consumption:

- Our proven ventilation technology has been upgraded in 2015: we implemented the so-called wardrobe type equipment thereby reduced the operation time of air-conditioners thus save electric energy. Currently the main objective is to fine-tune the existing solutions but new solutions are also implemented as a result of the global PSTN (Public Switched Telephone Network) replacement project. With this we take a huge step forward in the field of air conditioner replacement (reducing R22 gas consumption) and we implement lower performance power supply equipment as well.
- We have replaced our power supply equipment in several huge machine rooms; we continued the merge of fixed line and mobile power supply operation at specific sites. Smart cooling technology also develops quickly and it brings continuous results.
- The increase of the temperature of machine rooms is managed as a global project from containers to entire exchanges, regardless of their size. The use of temperature resistant accumulators and accumulator coating is a preparatory phase of the project.
- As a pilot project we equipped four buildings with LED lighting.

The energy savings is considered as a global project: in each of our development, we strive to directly or indirectly reduce energy consumption. Thus, it can become a clear trend of decreasing in the long term.

**ELECTRIC ENERGY CONSUMPTION
MAGYAR TELEKOM GROUP**



The 3-year network modernization project starting from April 15th, 2014, targets the migration of 321 thousand telephone lines over IP-based exchanges (MSAN) for this year. The state of the art low-power equipments generate 300 million kWh of energy savings in 10 years – this volume is equal to the annual electricity consumption of 100,000 households - thus 100,000 tons of CO₂ emission reductions can be achieved. By the end of 2016 the transition can be completed as

planned. In the framework of the project more exchanges have been shut down so far, by the end of 2016 the switch off of additional exchanges is expected.

By means of the significant electricity power savings achieved in result of the data storage modernization program we reduce the impact on our environment. In 2015, 15 pcs high-cost data storages were replaced by the new virtualized storage infrastructure, which resulted

Energy-use reduction and dematerialization solutions

Makedonski Telekom's Smart City project, delivered in 2015, was completed in cooperation with the municipality of Skopje. Within the project was introduced the City Skop-ska Card, that currently is used for payment and authentication purposes of the travelers in the city transport (additional information see Chapter 1.3 Innovation for ICT).

in energy savings worth 45 mHUF. The entire modernization program will be completed in 2016, and we will achieve an overall 30% reduction in energy consumption as a result. Replacing of 25 pcs high operational cost, 1.6 Petabyte capacity storages will result in a total of 132 mHUF electricity savings over 5 years.

With optimization of energy consumption of air conditioners on base stations and RSS – so called free-cooling system – Crnogorski Telekom saved 16 MWh energy in 2015. (Measure is implemented in September, therefore this is saving for 4 months and additional savings are expected in 2016.)

Based on the operational efficiency of the Data Center T-Systems Hungary LLC repeatedly received the prize of „Energy Efficient Company” in the Virtual Power Station Program in 2015.

1.2.2 FLEET MANAGEMENT, FUEL CONSUMPTION

The number of vehicles in the fleet on a Group level continued to drop ✓, according to the usage and distribution of fuel really has not changed. The number of hybrid cars decreased slightly, the number of electric cars has not changed (3 pcs).

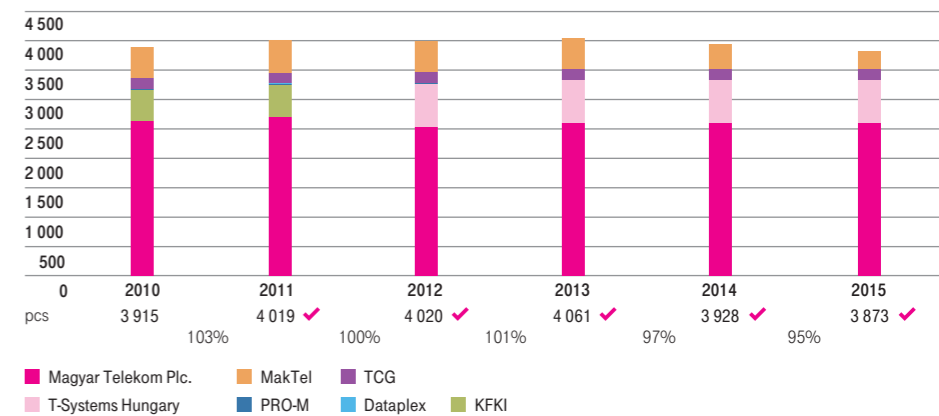
The fuel consumption, average fuel consumption of vehicles, the mileage has remained nearly unchanged ✓ at group level as compared to the previous year. Compared to the base year (2010) an overall of 3.5% reduction was achieved in fuel consumption.

Makedonski Telekom replaced old vehicles with new vehicles equipped with Euro 6 engine and issued guidelines for employees for eco driving.

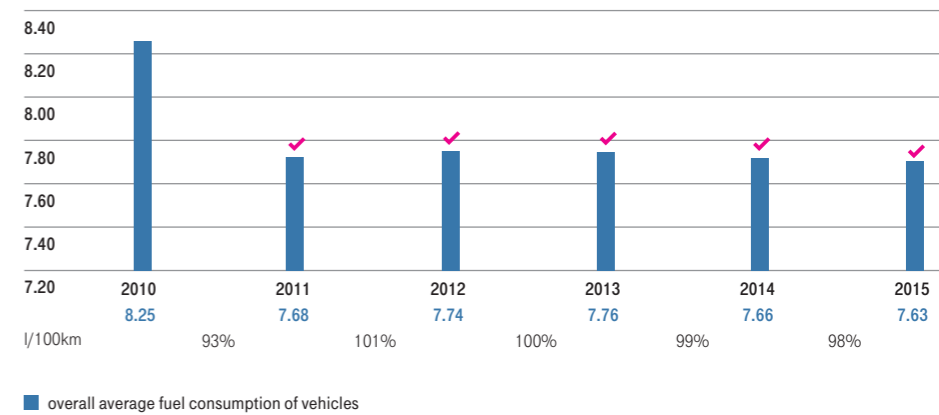
In 2015, 132 operational vehicles are in use at Crnogorski Telekom, and additional 40 leased to Ericsson as Managed Service Provider.

NUMBER OF VEHICLES BY FUEL AND USAGE TYPE AT MAGYAR TELEKOM GROUP	2013	2014	2015	
Broken down by fuel type	4061 ✓	3928 ✓	3873 ✓	-1.40%
Diesel oil	2369 ✓	2261 ✓	2244 ✓	-5.28%
Gasoline	1600 ✓	1572 ✓	1541 ✓	-3.69%
Hybrid	89 ✓	92 ✓	82 ✓	-4.49%
Electric	3 ✓	3 ✓	3 ✓	0.00%
Personal use	1636 ✓	1428 ✓	1423 ✓	-13.02%
	40.29%	36.35%	36.74%	-8.80%
Service operation	2425 ✓	2500 ✓	2450 ✓	1.03%
	59.71%	63.65%	63.26%	5.94%

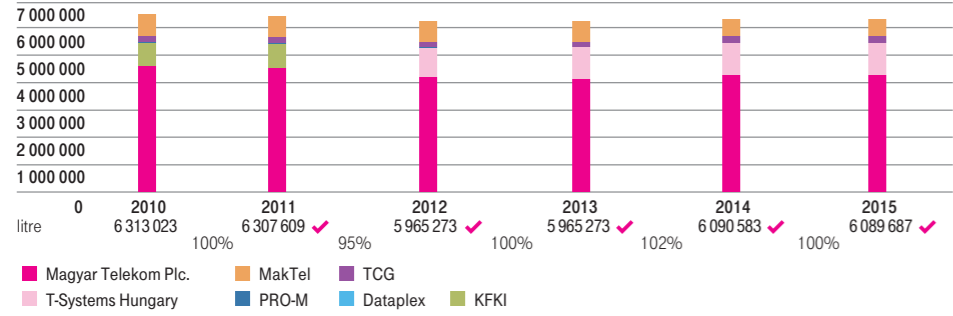
**TOTAL NUMBER OF VEHICLES
MAGYAR TELEKOM GROUP**



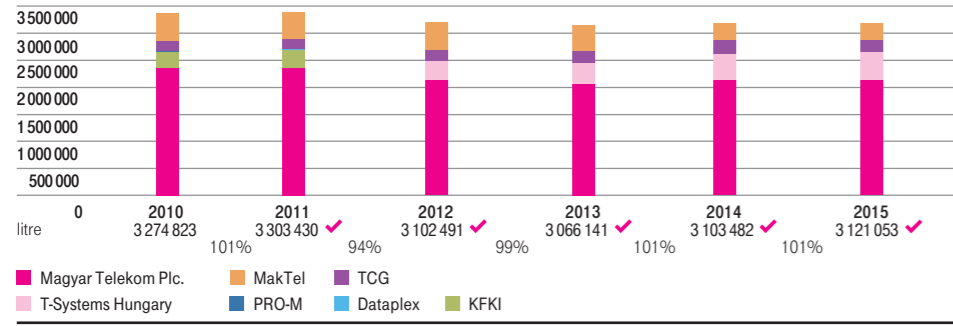
**OVERALL AVERAGE FUEL CONSUMPTION
MAGYAR TELEKOM GROUP**



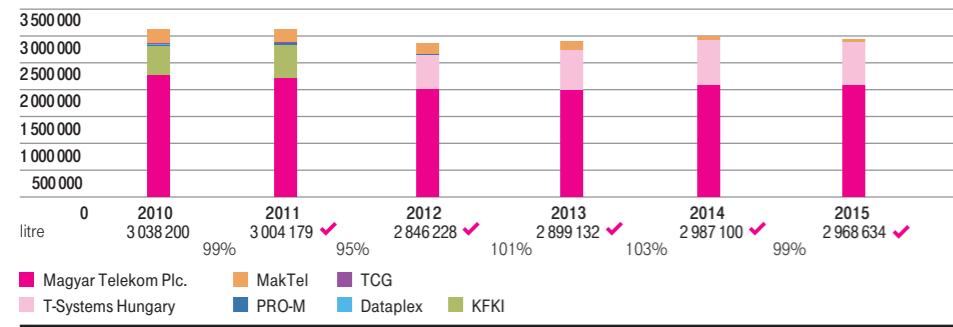
**TOTAL FUEL CONSUMPTION OF VEHICLES
MAGYAR TELEKOM GROUP**



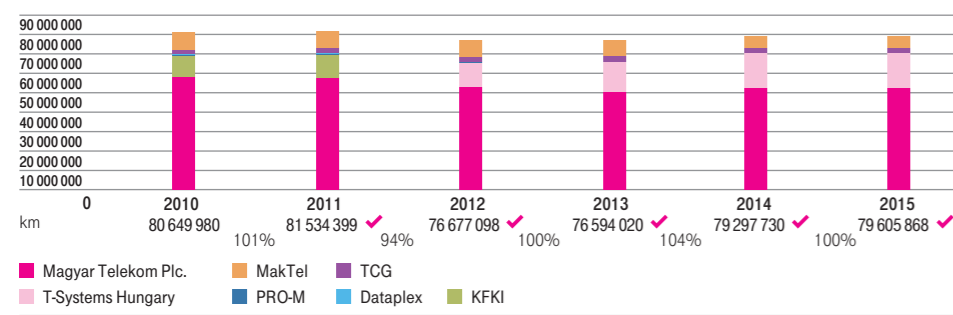
**FUEL CONSUMPTION OF VEHICLES (DIESEL)
MAGYAR TELEKOM GROUP**



**FUEL CONSUMPTION OF VEHICLES (GASOLINE)
MAGYAR TELEKOM GROUP**



**MILEAGE OF VEHICLES
MAGYAR TELEKOM GROUP**



There are future plans for optimization of operational vehicles (considering leasing vs buying, scrapping unused cars, shared usage, procurement of smaller cars, etc.)



An electric car of the fleet is being charged

The electric cars' consumption decreased from 2.63 MWh to 2.36 MWh. (Personal use is more significant due to the state of the nationwide refill station network.)

Solutions to replace travel

The measure of business trips, the mileage remained at about the 2014 yearly level. (2014: 5,982,689 km, 2015: 6,190,403 km)

TelePresence video conferences

Magyar Telekom's Telepresence utilization level was of around 80%. The amount of replaced travel significantly increased by 10.66% compared to year 2014. Savings on fuel by replacement of car transport: 50,923 litres of diesel fuel and 39,190 litres of gasoline.

Video conference and Telepresence systems are now available in T-Systems Hungary's headquarters in Budafoki str. and in regional offices. In 2015 more than 1065 thousand kilometers of travel was saved, thereby reducing CO₂ emission with 190 tons.

Teleworking

Magyar Telekom has been supporting teleworking for years as it is beneficial for the employer and the employee alike. We started surveying our employees' commuting habits (based on a small sample, but for a large office building in a good location in terms of public transport):

approximately 31% of the employees choose to come to work by car, with 84 kilometres the daily average. Considering this result, teleworking has a significant role to play in replacing travel. For additional information on teleworking see Chapter 5.1 Human rights and equal opportunities.

TeleBike

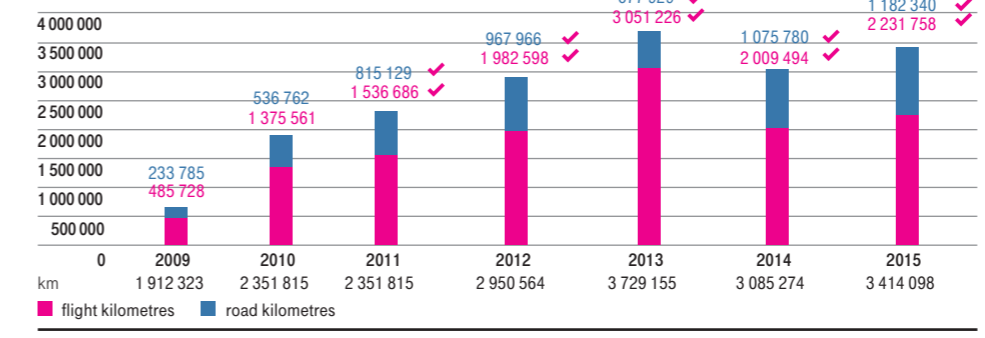
In the spring of 2015, we relaunched TeleBike, Magyar Telekom's employee bike rental system. In 2015, TeleBike offered 53 bikes, and the six new electric bikes, which were also added to the fleet in 2014.

Employees can commute between the offices of the company are located within the Budapest city limits and six T-Systems Hungary sites. Some figures: 1,588 registered users, 8,502 rents, 15,226 kms and 2,862 kg CO₂ emission eliminated in 2015.

Bicycle courier service

Since 2012 Magyar Telekom has been sending some of its consignments by bicycle courier service. Use has increased year on year and is now triple the 2012 level, with more than 3,972 km of car transport replaced and 0.69 tons of CO₂ emissions prevented.

**TRAVELS REPLACED BY VIDEO-CONFERENCE
MAGYAR TELEKOM GROUP**

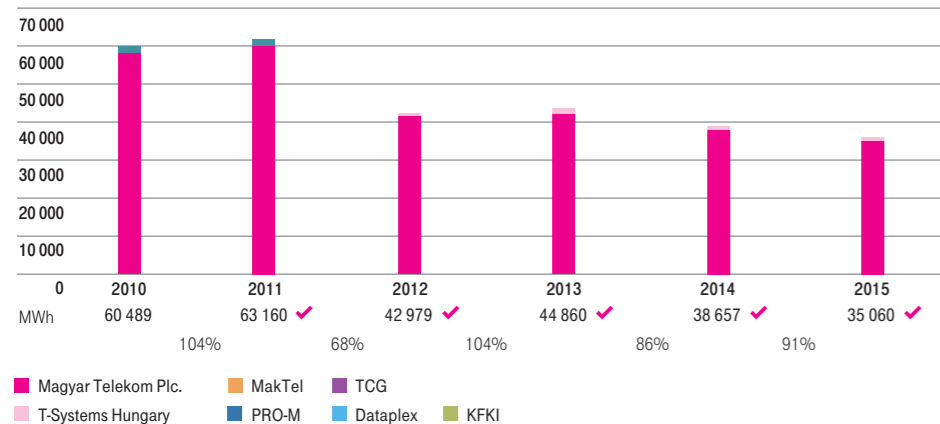


1.2.3 FOSSIL FUEL CONSUMPTION

The Group also continued to decline in natural gas consumption, thanks to (as described in previous reports) initiatives introduced during the strategy period, the natural gas consumption decreased by almost half compared to base year, 2010.

At Makedonski Telekom the use of fuel oil has not disappeared (*Sustainability report 2014* page 156), but significantly decreased by 28% ✓ in comparison to the base year (2010: 9209 MWh, 2015: 2547 MWh): optimization/modification of HVAC systems is being done i.e. the systems for heating based on oil for heating are being closed down and replaced with inverter split system units and panel board for heating.

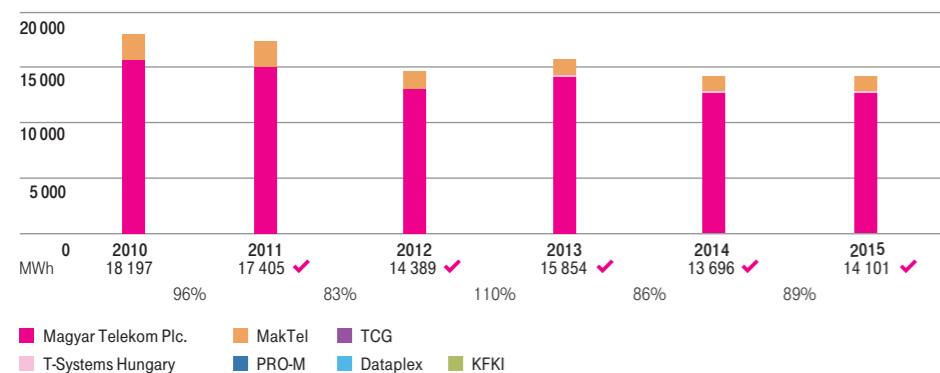
GAS CONSUMPTION MAGYAR TELEKOM GROUP



1.2.4 DISTRICT HEATING

At Group level, the district consumption increased to a small extent (about 3% ✓) compared to the previous year.

DISTRICT HEATING CONSUMPTION MAGYAR TELEKOM GROUP



1.2.5 PAPER CONSUMPTION

Magyar Telekom Group's paper consumption continued to decline more than 15%: the trend observed for many years managed to retain. The usage rate of recycled paper has not changed. (Due to the transition from paper-SAP data usage, based on Magyar Telekom's estimate.)

In 2015 Magyar Telekom innovated personal customer service by introducing e-signature in its shops. This innovative solution may reduce considerably the amount of printed documents, the worktime and costs of printing, filing and storing them. This will also improve the operational efficiency and reduce the environmental burden.

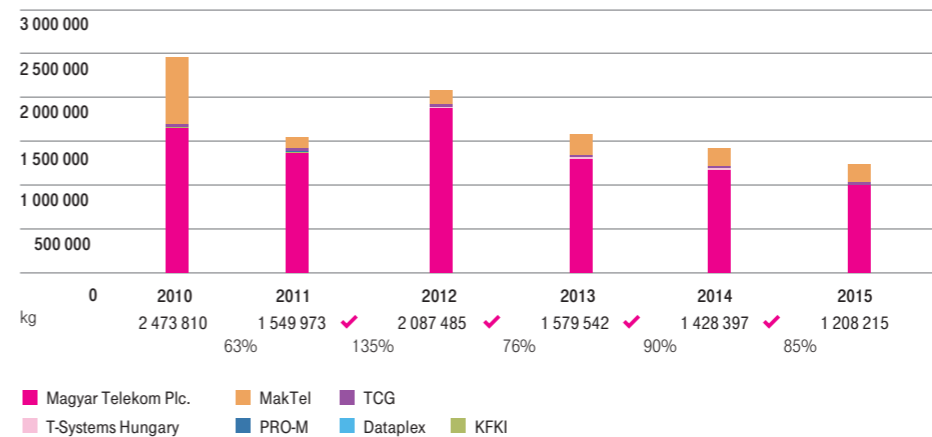
Telekom's aim is to implement full range electronic customer service in the future where legally binding documents with electronically recorded signatures will replace all paper-based contracts. The introduction of e-signature through tablets constitutes the first step of this process.

We report on paper consumption not to reflect on its use, but rather to provide as much accurate data on CO₂-emissions as possible. We make an effort in accordance with DT expectations to more accurately calculate the carbon dioxide emissions resulting from the use of our products and services.

In Hungary, the public relations related marketing paper consumption increased due to public information of network development (newly connected settlements).

In 2015 27% more electronic invoices were issued at Group level as in 2014.

TOTAL PAPER CONSUMPTION MAGYAR TELEKOM GROUP



PAPER CONSUMPTION OF THE GROUP [KG]

	2013	2014	2015	
Total paper consumption [kg] ⁽⁴⁾	1 579 542	1 428 397	1 208 215	-15.41%
Packaging paper [kg]	128 114	175 479	97 371	-44.51%
Office paper [kg]	544 134	481 009	459 653	-4.44%
Bills [kg]	653 966	662 409	315 959	-52.30%
PR and marketing material [kg]	253 328	109 500	335 231	206.15%
Recycled paper of this amount [kg]*	194 056	192 456	162 789	-16.11%
	12.29%	13.47%	13.47%	

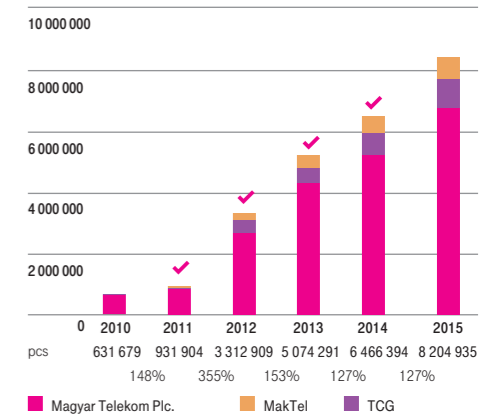
(4) Magyar Telekom 2015 data is estimated

E-billing

During 2015 Crnogorski Telekom's e-business unit (commercial division-consumer segment) continued its efforts to acquire new e-bill customers (direct telesales calls actions), due to this measure at the end of 2015 the e-bill penetration in the residential segment was 31.6%, compared to 28.3% in 2014.

Thanks to the campaigns Hungarian companies also achieved outstanding growth: in Hungary the number of users is over half a million, electronic invoicing constitutes more than 21% of the total invoicing.

ELECTRONIC BILLS (PIECES) MAGYAR TELEKOM GROUP



Office paper consumption

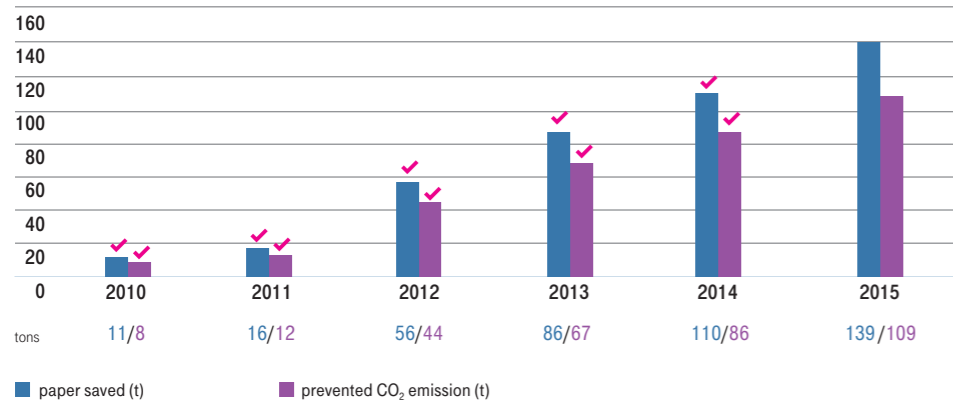
A further 4% decline in group-wide office paper use is attributable to the continued improvement and automation of processes, the spread of paperless officesolutions, the consolidation of the printer pool and the preservation of our achievements in this field.

At Makedonski Telekom the automatization of business processes with the BPMS Platform helps to perform paperless work.

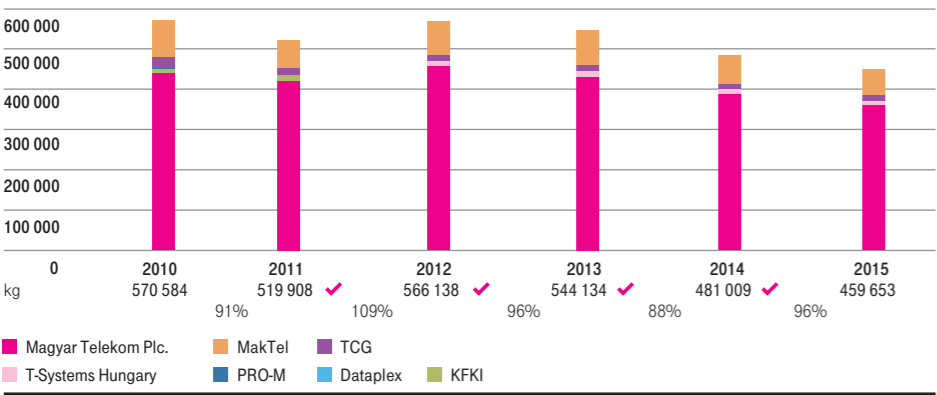
The amount of paper used for packaging decreased significantly (over 44%), but this is the area that we can influence the least because it greatly depends on the projects and the sales portfolio.

At Magyar Telekom we do not only pay attention to the paper use during the traditional sales process, but during online sales too: the clickshop.hu solution recycles cardboard boxes upon delivery and minimizes the amount of plastic used in packaging. Over the past two years the amount of printed promotion material was reduced to a minimum.

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



**OFFICE PAPER USED BY EMPLOYEES
MAGYAR TELEKOM GROUP**



1.2.6 BIODIVERSITY

Magyar Telekom Plc.'s developments do not require the preparation of impact studies (EIA). In 2015 there were no developments in nature reserve or in Nature 2000 areas and there was no damage made to natural values.

Land use, landscape impact

For the Group it is important to implement its projects with only the absolutely necessary impact on the soil, thereby preserving the original biodiversity of the area and making the fit its buildings better into the environment.

The composition of the mobile network represents a slight change at group level: the number of base stations grew by 12% (2013:

In March, 2015 Magyar Telekom and Telenor Hungary agreed to jointly operate and develop their 800MHz 4G mobile networks in all parts of Hungary except Budapest. Under the agreement and in line with the common rollout plan Telenor will design and operate the network in areas west from the Danube whereas Telekom will do the same in the eastern part of the country. The joint construction effort will help us to provide cutting edge mobile technology to our customers in the countryside more quickly; cost-effectively and with less use of the land.

5173, 2014: 5462, 2015: 6102 on Group level). The number of towers shared with other operators increased significantly by 10% (2015: 1749 pieces). The number of sites in Hungary decreased by more than half in the course of a network modernisation project.

Noise and vibration protection

In Magyar Telekom Group sites we have to pay attention to the following potential noise sources: outdoor air-conditioning equipment and emergency diesel generators. Last year's complaint on the noise level of Magyar Telekom was closed to the satisfaction of the complainant and no other complain was received.

Water consumption

The water consumption at Magyar Telekom Group is exclusively for social purposes. Group-level water consumption decreased by more than 8% ✓. Magyar Telekom Plc. reduced its water consumption by 9% thanks to the water-saving solutions (perlaters) and decreasing space and headcount.

Magyar Telekom Plc. has 2 drilled wells, from which 13,745 cubic metres of water was taken in 2015.

We help local communities by creating community gardens and using uncultivated land, thereby increasing the diversity of the area: in 2014 Magyar Telekom Plc. began development of three community gardens, of which the first was opened near the company's site on Csárda street, where the local gardeners started their work on 28 plots. In 2015 we opened two more community gardens near the company's site in Soroksári street and Ceglédi street. The community garden in Soroksári street is the biggest in Budapest, where garden owners can work on almost 100 plots.



Planting trees at the ceremonial opening at the Soroksári street community garden

1.3 EMISSIONS

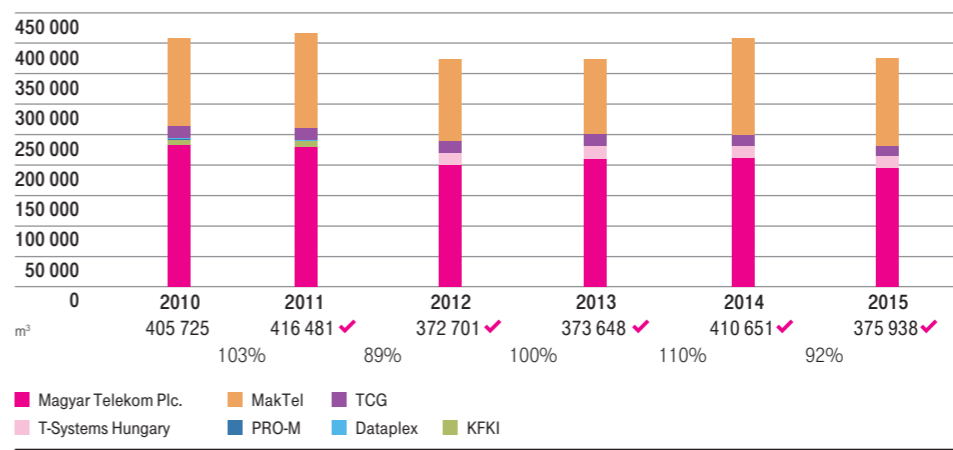
1.3.1 WASTE

The quantity and quality of waste generated greatly depends on the telecommunication projects and developments currently being carried out: on Group level in 2015, compared to 2014, the total amount of waste increased by 18% ✓. (While in the T-Systems data centers the liquid chiller replacement project was completed, so less waste is produced. At Makedonski Telekom the amount of waste copper cable increased significantly as a result of the optical network development.)

The composition of waste shifted toward recyclable waste, so at Group level the recycling rate increased to 28%.

Within Magyar Telekom Group the largest proportion of generated waste (close to 62% ✓) – is still the municipal waste. Second by volume is technological waste, with growing share of 28% ✓; the proportion of hazardous waste is still less than 3% ✓.

**WATER CONSUMPTION
MAGYAR TELEKOM GROUP**



Crnogorski Telekom had a donation of used network and IT equipment to Faculty of Electrical Engineering in Podgorica (instead of disposing this equipment that is for no use any more for CT). Although used, this equipment can be used to set up an IP laboratory at the Faculty of Electrical Engineering, where students can practice the basic settings for configuration of network equipment. Donated equipment consists mostly from switches, routers and firewall systems.

To reduce environmental effects of waste:

- we use our best efforts to re-use unused equipment within the company, or sell them to employees or external partners, to rent or lease or transfer them without compensation (donation)
- ensure selective waste collection in more sites
- improve effectiveness with the revision of collection points, our effective contracts and communication
- In 2015 a DT Group-level policy was released to regulate the management of waste cables.

Hazardous waste

The amount of hazardous waste increased by nearly 15% ✓ at Group level (including a significant increase of the amount of technological hazardous waste by almost 30%) due to network upgrade and maintenance (e.g. batteries, replacement of network elements).

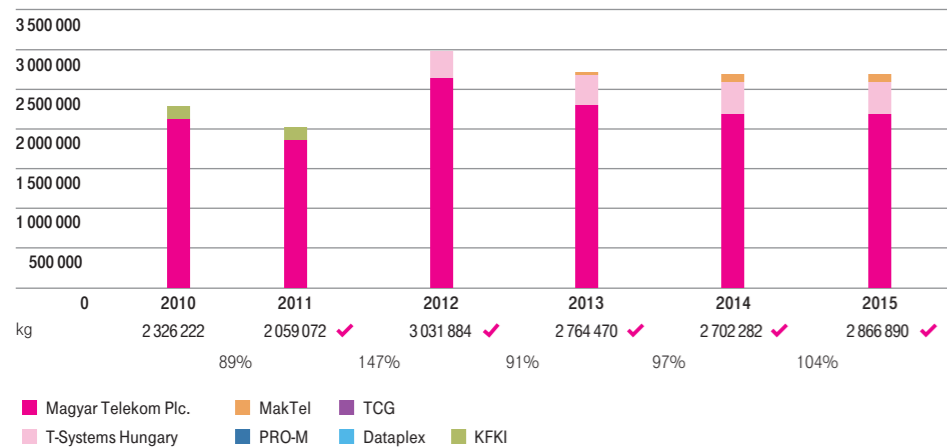
Paper waste

The quantity of paper waste significantly decreased at Group level by 41.16%, partly due to the lower volume of document disposal and partly due to projects to minimize consumption as described in 1.2 Resources management chapter.

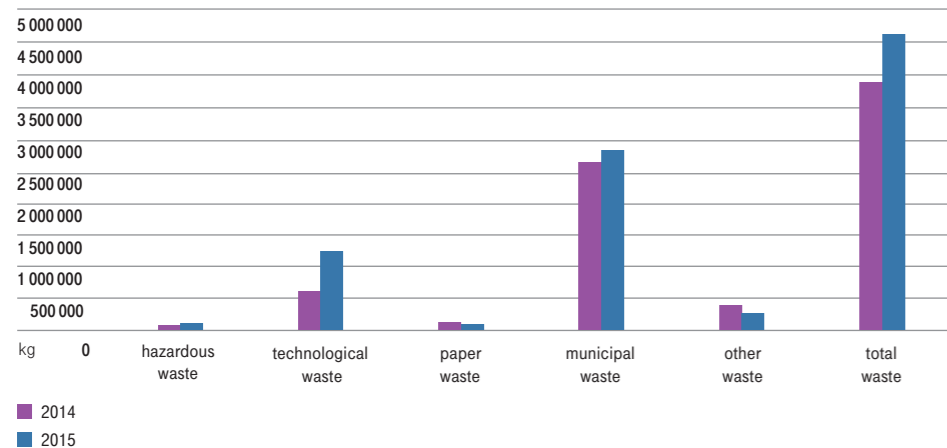
Other waste

The quantitative increase of other waste at Magyar Telekom Plc. can be traced back, in part, to building renovations.

MUNICIPAL WASTE MAGYAR TELEKOM GROUP



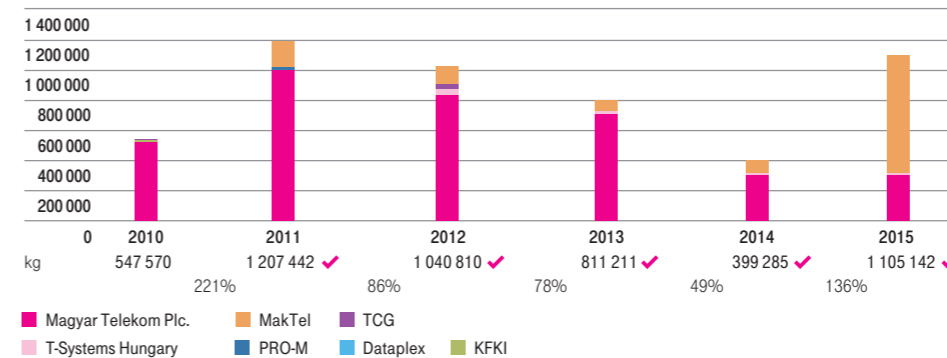
QUANTITY OF WASTE BY TYPE, 2014-2015 MAGYAR TELEKOM GROUP



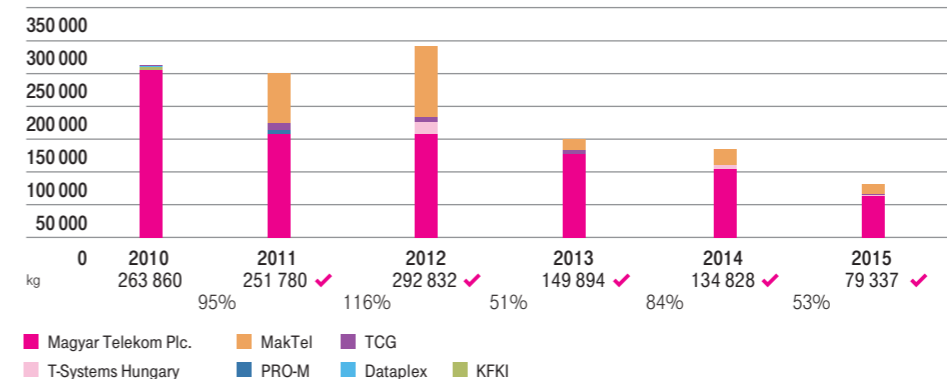
QUANTITY OF WASTE BY TYPE AND RECYCLING RATE AT MAGYAR TELEKOM GROUP, 2010-2015 ✓

	2010	2011	2012	2013	2014	2015
Hazardous waste total [kg]	238 910	149 852	290 929	148 923	104 058	119 556
Recycled hazardous waste [kg]	175 745	99 264	135 088	95 794	56 303	85 194
Technological waste [kg]	548 570	1 206 442	1 233 708	1 079 417	628 656	1 319 757
Recycled technological waste [kg]	547 570	1 207 442	1 040 810	811 211	399 285	1 105 142
Paper waste total [kg]	263 860	251 780	292 832	149 894	134 828	79 337
Recycled paper waste [kg]	257 480	251 780	269 443	143 874	125 248	78 637
Municipal waste [kg]	2 326 222	2 059 072	3 031 884	2 764 470	2 702 282	2 866 890
Recycled municipal waste [kg]	-	-	7 000	2 916	1 140	-
Other waste	134 848	149 960	343 274	241 550	356 145	249 877
Recycled other waste [kg]	65 231	23 000	35 000	24 768	28 394	29 334
Total waste [kg]	3 512 410	3 817 106	5 192 627	4 384 254	3 925 969	4 635 417
Recycled waste total [kg]	1 046 026	1 581 486	1 487 341	1 078 563	610 370	1 298 307
Recycling rate (%)	30%	41%	29%	25%	16%	28%

RECYCLED TECHNOLOGICAL WASTE MAGYAR TELEKOM GROUP



PAPER WASTE MAGYAR TELEKOM GROUP



At Magyar Telekom Plc. the recycling rate is nearly 15%. In the case of municipal waste, local public services must be used, so only estimated data is available; the waste is mainly disposed into licensed landfill sites. The company does not have its waste incinerated or composted. 13% of waste fits into other treatment categories; in these cases the waste management company carries out pre-treatment, selects the recyclable parts, and prepares the waste for final recovery or disposal.

1.3.2 PRODUCER'S RESPONSIBILITY

In cooperation with equipment manufacturers Magyar Telekom is committed to environment-friendly equipment manufacturing and recycling processes. For more details on our requirements for procurement, please see the chapter 3, titled 'Suppliers'. Sustainable products are elaborated in detail in chapter 2 'Responsible Service'.

The company thinks it important to cause the least impact to the environment; we pay special attention to the reviewing, repair and re-use of the equipment in our network.

The re-use rate of CPE devices decreased to 86% of the previous yearly level, although the number of take-back increased, but the number of new customers grew at a quicker pace.

Hungarian companies comply with producer's responsibilities as follows:

- In the case of electronic equipment subject to product fee regulations most companies choose the payment of the product fee payment and the use of the national collection system. Magyar Telekom Plc. paid more than 33 million HUF product fee for electric and electronic equipment in 2015 (283,897 kg). The national collection rate requirement was 45% in the IT sector (the national system does not report company-level data.)
- In the case of batteries, in accordance with the provisions of law, Magyar Telekom Plc. partly transferred the obligation to intermediary organizations. The intermediary company, in order to reach 40% collection rate, collected and treated 1,579 kg of waste, representing 71% recycling rate.

We inform our customers on our websites – on the various waste disposal options of used equipment and batteries. In spite of ensuring the opportunity to exchange returned waste to discount from the price of new devices the volume of such waste showed a decreasing trend.

1.3.3 IMPACT OF TRANSPORT AND LOGISTICS

Currently the company keeps records of only the internal transport emissions (KPI: mileage, fuel consumption of vehicles). Magyar Telekom Plc.'s 2 biggest logistics partners, which supply our sites, partner outlets and sales channels, travelled more than 2.35 million kilometres in 2015. To reduce the environmental impact of transport in Hungary we prefer procurement from local suppliers (if possible) and the use of bicycle courier services (described in the chapter titled "Solutions to replace travel").

1.3.4 EMISSIONS INTO THE AIR

Magyar Telekom pays an air pollution fee in accordance with national legislation. The amount of pollutants emitted by Magyar Telekom Plc., and the respective fee paid in 2015 was: 689,000 HUF (NOx: 5,746 kg, SOx: 3 kg) (The decrease of the emission is due to reduced hours of operation.)

1.4 ENVIRONMENTAL OBJECTIVES, COSTS AND COMPLIANCE

Electricity and gas consumption showed a significant reduction, more than of 12% and 40% Group-wide, which exceeded the 2015 target values. This was due to the implementation of energy-reduction solutions.

The heating and diesel oil consumption was reduced by 61% compared to the base year. With the reduction of district heating we reduced consumption by 23% with which we overperformed the five-year strategic objective.

Paper consumption was reduced from 2,474 t (2010) to 1,208 t, Crnogorski Telekom performed well above the undertaken 10% rate (more than 50% reduction).

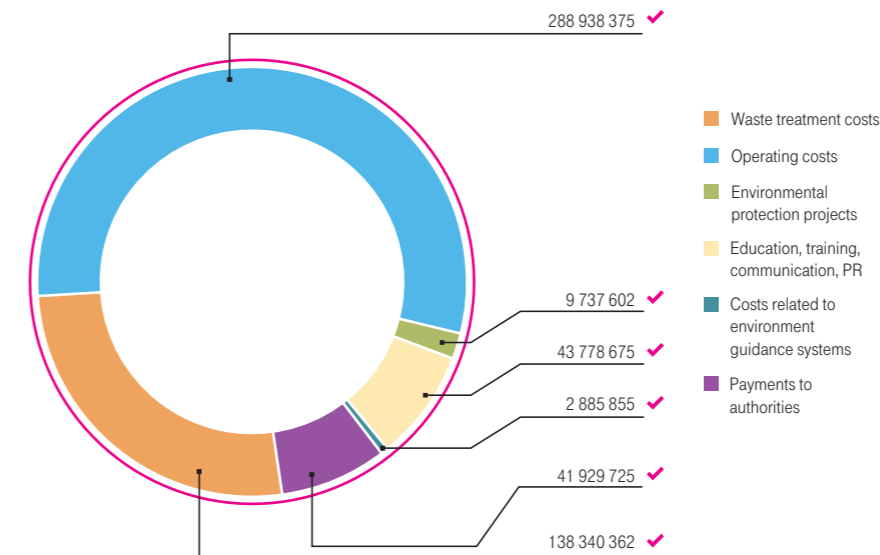
Although we achieved the paper consumption objectives the 25% proportion of office paper/recycled paper objective was not fulfilled.

The energy efficiency indicator has improved, although only approached and ultimately failed to achieve the 48 Gbit/kWh target.

Total fuel consumption decreased by 3.5% compared to the base year, but we were not able to reach the planned level of reduction.

TARGET AREA	GROUP-WIDE TARGET 2011–2015	PROGRAM ACHIEVEMENT IN 2015 (BASE YEAR: 2010)
Electricity consumption	-5%	achieved
Natural gas consumption	-5%	achieved
Heating energy consumption	-5%	achieved
Fuel consumption of vehicles		
diesel	-5%	not achieved
petrol	-5%	not achieved
Energy efficiency indicator	48 Gbit/kWh	not achieved
Paper consumption	-30%	achieved
Ratio of office paper/recycled paper	25%	not achieved

ENVIRONMENTAL PROTECTION COSTS IN 2015 (HUF) MAGYAR TELEKOM GROUP



The management of our stakeholders' complaints and announcements is the responsibility of the Group Environment Protection Manager. Complaints, messages can be sent to: sustainability@telekom.hu. We use our best efforts to respond to proposals, complaints and enquiries as soon as practicable.

In 2015 Magyar Telekom Plc. received – and closed successfully – four complaints regarding environment protection: 3 were related to electromagnetic fields and 1 to the treatment

of hazardous material. As a result of the complaints there were no adverse rulings against the company as the emission levels were under the limits. The same applies to the noise complaint reported in 2014 ([Sustainability report 2014](#) page 166).

Citizens are very conscious and sensitive to electro-magnetic issues. When receiving complaints we always use our best efforts to offer a satisfactory solution to all stakeholders. There was one complaint where we solved the

problem with the re-design of the facility and in two cases our company decided to discontinue the planned construction work.

T-Systems Hungary Plc. did not receive any environmental complaint in 2015 that required investigation.



2.

RESPONSIBLE SERVICE

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2.1 CLOSING THE DIGITAL DIVIDE

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

In our age access to information and communication technologies is crucial for economic development. The transformation of social relations and communication makes it important for us to be familiar with new technologies and the opportunities offered by them.

Supporting people living with disabilities

Magyar Telekom set an objective to offer comprehensive services for the disabled. Together with the relevant disability organizations, we jointly created the hello holnap! tariff packages that are available to the hearing-, sight- and otherwise-impaired in the form of pre- and postpaid tariff packages (people with mental health problems or autism are offered only prepaid 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 that help

With its digital competence program Magyar Telekom tries to overcome the digital divide and support the positive effects of the spreading of information and communication technologies.

disadvantaged groups of people through 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 portal includes NGOs representing socially disadvantaged or disabled people, groups supporting young unemployed individuals or people just starting their careers, schools, minorities, as well as foundations and associations addressing other social problems.

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

By the end of 2010, more than 200 organizations had registered to participate in the project. In 2011 we checked how many of these organizations actually use the site actively, and deleted those websites where there had been no activity

for a long time (the organization that created it discontinued its operations, uses other websites, or has no time to manage its site). By the end of 2014 we had 50 active sites remaining; for these Egálnet offers help in their daily operation.

By the end of 2015 we realized that the Egálnet site is not up-to-date and didn't meet the needs of the modern websites, thus we suspend the operation. We informed the remaining users and with our help they could transfer their sites to their own Facebook page or to our new webkönyven service to remain on the internet free of charge.

<https://www.telekom.hu/uzleti/szolgaltatasok/informatika/ceg-es-web/webkonyven>

Supporting isolated, disadvantaged settlements and groups of society

The Digital Bridge program was designed for small settlements and has been running since 2004, offering free lectures by voluntary Telekom employees on topics related to the use of the internet, like how it can bring geographically remote people closer to each other or how it can help our everyday lives by making secure online payments or protecting our personal data.



Digital Bridge

On March 21 our volunteers organized the Digital Bridge Fest in Kótaj and Buj villages where, besides attending the plenary and personal training sessions, local people could present their artistic skills. Several generations and arts were represented at the event, showing their skills in modern and folk dancing, singing, playing music and performing literal arts. Almost 150 people took part in the event in both villages.

Within the frame of the Digital Bridge initiative enthusiastic Telekom volunteers organized a Digital Daycare event in Debrecen, in the Bolyai primary school, offering programs for



Digital Bridge

Under the Digital Bridge for Small Settlements program (Digitális Híd Kistélepüléseken) the volunteer team of Magyar Telekom visits disadvantaged settlements with fewer than 3000 inhabitants to give them efficient, customized IT education.

children, like live coloring books, virtual tales or detective work on the internet.

The volunteers gave hints and showed tricks on the safe use of the internet in a playful way, e.g. while searching for SpongeBob pictures or popular Hungarian children's songs on the web.

The Digital Bridge event series was organized in the 200th settlement on the first Saturday of November. On the jubilee day our volunteer employees gave presentations to the local people of Mikepércs and Kaba on the safe use of the internet.

Videos, pictures and further information about the Digital Bridge program:

https://www.telekom.hu/about_us/society_and_environment/society/digital_bridge

www.facebook.com/DigitalisHid

Telekom Smartdigital Program (Telekom Okosdigitális Program)

Our objective is that future generations should not simply use the internet but also be able to grab the opportunities offered by the digital world in a smart and conscious way. We also would like to encourage our children to turn to adults if they have any questions on the digital world therefore we give lectures to parents, teachers and the elderly generation too. This is the basis of the Telekom Smart Digital program with which we promote Hungary's digital maturity and literacy.

Within the frame of its own investments in 2015 Magyar Telekom increased the number of households (with 464 thousand) that have access to broadband internet service. Parallel to this and customized to the individual needs of the respective settlements the company offered various training programs for the citizens:

- Smart Digital Program for primary school children: Magyar Telekom volunteers visit schools and discuss the conscientious, safe and ethical use of mobile phones and the internet at lessons.
- Smart Digital Program for secondary school students: There are lessons for more mature students as well where our volunteers discuss the smart and safe use of the internet to consciously design and shape one's personal brand.
- Telekom Smart Digital program for parents: We teach parents how they can pay attention to their children in the digital space. Besides basic information on safety we also discuss cyber bullying.
- Telekom Smart Digital program for teachers: During the 2 x 45 minutes training sessions we convey the knowledge that teachers may need to be able to help and support their students in the online world.
- Telekom Smart Digital Program at municipalities/Digital Bridge Fest: We also visit communities to show the opportunities that lie in the internet. With this we would like to reduce and eliminate the existing digital gaps. During the Digital Bridge Fest event the participants may discuss various topics with our volunteering experts where we also offer talent management programs that can be followed online.
- Telekom Smart Digital program for beginners - intensive course: the series of presentations is comprised of five lectures where the participants start learning from the basics and by the end of the course they get to e-administration and making online purchases.
- Telekom Smart Digital program for beginners - basic course: in this type of training our volunteers try to answer questions and solve problems raised by the participants.
- Smart Digital Program in Telekom-shops: Our "Mobile Scientists" help customers in Telekom shops to use latest technology solutions and services.

HELLO HOLNAP! TARIFF PACKAGES

We recognized that access to and use of telecommunication services make disabled people's lives easier as everyday electronic services become available to more and more people and their homes are more livable and accessible. Magyar Telekom is the first to offer specific, comprehensive services to the disabled in Hungary. In order to use hello holnap! tariff packages one only has to be a member of an organization for the disabled (MEOSZ, SINOSZ, MVGYOSZ, ÉFOÉSZ). The services are offered at competitive prices – more favorable than our own tariff packages – in the form of monthly plans and prepaid packages. The 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 of internet traffic, and video telephone services are also offered at a discount price. The packages, presented as a joint effort with the disability organizations, have been available since 1 November 2013. From 2014 members of the National Autism Association may also subscribe to the hello holnap! packages.

In 2015 we started discussions with the involved organizations to renew the hello holnap! tariff packages to make them cheaper and more suitable for the customers. In the renewal process we'll offer wider scope of services and an extra subscription option for a helper or a family member.

- Smart Digital Program in homes: If our customers purchase broadband internet services our colleagues - upon request - visit the customer's home and explain for what purposes and how it is best to use the internet as a service.

In 2014 we set up the "Community Brainstorming" website where Magyar Telekom customers and the visitors of the site may discuss their experience and ideas in relation to the company's services and other topics related to the digital world.

<http://okosdigitalis.hu/>

Telekom forum

At Telekom Forum's social platform our existing and potential customers can chat, find information about our services and find information about how to use the internet, smart devices and online content. It is worth visiting the page as you can get answers to your questions from the most reliable experts: the users themselves. The page is moderated by Magyar Telekom experts.

Mobile Scientists

Our Mobiltudós experts ('Mobile Scientists') in Telekom shops are there to help every visiting customer with tools and services. They provide information on how the internet can help to improve the customers' lives (administration, banking, online shopping). Our experts can also be found online: they share their knowledge about the latest technical improvements, products and interesting facts. Their blog can be found on the Mobiltudós blog and on Telekom's Facebook page.

Internet Academy

Our Internet Academy lectures for the elderly are focused on primarily practical issues: administration, communication on the web, reading the news, recipe searches, etc. At the end of the presentations there is also the chance for a private consultation. All our participants receive printed material to help them understand the presentation and as an aid in their self-education.



LÁSZLÓ BARABÁS
MOBILE SCIENTIST

I have been the member of the Mobile Scientist team since November 2014 and to be honest I couldn't have a better job during my college years. I work in the Telekom shop in Kecskemét and I help customers with the use of latest technologies.

On my first workday I was a bit awkward when I went to the first customer and introduced myself. To my greatest relief I could help him: he was about to buy a mobile phone and couldn't decide between two smart phones. We discussed the topic at length and he made a decision. By the time he got to the salesperson I switched on his phone, copied his contacts to the new device and introduced him the main features of the smart phone. Finally he thanked my help and went home with a great customer experience. This happened one and a half year ago and since then customers tend to come

to me and seek my help. As a Mobile Scientist the biggest experience is when I see the "wow" experience in their eyes!

Besides working in the shop I'm also an editor of the Mobile Scientists blog, which is the online "leg" of the Mobile Scientist program. We introduce the latest devices in our articles and I show the most interesting applications and startups to our readers. This year was the first time when I visited the Mobile World Congress in Barcelona as a journalist and sent blog reports from the worldwide mobile and technology fair. It was great to see that so many people read my articles on Facebook and in the newsletter too! I'm very happy that I work for the Mobile Scientist program, it is great, the team is also great and as a fresh graduate it's going to give me a great head start in the labor market!

Become an IT expert! program

We launched our career orientation program under the name of „Become an IT expert!". In the framework of the program IT experts of the company volunteer to explain to students who are about to choose their careers what it means to be an information technology professional. The session lasts for 45 minutes and allows students to learn about the opportunities and creativity offered by IT work, the world of programming, developing and running software to thus inspire them to embark upon studies in the relevant direction. We will widen the program in 2016.

Partnership for Digital Hungary

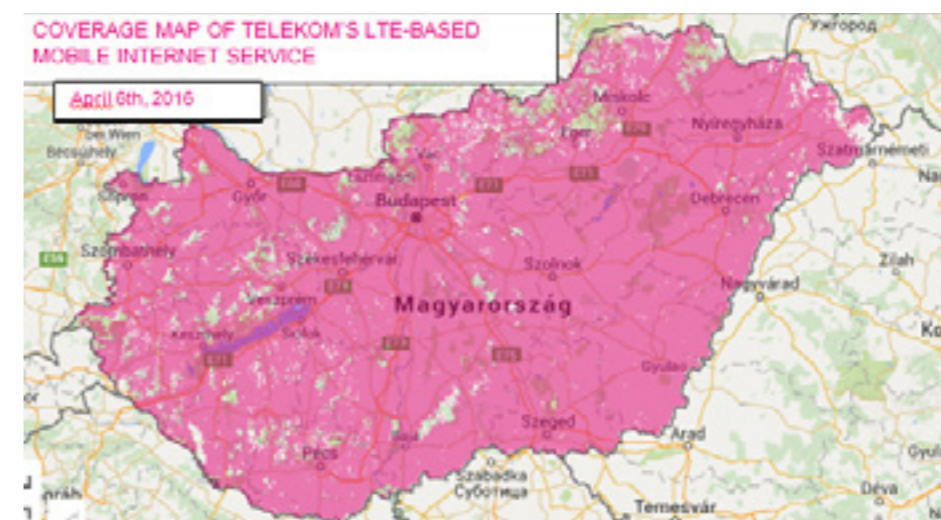
The Hungarian Government and Magyar Telekom, a subsidiary of the Deutsche Telekom Group, have entered into a partnership of cooperation to enhance Hungary's digital development. As outlined in the official document, Magyar Telekom intends to make further investments so as to foster the provision of high-speed broadband internet in Hungary. The intense use of innovative technologies and information and communications technology (ICT) solutions contributes to improving the quality of life for people in Hungary, the efficiency of businesses and the international competitiveness of the country's economy. Furthermore, the company aims to promote digital literacy and the widespread adoption of safer internet use. (Digital Bridge, Telekom Smart digital Program: Telekom Okosdigitális Program)

The aim of the Partnership for Digital Hungary is to make high-speed broadband internet available for every home by 2018.

As a result, Hungary could achieve the objectives specified for 2020 in the Digital Agenda for Europe before the deadline, and could serve as an example for other member countries.

Magyar Telekom is strongly committed to innovation, and keeps developing its newest and most advanced services. Besides the full implementation of a high-speed broadband internet network, future plans include a number of other developments that could elevate the domestic digital infrastructure and the associated services to be among the best in the world by 2018. Magyar Telekom's subsidiary, T-Systems Hungary serves business and public administration customers and therefore actively contributes to enhancing the digital economy and utilizing EU funds spent on ICT projects that could increase the competitiveness of Hungary's economy.

Plans include improving the safety of homes and residential areas with intelligent and user-friendly solutions; providing devices that ensure simple management of energy needs for the population and businesses; introducing convenient and secure mobile payment solutions; and making business and public administration processes simpler, more transparent and faster with the help of the most up-to-date internet-based services. In addition, Magyar Telekom significantly supports the acceleration of digitalization processes at enterprises and SMBs alike by means of the latest ICT technologies ranging from IT infrastructure to application solutions.



MAGYAR TELEKOM HAS THE BEST MOBILE NETWORK

In June, the comprehensive mobile network testing with the DT group countries ended, the P3 test that is becoming industry standard. The aim of the tests is to assess the quality of mobile networks of DT's subsidiary companies and their competitors, such as upload and download speeds, the call success or speech quality from the customer's point of view. In this test, in 2015, the best result was won by Magyar Telekom with 895 scores of the maximum 1000 scores, which P3 awarded with the „Best in Test" certification.

Magyar Telekom has been laying great emphasis on providing high quality mobile services in order to enhance customer experience, for years. It contributed to the success that within the framework of the 4 years network modernization project completed in spring, our total mobile network has been renewed. Installation of the new equipment has resulted in a more environmentally conscious use of energy.

P3 SCORING RESULTS IN HUNGARY



Access to broadband internet is an important, but in itself by no means sufficient pre-condition to creating equal opportunities digitally, which is one of the general objectives of this strategic partnership. Most internet users in Hungary still only use the basic services and many of them abstain from online shopping, electronic transactions and other advanced solutions. Magyar Telekom focuses on increa-

sing consumer awareness and cooperates with its partners to ensure that the number of citizens using the modern services in Hungary may reach the EU average and then exceed it. Furthermore, Magyar Telekom plays a pioneering role in facilitating digital literacy.

Magyar Telekom concluded a cooperation agreement with Telenor Hungary for the joint operation and development of 4G networks within the 800 MHz frequency band, which covers the whole territory of Hungary, except the capital. By means of the agreement our company may provide coverage for the 4G mobile Internet services to rural customers earlier, also thereby increasing the customer experience. The cooperation will allow twice the speed of mobile internet service to be offered, using the shared 20 MHz frequency blocks compared to the present 10MHz LTE800's network available at both providers each, separately. Thus, rural customers can enjoy a similar quality as those living in larger settlements. We are enabled to achieve our commitments guaranteed in the frequency tender offer faster, more economically, and

SERVICE AVAILABILITIES

Annual availability (%)	2011	2012	2013	2014	2015
Cable television analogue/digital	99.93/99.82	99.95 ✓/99.93 ✓	99.94 ✓/99.88 ✓	99.94 ✓/99.90 ✓	99.91 ✓/99.84 ✓
SatTV	99.87	99.86 ✓	99.94 ✓	99.948 ✓	99.924 ✓
IPTV	99.99	99.82 ✓	99.86 ✓	99.83 ✓	99.875 ✓
Fixed line internet (ADSL/GPON/CableNet)	99.92/99.95/99.78	99.93 ✓/99.99 ✓/99.90 ✓	99.89 ✓/99.96 ✓/99.87 ✓	99.89 ✓/99.90 ✓/99.86 ✓	99.89 ✓/99.97 ✓/99.91 ✓
Mobile internet (2G/3G/4G)	99.64/99.29	99.40/99.55	99.40/99.57/99.67	99.66 ✓/99.74 ✓/99.67 ✓	99.67 ✓/99.51 ✓/99.35 ✓
Telephone/VoIP/VoCa	99.95/99.96/99.92	99.95/99.93/99.84	99.93/99.90/99.87	99.94 ✓/99.88 ✓/99.90 ✓	99.94 ✓/99.92 ✓/99.91 ✓
Mobile telephone (2G/3G/4G)	99.94/99.89	99.93/99.88	99.91/99.88/99.84	99.907 ✓/99.883 ✓/99.849 ✓	99.914 ✓/99.886 ✓/99.870 ✓

with double bandwidth offered on almost the entire territory of the country, taking higher advantage of each other's capacities in order to better serve our customers. Thanks to the cooperation we were able to increase our nationwide 4G residential coverage up to 97% instead of the previously announced 93%, by the end of 2015.

At **Makedonski Telekom** the initiatives to eliminate the digital divide are the followings:

- 98% of the households are covered with fixed access network. In rural areas where we do not have coverage, any customer request for Voice service is served with an FGSM solution.
- With 398 locations where xDSL equipment is installed, broadband access is provided in the whole territory of Macedonia with 92.8 % overall coverage (more than 3Mbps). Additionally, in the next years starting from 2016 we will install VDSL equipment that standalone/combined with LTE can provide increased BB access speed for households in already covered low speed areas.
- We continue the development of the >40Mbps fiber network.
- Mobile BB access is provided using 3G network with 99% coverage and 4G network with 70% coverage.

- Additionally, BB access in rural areas will be improved with the implementation of UMTS 900 ad LTE 800 MHz

At **Crnogorski Telekom** along with offering the most advanced technologies, both services and products, the company continued enabling the internet to become a part of everyday life for the majority of Montenegrin citizens. By the initiative "connecting the unconnected", as a part of the Company's CSR strategy, Telekom continued to provide free of charge services to selected subjects in 2015 as well. The beneficiaries of these donations were preschool institutions, elementary schools and high schools as well as associations and organizations which gather persons with disabilities. For the ninth year in a row, Crnogorski Telekom is enabling free internet access via ADSL to all elementary and high schools in the country.

2.2 ICT FOR SUSTAINABILITY

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, in line with our current sustainable strategy. 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. We expand the sustainability assessment for the T-Systems' portfolio, too.

<http://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek> (only in HU)

<http://www.t-systems.hu/home-page>

One of the key priority tasks of the sustainability strategy 2011-2015 of Magyar Telekom is to increase the percentage of sustainable products in its portfolio.

Our revenue from sustainable products and services increased year by year, while in 2011 it was only 13% in 2015 we reached the 21% ratio. Our revenues originate 16% from devices and 84% from services.

List of the most important products and services groups with a sustainability impact in 2015:

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

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**.

At **Crnogorski Telekom** ICT sustainability also represents the responsible acquisition, installation, use and disposal of information and communications technologies and services in order to utilize resources more effectively, improve efficiency and increase productivity, and reduce the environmental impact of operations. It also includes the effective use of information and communications technology and identifies the steps of applying available environmental standards in ICT industry, in order to promote more sustainable practices in the community.

In the way that we are working, it means raising the skills and knowledge of staff responsible for the purchase, deployment and disposal of ICT equipment and consumables.

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.

Some activities in that direction are:

- managing energy consumption in sense of power usage effectiveness (for example, VDI instead of traditional PC devices),
- energy savings (LED lighting instead of traditional bulbs) with Smart cities, homes and offices projects,
- reducing the number of equipment in data center by consolidating and virtualizing servers,
- reduced hardware obsolescence,
- deploy wireless networks to facilitate more flexible work environments and reduce cabling and power requirements,
- replace power-hungry cathode ray tube (CRT) monitors and televisions in hotel industry with more efficient Light-Emitting Diode (LED) monitors,
- intelligent energy management in buildings, etc.

One of the strategical priorities in **Makedonski Telekom** is to assure sustainability also with the products from the portfolio as well as with the activities and projects in the system integration area. Aligned with our best technology network, we do tend through our products to assure sustain in the business but also in the environment. Within ICT, we are designing the products portfolio relying on cost efficient solutions, offering to the business community possibilities to reduce their daily operational costs, by utilizing our data center and managed cloud services. Within ICT, we also offer to the local market community possibility to use our network of sales forces, while putting their products on our central infrastructure, reduce in infrastructure investment, utilize one platform on different tenants for different customers, save on energy, save on environment, contribute to the growth of local business and economy. While preparing the technical system integration designs and concepts, we investigate the sustainability for them from three major aspects:

- environmental
- economical and
- social

By utilizing our network more and by offering sustainable cloud products on our infrastructure we sustain our ICT business.

2.3 INNOVATION FOR SUSTAINABILITY

Research and development

Tender Project

In 2015, Magyar Telekom research development activity has been completed with the support of National Research- Development and Innovation Base which was expanded to the sustainability of R&D tender project. In 2015, several prototypes had further development, within the framework of a tender project so called "Info communication R&D&I umbrella" implemented by Magyar Telekom. Such as „NFC based ticket purchase and information obtainment in transportation" or a "trustworthy, anonym voting and opinion declaration from home (e-voting)", the conception test of it was taken place within the framework of T-City in Szolnok in 2015.

Own Risk based Research and Development

In 2015, we have started the implementation of some smaller, independent R&D projects, which has been contributed to key projects, like Big Data or drone technology. Big Data themes research had been structured base on the usability of anonymized, already existed data in Magyar Telekom, driven by social value like disaster recovery or epidemiology. Henceforth, within the framework of this experimental development has created a kind of application prototype, which provides the ability for the cellular examination of mobile phones and WIFI usage habits for the purpose of analysis. Within the framework of applied research, the usability of drone technology

has been tested in the agriculture and in the geo-informatics border area.

R&D cooperation

The research and development projects are implemented by national innovated SMEs and Magyar Telekom's own product and service developers and researchers. Furthermore, the internal and external knowledge base synergy effects have been exploited by the company that further pursues to create relationships with well known innovation centres, with institutions of higher educations and with associations.

Our main partners are very famous Hungarian universities, research institutions, like Budapest University of Technology and Economics and Corvinus University of Budapest, University of Szeged, University of Debrecen, and Hungarian Academy of Sciences, furthermore we are also active members of Hungarian Association for Innovation.

TeleBike

In 2015, TeleBike (the Magyar Telekom employee bicycle renting system) could successfully close the third operation year. TeleBike, Magyar Telekom's bicycle rent service for employees, was launched on 24 May, 2013. The company's employees may rent bicycles free of charge from uniform design, well recog-

nizable docking stations to commute between various office buildings more swiftly and with a smaller environmental footprint. In 2015, the TeleBike system was working with 53 bicycles, from which six bicycles got electronic support (PEDELEC) as a trial base. The employees use the bicycles between the Magyar Telekom's and the T-system Magyarország Co.'s 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.

Thanks to our TeleBike initiative, Magyar Telekom was again proudly wearing the Bike friendly workplace title in 2015.

Mobil Wallet

After launching Mobil Wallet in November 2014, Telekom promoted the service with communication campaigns in 2015. With the Android application you can store your bank card on your smartphone to pay with your mobile not only at the 50K contactless terminals at shops in Hungary but also at the cashless festivals throughout the country in 2015. Telekom created the first interactive online advertisement on YouTube to publicize

Mobil Wallet-payment at festivals.

Besides the bank card you can store the virtual card of the most popular loyalty program of Hungary in your Mobil Wallet application. With the virtual loyalty card not only collecting of loyalty points but also the redemption is possible with tapping the phone to the terminal. On 'Double Point Day' in November 2015 every virtual card user could redeem their previously collected loyalty points on double value.

Thanks to the service we can also store our concert or event tickets in Mobil Wallet application so we can get in to the events paperless and convenient.

With our new services under development and with reducing barriers of entry we are going to provide the plastic card – and paper free shopping experience to much more customers in the future.

T-CITY, THE CITY OF THE FUTURE

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

In 2015 the following services and tests were continued or introduced in the city:

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

City Card: Intelligent Community Card

In May 2011 the Szolnok City Card was introduced into the T-City program, with which 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, local bus company KMKK Co. and NetLock Ltd. (the leader of the consortium that developed the CityPass system).

In 2015, the City Card of Szolnok continued the operation, which is included the previous innovation modulus test-type operation:

- School card
- City Card
- Safe Party Zone
- eVoting module

In addition, in 2015 the N-ticketing modulo test went further. Under this system, with the help of NFC tags at each bus stop, the ticketing is based on the kilometres travelled, giving a true usage-based pricing system for public transportation.

Since 2014 passengers can travel with their PayPass card instead of paper-based tickets on 10 bus lines in Szolnok. The electronic reader placed on these buses allows passengers to pay just by tapping their bank card against the readers without the need to print a ticket. The ticket inspectors can check whether payment with the bank card was successfully made.

CityGuard

The eNOTO equipment that is being installed in Szolnok as part of development plans is a practice-proven technology to monitor the roads entering and leaving a settlement. It can play a key role in improving public security and also the subjective sense of security of the residents. 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 local authorities responsible for public security or the civic organizations authorized by them. In 2015, the cover of Szolnok and Szolnok's access route took place.

Shape the City of the Future!

In 2012 we released an app called "Alakítsd a jövő városát!" As part of the initiative we selected 20 families to be 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 and products of Magyar Telekom, even ones still under development. We will consider their comments in the product development process. The project is especially important for Magyar Telekom because it may play a major role in the spread of digital competence.

In 2015 these families took part in many tests, including Mobile Wallet, City Card Module and TV GO, and some families were able to try the Smart Home service, too.



The T-City project is a cooperation between Magyar Telekom and the municipality of Szolnok that enables inhabitants to get to know the latest and most innovative info communication technologies. Usage of these technologies not only makes their lives easier but also contributes to them shaping a more sustainable and conscious lifestyle.



JUDIT VARGA
KIBU

Magyar Telekom's innovation laboratory, the Kitchen Budapest, has been inspiring local technological development since its establishment in 2007 with fresh and unique vision, while supports Hungarian talents to make their projects successful internationally.

This is KIBU's the main core value. The members of the Startup and Talent program, coming from versatile professional areas, often stay with the lab upon the expiry of their mentoring period. Now we have fine artists, electric engineers and developers too. With their vivid cooperation and the intensive interaction of their disciplines they create truly forward-looking and interdisciplinary projects.

Such recent projects are developments built on brain sensors, like the Weight of Words, Mindkick, Mood Balance and Youiverse. The Weight of Words installation, that made its debut in the Capa Center's exhibition, presents the emotional side of communication between two persons in a spectacular, virtual reality mode; and this was the basis of the idea of building the thought controlled table soccer and the mood seesaw that help to understand the feelings and thoughts of the other person. The research of neuron networks has been intriguing the international scientific community since the 30s and now our developers use the results of this research with IoT devices and software to create new developments.

Ideas are the key success factor in the 21st centuries' Hungary and to freely develop such ideas one needs dedicated workshops. The Kitchen Budapest (KIBU) is an experimental, spiritually innovative incubator laboratory, which has been established with the support of Magyar Telekom, in 2007.

We have been working for nine years to support young, talented people with know-ledge, networking and infrastructure. Kithcen Budapest is incentivized to work on problems that have a global, mass culture impact and transform ideas into tangible products that can be successful in the market of products and services.

KIBU started a Startup Program in 2012. They are considering it as an important milestone, which provides opportunities for startups with good ideas and to make their dreams come true.

So far we received 900 requests and included 9 teams in our incubation program. It is part of our mission to help ideas come into life.

Upon launching the Startup Program we experienced that there is much demand among young Hungarians to have a program that helps to develop ideas at an even earlier stage. As a response to this demand we set up the Talent Program at the end of 2013 where in every six months we give the opportunity to 4-5 teams to develop their ideas to the phase of building a prototype, under KIBU's

professional mentoring. Several hundreds of applications were submitted to the special idea-development program, out of which 20 teams were successfully admitted and could present themselves in the closing Demo Day. The objective here is to elaborate product and service ideas that have a valid business potential or cultural vision that can later successfully enter the Startup Program. The important thing is that the idea should provide a solid basis for a business case or an innovative development.

From 2016 we plan to launch the KIBU Lift program, trying to find individuals who could share their ideas and knowledge within the frame of an international exchange program, among the delegates of foreign partner institutions.

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

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

Initiatives to raise ICT awareness.

Magyar Telekom Plc. is strongly committed to closing the digital divide. In this spirit it has organized two series of programs that Szolnok citizens can visit free of charge.

The T-City Kids courses bring closer the novelties of mobile phones and the internet to primary school students, and provide information to children about the dark side and dangers of the internet: how to prevent them and which tricks can be used for safe internet access.

Makedonski Telekom's Smart City project was delivered in 2015 in cooperation with the municipality of Skopje. With the Smart City project we enable smart transport as the main bloodpipe in the city, we inform the citizens on latest technologies and innovative infocommunication development. Usage of these technologies does not only make their lives easier but also contributes to them shaping a more sustainable and conscious lifestyle.

The cooperation between the company and Skopje is a long-term innovation program, focusing on the spread of digital literacy and on the development of transportation, public security, tourism and energy efficiency. Within the project we introduce the City Skopska Card, that currently is used for payment and authentication purposes of the travelers in the city transport, but during the next years also in parking places, bikes rental, cinemas, museums, ZOO and other areas of interest for the citizens and correlating with the smart city concept. Currently, with the electronic readers placed on these buses allow passengers to pay just by tapping their smart Skopska card against the readers without the need to print a ticket. The ticket inspectors can check whether payment with the bank card was successfully made. With the full paperless city transportation system, we again delivered ICT project that is sustainable for the economy, for the environment and for the society.

KITCHEN BUDAPEST: INNOVATION, INCUBATION AND EDUCATION WITH MAGYAR TELEKOM'S SUPPORT

2.4 PROTECTION OF OUR CHILDREN IN THE DIGITAL AGE

Child protection efforts of the Telekom Okosdigitális Program (Telekom Smartdigital Program)

We would not like to leave our children alone in the digital world and would like them to seek help from their parents and teachers whenever they have problems in the cyberspace. That is why we extended the scope of our trainings - and transfer the necessary knowledge - adults, like parents, grandparents, teachers so that they can help our children in the digital world as partners.

Further information on Smart Digital Program is in 2.1 Closing the digital divide chapter.

Those who have not been contacted yet by the volunteers of the Okosdigitális Program may access our e-learning material on safe use of content and internet tools on the www.okosdigitalis.hu website. The program's Facebook-page provides updated news, information and advice to our visitors: <https://www.facebook.com/Okosdigitalis?pn-ref=Ihc>

Magyar Telekom is committed and uses its best efforts to help children, their parents and teachers to learn the safe use of the internet. The company's child protection website, launched in 2013, offers support for this effort with controlled content, advise, education and promoting events organized for children and their parents to prepare for the exposures and dangers of the digital world.

Child friendly customer service

Magyar Telekom recognized the importance of responsible corporate citizenship in the area of child protection and makes its best efforts to live up to the relevant expectations. The child lock on TV, the free downloadable content control software are good examples of these efforts.

There is much demand for the protection of young generations both from parents and teachers. Parallel to the rapid digitization of our world the number of exposures also increase and an increasing number of dangers are lurking through various communication channels. This is why we think it is important to empower the customer service with skills and competences to protect children.

Our objective is to ensure that our customer service can give an answer to children and adults alike on any security related question on the use of the internet, mobile phones or any Telekom service.

For further details please visit: http://www.telekom.hu/about_us/society_and_environment/society/protection_of_our_children website

At [Telekom New Media](#) we continuously monitor promotion material and mandatory customer information systems in relation to certain premium fee services and pay special attention to the restriction of adult content.

Our objective is to contribute to the digital maturity of Hungary and our children's safe and conscious use of the internet.

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



3. SUPPLIERS

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3.1 SUPPLIER RELATIONS

Because of its size, Magyar Telekom Group has significant impact on other stakeholders of the economy, thus the scope of its responsibilities cannot be limited to the company itself. Besides, from a risk management point of view, it is also important to do business with suppliers with proper economic, social and environmental performance and standards. 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 and Logistic Directorate, partly through the provision of centralized procurement services, and partly through the coordination of the member companies' functional organizations.

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

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

The main interface for supplier relations is the interactive internet site of the Procurement Directorate at (https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm), where suppliers – upon registration – can directly reach the newsletter service, the supplier qualification system, the OneSource system where quotations are managed and may find useful information on our procurement processes.

The references, financial standing, quality assurance and sustainability capabilities of

Anti-corruption and ethical conduct are important cornerstones for Magyar Telekom, consequently the company requires its suppliers to adopt Telekom's Anti-corruption statement and the company's Code of Conduct the provisions of which are part of the contracts concluded with our suppliers.

Besides, each and every supplier must know and approve the Social Charter of the Group, which specifies the minimum social standards required in our working relationship and employment conditions.

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

the suppliers are audited by our experts in a prequalification system which is also operated on the internet site of the Procurement Directorate.

The company's enhanced vendor prequalification system enables registered suppliers to complete the sustainability-focused questionnaire and also its evaluation. The results ensure the identification of risks and the possibility of joint improvement with the suppliers. The qualification results are important factors in the supplier selection process. The company buys services and products predominantly from prequalified suppliers. For mutual development, after filling out the questionnaire, we inform registered suppliers about their results in the vendor grading system. We procure more than 75% of the value of the orders from qualified external suppliers, through 1150 partners.

3.2 SUSTAINABILITY IN THE SUPPLY CHAIN

We would like to communicate our commitment to sustainability to the direction of our suppliers who are in actively involved in our everyday business. This cannot be achieved

without new and ambitious goals, following the best practices and the involvement of all stakeholders. In response, we created the Magyar Telekom Sustainability questionnaire, which is a series of questions on environmental, social and business ethics topics. The final score is calculated with the weighting of the respective industry of the supplier. 15 companies participated directly in the survey in 2015, which corresponds to 10.86% of the purchase value. Respondents were informed about their results, where they have received topic-specific feedback on their performance. Magyar Telekom is proactively and transparently committed to make sustainability part of its identity and empower its partners to consciously participate in sustainable development. Therefore we do appreciate our cooperation where we have a better understanding about our partners' sustainability features.

In order to develop a sustainable supplier chain, in 2015 Magyar Telekom continued to use 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 and these suppliers

accounted for 19.45% of the overall procurement value (this value was 31.5% in 2011, 39% in 2012, 31.3% in 2013 and 16.4% in 2014).

For the purpose of the sustainability evaluation of our active suppliers we also introduced the internationally recognized and operated EcoVadis system, which is also supported by DT. We invited strategically important and high-risk suppliers to declare their operational practices based on the detailed EcoVadis criteria. As a result 7 suppliers were directly and 26 suppliers indirectly evaluated from social, environmental, economic and sustainable procurement aspects. These suppliers accounted for 37.42% of the overall procurement value, which value was 39.5% in the previous year.

As part of the process, we developed different areas, like compliance with law, corporate governance integration, implementation of the EcoVadis system and Magyar Telekom Sustainability questionnaire development - under the guidance of our experts. In 2015 we have informed our colleagues through several forums about the updated processes and created an e-learning course which is available for all Magyar Telekom employees. The e-learning material is available on the intranet and contains all of the new processes, their detailed description and contacts for every topic.

As part of the sustainable supplier chain management process, and in order to support

effective operation we created a working group, the members of which are responsible for and take action in the case of incidents as well as environmental working conditions, human rights or social problems arising in connection with suppliers. The permanent members of the working group are the employees of the Corporate sustainability center, the Procurement and logistics directorate, the Corporate governance and General legal affairs department in addition to the employees working for the ordering organization involved in the incident, as well as the experts on the given issue. In order to support these efforts we established an incident management process that defines the relevant actions in such cases. The incident management process analyzes the event that triggers the incident, the strategic importance of the supplier, the severity of the given case, the supplier's reaction and provides guidance on potential remedies. No such process has been launched yet and the analyses have not yet detected any significantly negative environmental, working condition, human rights or social impact. Therefore no sanctions were imposed and no contracts have been terminated within the frame of the sustainability process.

Deutsche Telekom provides significant support through initiatives within the sector to transform supplier relations into sustainable ones, thanks to that audits are conducted worldwide for the selected suppliers. The

integrated criteria of audits are promoting and securing compliance with the minimum social and environmental principles of suppliers, also in the case of common suppliers of different subsidiaries. Proving the compliance with the common group standards, in 2015 a total of 16 indirect Magyar Telekom suppliers were involved in Deutsche Telekom audits which is accounted for 18.32% of the overall procurement value; this value was 15.4% in 2011, 20% in 2012, 16.4% in 2013 and 20.10% in 2014.

Deutsche Telekom's cross-border initiative, the "Together for Sustainability" program was created in 2014, which is a supplier development program. Thanks to this action, three key ICT suppliers were invited for co-operation. The goal is to find common solutions to various problems whereas we create a win-win situation for everyone, which has positive results, such as employee loyalty, motivation, increased productivity and improved product quality. In 2015 further 7 suppliers have joined the program, as a result CO₂ emissions due to fluctuations and recruitment decreased and productivity increased. In 2016 new suppliers are scheduled to join the initiative.

Independently from the sustainability process certain processes and remedial actions have been applied to legal and economic non-compliance cases detected by the procurement and compliance organization that resulted in recommendations for improvement or the termination of the contract with the given partner or the initiation of legal action. The number, nature and details of such measures are confidential business information and are not public.

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

During 2015 we have reached one of our key strategic objectives: the elaboration of the sustainable supplier chain management process with the objective to ensure that Magyar Telekom's commitment to sustainability becomes part of the suppliers' operation and that the company's sustainability principles should be present at our suppliers as well.

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 transactions (CPEX) hit a steady high level and in 2015 reached 69% of all items ordered (in 2012: 59%, in 2013: 64%, in 2014: 66%). In 2015 we were in connection with 264 suppliers through electronic systems. The significant

increase of this number is due to the effort that we try to manage more and more partners that only have a small number of transactions in our system.

In 2015 18 electronic catalogues, managed by the suppliers, were available in our internal ordering system. Orders thus placed are transferred to the supplier via fully electro-

nic channels. The number of items ordered electronically fell back in 2015 to 26.7% due to the changes of our system (in 2012: 40.5%, in 2013: 43%, in 2014: 46%). In 2016 our aim is to reach better results than in 2014, and invite more suppliers to this system.

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

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

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

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, technology and energy-saving solutions.

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, i.e. products that contain any of the listed materials are banned from procurement (blacklist), or are not recommended to be procured (gray list) by Magyar Telekom.

In an effort to prevent any damage, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimum 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 the contract.

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

In early 2015, Crnogorski Telekom rolled out the Supplier Prequalification questionnaires, therefore they pre-qualify their suppliers as part of the registration. So far a total of 50 suppliers filled out the questionnaire and risk factors were not identified in any of the cases. From October 2015 (date of the new procurement directive's entry into force) they examine in each call for proposals whether the candidate meets the requirements for sustainability.

Makedonski Telekom's organizational units may initiate the procurement of materials and products during which they are responsible for compliance with environment protection aspects. Organizational units that initiate procurement of equipment need to pay attention in new investment projects to procure equipment that saves energy. In the course of vendor management they also check social responsibility and environment protection on supplier's side, which is intended to become one of the evaluation criteria's in future.

3.3 LOCAL PROCUREMENT

Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local⁽⁵⁾ suppliers. Within that it is important for us that small and medium sized companies should be given appropriate opportunities. In 2015 nearly 80% of our suppliers belonged to this category. By ordering products and services from local suppliers we significantly contribute to the retention of jobs.

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

MEMBER COMPANIES ⁽⁶⁾	2010	2011	2012	2013	2014	2015
Magyar Telekom Plc.	70%	71%	75%	74%	67%	74.5%
KFKI	58%	56%	74%	-	-	-
IQSYS	95%	95%	86%	-	-	-
T-Systems Hungary	-	-	-	75%	80%	77.8%
Pro-M	53%	47%	53%	-	-	-
Makedonski Telekom	67%	73%	86%	79%	64%	65%
T-Mobile Macedonia	55%	47%	46%	56%	46%	-(7)
Crnogorski Telekom	38%	42%	52%	42%	50%	55%

(5) Suppliers with headquarters in a given country.

(6) Magyar Telekom Group member companies with significant procurement value.

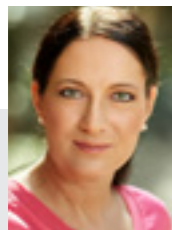
(7) T-Mobile Macedonia AD merged into Makedonski Telekom AD on 01.07.2015.



4.

CUSTOMER RELATIONS

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KATALIN MÉRY
CUSTOMER SERVICE
DIRECTOR,
MAGYAR TELEKOM

Our customers can contact us through numerous channels and for us the most important thing is to give quality customer experience through our services, wherever we are. This can be facilitated through online and sustainable communication channels that are very popular among young generations. It is our common interest to direct the majority of our transactions into these channels through internal and external education because this way our customers can contact us comfortably, from their homes, without queuing in shops. We devote significant resources to automate simple processes that do not require human intervention and to provide detailed information to our customers on their use. Several of our efforts prove our commitment, such as digital document management and the increasing proportion of teleworking. When selecting our partners we take into account whether their sustainability values fit into that of Telekom.

The key of quality services lies in becoming an online company and this is proven by the popularity of the chat service that develops exponentially. The same applies to our Facebook site which is already an organic part of our customer services. The entire range of potential questions appear here and our answers are read by tens of thousands of users.

The most important thing that may serve as a competitive edge in the long run is quality customer services through all channels. We cannot emphasize enough that quality is the key to the long-term success of our company, therefore we are committed to sustainable development at customer service level as well.

where actions are needed to improve quality against earlier own performance or even against the standard of competitors.

The survey is conducted by eliciting answers via telephone and personally, in the form of standard interviews, encompassing samples of a justifiable size, composition and weights. The content of the survey questions substantially remains the same from year to year, to ensure tracing changes over time, but the methodology and the structure of the sample is reviewed and updated from time to time, due to the changing expectations of the Company (group), as well as the changes of the product structure and the market.

Residential customers

Based on the customers' perception Telekom's performance in 2015 is in line with the industry's European benchmark.

Satisfaction with the operators is very balanced in the mobile market and there is no significant difference between the service providers, however, in general, the satisfaction

rate of postpaid customers is slightly better than that of prepaid customers.

Looking at the individual elements of the service one may see that Telekom's main strengths are the general network elements and coverage, new product propositions, emotional attachment to the brand and the loyalty program. Telekom's further strength in comparison to its competitors is the handset portfolio and the handset upgrade options. Compared to 2014 Telekom had a better perception in the area of billing.

The satisfaction figures of the mobile and the fixed services approximated and equaled in 2013 whereas in 2014/2015 the perception of fixed services was slightly better than that of the mobile market. The results of the fixed market have shown a slight growth in recent years.

Similarly to the mobile market certain operators' results are close to each other in this field too and they generally provide high quality services.

In 2015 Telekom's average annual performance was close to the top 10% of the European benchmark.

The principal strengths of Telekom include the entirety of the product and service portfolio and their permanently renewing choice, as well as wide network coverage. Further strengths include the information of customers, the expertise of the staff and the perception of the company's website. Similarly to the mobile market there is a very strong commitment and emotional attachment to the brand and the perception of the loyalty program is very strong too.

Business customers

The market of mobile services to businesses was stable in 2015 and the perception of the individual operators is almost identical.

Telekom's main strengths are related to the network and coverage, mobile internet as well as the perception of existing and new product

offers. The information of customers and the perception of the website – similarly to the residential market – as well as the customers' emotional attachment to Telekom is very strong too.

In the case of fixed line services in 2015 Telekom preserved and even improved its

favorable operator perception, compared to both itself and its competitors too.

Telekom is distinguished from its competitors mostly by its wide scope of product and service portfolio as well as their continuous renewal. Further strengths are the price-value ratio, billing, information of customers, exper-

tise of the customer service staff and the swift fulfillment of orders.

Similarly to the residential market the customers of the business mobile market also trust the company and look at Telekom as a reliable partner while there is a strong emotional commitment to the brand.



4.1 CUSTOMER SATISFACTION

Magyar Telekom conducts complex customer satisfaction measurements on a quarterly basis that include ongoing, detailed monitoring of the general satisfaction of customers as well as the perception of service elements that impact satisfaction (e.g. network quality, product choice, customer service etc.). The measurements can be related in terms of both their methodology and results separately to Magyar Telekom's fixed line and mobile customers, and also can be broken down to residential and business customers (even can be broken down to further, more targeted customer segments, when requested).

These surveys produce a composite index reflecting customer satisfaction that enables tracing and easy interpretation of the changes over time. Detailed analysis of service elements enables detecting current perception of factors impacting customer satisfaction, identifying the fields where Magyar Telekom delivers outstanding performance, according to the customers' judgment, too, and the fields

In addition to general satisfaction measurement, we also measure the satisfaction of our customers with the given customer service cases throughout the year in the framework of the Next Generation International Customer Contact Analysis (NG ICCA) research. The purpose of the survey is to monitor the quality of our customer care service as experienced by our customers and collect information about their satisfaction and experience with our customer service and self service channels.

The research is transaction based: we poll our customers within 24–48 hours of their customer care event. The research extends to the residential and business customer base as well.

Channels involved in the research:

- shop network
- connection and fault clearance of home services
- telephone helpdesk service for residential customers
- telephone helpdesk service for business customers

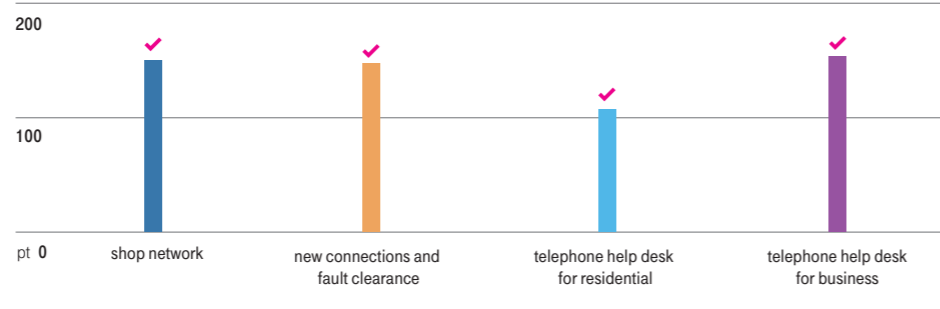
Besides general satisfaction another important indicator of the survey is the CES (Customer Effort Score). Based on the [Stop Trying to Delight Your Customers](#) study, published in the Harvard Business Review, in the case of transaction-based questions the loyalty of customers was very closely related to the degree of personal effort that they had to make when solving a problem. The CES can be measured on a five-grade scale by a single question: „How much effort does it take to solve the problem?“

Both the overall satisfaction and the CES indicators are measured in a scale from -200 to +200. The overall customer satisfaction, the CES indicator and the free text responses are continuously analyzed in their context thereby creating even more value both for our customers and the company.

Y2015 general satisfaction results:

- Customers are generally more satisfied with the residential shop network, pursuing sales types of transactions, compared to the

OVERALL SATISFACTION INDICATOR IN 2015, BROKEN DOWN TO CHANNELS



CES INDICATOR IN 2015, BY CHANNELS



telephone helpdesk service that performs customer service types of transactions.

- Business customers give a higher score to dedicated customer care points than residential customers to bulk customer services.

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

Strategic satisfaction research

The annual satisfaction research is performed with the support of Magyar Telekom's Group Strategic Directorate and the involvement of an external partner. Within the survey we interview our customers' decision-makers.

Within the research we perform personal deep interviews and questionnaire based survey as well. In the questionnaire we ask questions

based on patterns from the entire customer base whereas during the deep interviews we select our biggest customers - on a weighted basis - from the respective customer segments. Both in the case of questionnaires and deep interviews the decision makers can give anonymous answers.

The annual satisfaction survey includes industrial benchmark questions too. In order to make a truly independent customer satisfaction survey the measurement and the evaluation is performed by our market research partner.

The results are processed in respect to the entire T-Systems company, service areas and other areas and are presented to the representatives of the relevant professional areas.

Contact person satisfaction research

In 2015 the formerly very complex customer

satisfaction-measurement methods (project, top200, top2000) were replaced by the contact person satisfaction survey.

The contact person satisfaction survey is performed at the end of each quarter among customers who used T-Systems' telephone or email based service deficiency reporting and administration processes. Within the frame of the survey we contacted our customers' contact persons who turned to the Corporate customer support department or the T-Systems Service Desk with fault reports or complaints.

Enterprise customer support unit (VÜK)

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

Customer satisfaction is measured with a questionnaire prepared on the basis of the ICCA methodology.

ICCA TARGET VALUE IN 2015:	ICCA RESULTS IN 2015
CC: 115	CC: 117.4
Dedicated: 145	Dedicated: 168.02
Field-visit staff: 165	Field-visit staff: 192.63
Aggregated result: 141.6 points	

Measurement of customer satisfaction with the management of fault reports

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

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

At [Crnogoski Telekom](#) we measure customer satisfaction with the TRI*M and the NGICCA methods.

- 1) TRI*M T-Com and TRI*M for T-Mobile are measured quarterly, in the form of phone interviews. The telephone interviews and the processing of data are performed by an independent research agency both in the case of mid-, and long-term measurements.

The annual average composite index of the residential segment (comprised from the proportionately weighted fixed line and mobile indices) was reduced from 70 to 64.5 on a yearly basis.

In the case of the business segment the annual average index was reduced from 61.5 to 56.8.

The market satisfaction rate in the mobile segment decreased in general (including competitors) which is mainly attributable to the general economic situation and the increased price sensitivity of the customer base. The most complex CT project in 2015 was the implementation of the new billing and CRM system. The problems related to the implementation of the system influenced the fourth quarter's mobile and fixed line results. The freeze of the system from March until December hindered the introduction of new products.

- 2) The Next Generation ICCA-program is being implemented across DTAG NatCos with the goal of obtaining more accurate and timely assessment of the customer experience and customer satisfaction with the specific NatCo touchpoints (Customer Service, Sales, TCS, Self Service).

Customers are surveyed once in 90 days through sms and IVR based surveys.

Based on the YoY trend the ICCA points of TCS, the shops and the self-service shops improved and CS stabilized its results.

Upon the IVR update (we offer more automated options for non-value added transactions) the satisfaction rate decreased both in the case of the CS and self servicing because the customers were used to being served by an operator. We introduced the system of calling back dissatisfied customers by the managers of the call center in order to improve customer satisfaction with the channel.

It is our prime objective to provide unimpaired quality services through solutions and developments that are based on our customers' feedback and needs and thereby make the "I'm a Telekom customer" experience sustainable in all phases of customer contacts. We believe that besides fulfilling our objectives it is also very important to provide customer experience that is unparalleled by other operators.

Our approach is that complaints are such useful signals from our customers, which help us identify the process and other deficiencies therefore we deem it especially important to hear our customers' voice, be it a complaint or an expression of their opinion and find those areas that need to be improved to increase our customers' satisfaction with Magyar Telekom's services.

In recent years we experienced an increasing demand to enhance customer experience in the field of complaint management and customer satisfaction. That is why we strive to apply complaint management solutions that resolve all problems of our customers and by way of providing a customized, high quality and comforting solution we turn the complaint into customer experience.

4.2 INVOLVEMENT OF OUR CUSTOMERS

Digital bridge

Within the frame of the Digital Bridge in Small Settlements program almost 5000 persons attended Magyar Telekom volunteers' lectures in 198 small settlements accompanied by famous Hungarian media personalities, like Péter Novák, Levente Harsányi or Péter Galambos.

Further information on Digital Bridge in Small Settlements program is in 2.1 Closing the digital divide chapter.

Earth Hour

The **Earth Hour** worldwide voluntary community event was organized on March 28, 2015, from 08.30 pm to 09.30 pm. In 162 countries around the world, including Hungary, many people joined the initiative - which was simply to turn off the lights for an hour. In Hungary 10 Telekom shops took part in the effort and used candles instead of electric energy for lighting and projected Earth Hour material on displays in the company's shops.

hello holnap! mobile application

The application made its debut on the Sustainability Day in 2014 and by the end of 2015 it was downloaded almost 7500 times. Based on the ratings of various software stores the hello holnap! application is rated as one of the best Telekom apps.

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

The first donation period of the hello holnap! application was closed on April 22, 2015. Users collected a total of 6135 points and donated 1132 points, i.e. 113,200 HUF to the beneficiaries. The donation period was restarted on June 12 with the involvement of new NGOs.

Vivicittá

The 30th jubilee run was extended into a 2-day event. The Vivicittá attracts tens of thousands of people as all family members may find a challenge corresponding to their actual level of fitness: Vivicittá (10 km), Midicittá (7 km), Minicittá and walking (2.5 km), 3-member relay (3x2 km), Family Run (700 m) and half-marathon (21 km) that requires serious training and preparation. At the two-day running event Telekom welcomed children with a smart digital playground where, together with their parents, they could try the latest smart devices of the company, solve digital challenges, familiarize with skill development applications and play with various logic games.

The Sustainability Media Club (FMK) also joined the initiative and several members of the editorial panel completed various distances to call attention to the importance of preserving the physical and mental health of our children while popularizing running as a sport.



The Telekom Vivicittá Run for the City event visited two more Hungarian cities, Nyíregyháza and Pécs, where runners could complete a 2.8 km long course in the nicest parts of the two cities.

hello holnap! points at the Vivicittá Run for the City!

Both the cheering spectators and runners could collect 5 hello holnap! points at the event, while participants of the special Suhanj! run could collect 5 extra points if supported the runners of the civilian organizations.

The biggest community garden of the capital was opened in Telekom's property

The biggest community garden of Budapest was opened on May 27 by Katalin Szomolányi, head of the Corporate Sustainability Center, Sándor Finta, Chief Architect of Budapest and Monika Kertész, trustee of the Contemporary Architecture Center (KÉK). The 2600 square meters, formerly unused Telekom property is located in the corner of Soroksári and Határ street in Budapest. Local residents may grow vegetables, fruits, herbs, spices in the fields with the professional support of KÉK. There are approximately 100 fields in the **Kerthatár Community Garden** out of which 60 was already occupied at the time of the opening thus several families, approximately 150 people, could start growing their own vegetables here.

Besides the Kerthatár Community Garden two more Telekom properties give home to other community gardens in the **Csárdás Garden** and the **Kékvirág Community Garden**.



GÁBOR PENDERT
COMMUNICATION
SENIOR MANAGER,
MAGYAR TELEKOM

Telekom Vivicittá City Run – the first running event of the year. The Vivicittá was organized for the 30th time in 2015! All runners were preparing for it. And not only runners, but all those who like sports as well.

Magyar Telekom has been a naming sponsor of the event for almost 20 years. We helped its development and worked together with the organizers to make it the biggest mass sport event in Hungary. We did it because sustainability, environment protection and the health of city dwellers are important for us alike. And last, but not least, the event adds to the value of the Telekom brand. As the project manager of the Telekom Vivicittá run I'm always excited as I start working on it each year. As there are numerous challenges in this work, more than 10 departments help me year by year and I still see the same enthusiasm on their faces. Who would not like to work for a good cause, that brings happiness to tens of thousands of people?

In 2015, the year of the 30th event, we built our efforts on a 360 degree communication campaign. As part of the campaign runners could buy 30 types of smart accessories (smart watch, cell phone armband, sport earphone, etc.) for 30 days at 30% discount with which they could measure their performance and make sports an even more pleasant experience. We set up Vivicittá corners in 7 Telekom shops across the country where customers could try all these products. After several years of suspension we again organized the event in the countryside too: there were several thousands of runners in Nyíregyháza and Pécs. We built Smart Digital playgrounds in the start area where we educated participants on the safe and conscientious use of

the internet, familiarized parents with content filtering software and presented skill development applications. The members of the Sustainability Media Club helped us to promote internet security by calling their readers' attention to this topic in their articles, reports published in connection with the Telekom Vivicittá run. We further developed and built new functions into our own "Running Mate" application which is the only Hungarian language application that helps to prepare exercise plans and register runners' results. Users can collect hello holnap! points with the application that can be donated to any of the NGOs listed in the Running Mate app. We encouraged runners to train for the event through our social media sites with motivation videos, posts of Hungarian sportsmen while we followed a family with three children how they prepare for the event. As a result of our internal communication efforts almost 1500 employees and their family members took part in the run. We managed to significantly increase nationwide awareness on the Telekom Vivicittá run and researches prove that this efforts has a positive impact on the Telekom brand as well.

The greatest experience for me is to see the excited faces waiting for the start of the race, lining up hundreds of meters long, cheering, encouraging each other – or themselves. No matter if one goes for the half-marathon, the 7 km or 10 km distance, we have a common goal: to overcome the distance and prove the strength of willpower. My objective, as a runner, is the same and somehow I always manage to perform better among several thousands of other runners at the Telekom Vivicittá. Running is joy and I'm proud to take part in the organization of the Telekom Vivicittá run.



Sustainability panel discussion and DELFIN Award

In 2015 any Hungarian enterprise could apply for the DELFIN Award (Award for a Committed, Sustainable and Innovative Generation), established in 2008, with already implemented projects or operating programs. Further information on DELFIN Award and Sustainability panel discussion is in Stakeholders chapter.

The Sustainability Day 8's earth ball was exhibited in Sopron and Velence!

Festivalgoers of the VOLT and EFFOTT festivals were given some insight into the Sustainability Day's atmosphere. Simon Szabó, screenwriter and film director "threw" the earth ball into the partying crowd that was enthusiastically holding up planet "Earth" in their caring hands.

MAGENTAXI - success story in Kapolcs

The 25th Kapolcs Festival offered outstanding programs to visitors who are open to new cultural impulses. One could "recharge his batteries" by visiting the programs organized in Kapolcs, Taliándörögd and Vigántpetend: there were concerts, theatrical performances, discussions, films, tale telling, yoga, handicraft sessions and many other programs. Telekom supported the event with network coverage which was quite a challenge in the undulating terrain.

There were not only technological challenges, as it was not easy to travel to and from the three villages. The traffic was so heavy that it was quite a challenge even to cross the road on foot and the cars were recognizably polluting the air. This is where Telekom came into the picture: between July 30 to August 2

the company offered free electric car rides to the visitors of the festival between the villages. In return of the lift the company only requested passengers to tell their ideas on sustainability to an actor from the Momentán theatre.

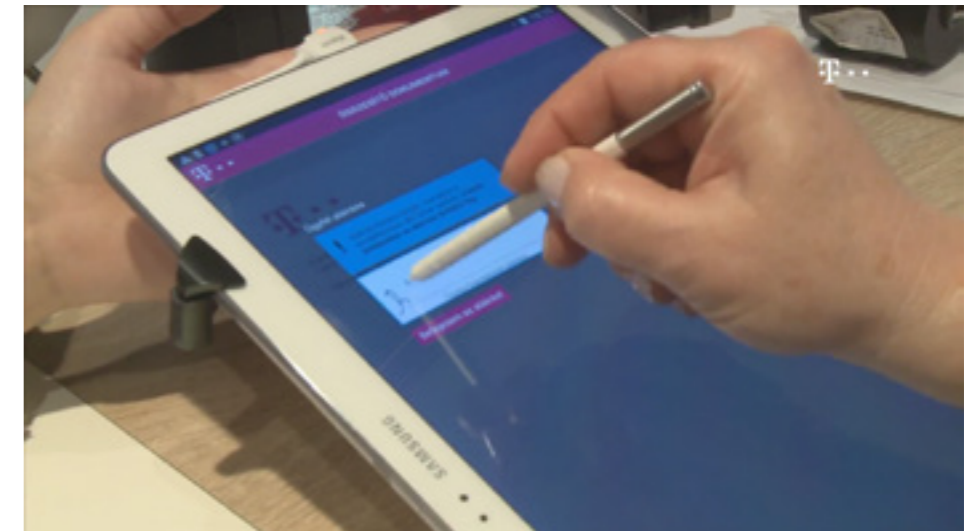
Telekom's green cars were a tremendous success. During the entire festival the cars were used at full capacity and everybody was enthusiastic about the noiselessly rolling vehicles. When talking with the festivalgoers about sustainability it turned out that they are much aware of the topic and some of them consciously lead a sustainable lifestyle.

Electronic customer service with e-signature!

Printed documents are now replaced by electronic docs: customers may electronically sign documents in Telekom shops. Shops manage almost half million transactions per month and print almost 3 million pages. In order to reduce costs and simplify processes the company reorganized the shops' operation. By the end of 2016 Telekom transformed 100% of its customer service activities into electronic processes, the first step of which was the implementation of e-signature on tablets. The objective is to reduce the amount of printed documents as well as printing, archiving and storage costs to a minimum thereby accelerating and automating document management and administration processes.

Closer to paperless operation - Telekom implemented the electronic General Contract Conditions (GCC)!

Upon the implementation of electronic signature, at the beginning of November, the company started to deliver the e-GCC tablets to its shops to replace the printed version of the General Contract Conditions. Upon changes of the document the tablets are automatically updated and thanks to the online operation almost one ton of paper and printing costs can be saved per year, also, the document is now accessible for people with physical disabilities too.



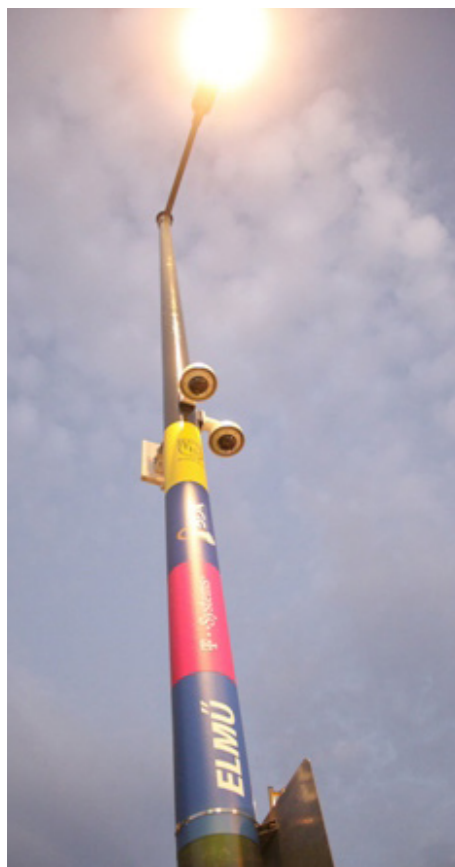
E-signature in Telekom shops



Electronic General Contract Conditions (GCC)



MAGENTAXI at Kapolcs Festival



Intelligent public lighting pole

The first smart street lighting pole has been installed in Budapest

As a result of the joint development by ELMŰ-ÉMÁSZ and T-Systems Hungary the first smart public lighting pole has been installed in Budapest on November 12, integrating several IT devices and solutions as part of the Smart City concept.

The first intelligent lighting pole joins five systems and functions. The smart electric car charger, built on the ELMŰ Budapest Electric-

ity Works' infrastructure, supplies 22 kW (3x32 A) energy and is compatible with the company group's e-kWh application. It is important to note that this is the first case when an electric car charger is installed in a public lighting pole in Hungary, that can be used 24 hours per day. The device also offers free Wi-Fi connection that can serve 200 users simultaneously in a 180-meter radius circle. The pole is also equipped with a security camera and a panic button connected to the city surveillance camera system and the police to enhance the safety of residents and passers by. The lighting is provided by modern and energy efficient LED light sources.

The intelligent lighting pole has a modular structure thus further system components can also be integrated into the device.

Carbon neutrality

Magyar Telekom Group (including foreign subsidiaries, Makedonski Telekom and Crnogorski Telekom) is the first Hungarian company, and is among the first European leading telecommunication operators that has become entirely carbon neutral.

One of the biggest challenges of our age is climate change which is mainly attributable to carbon dioxide emission. Telekom recognized the importance of climate protection back in the 90s and now it is an integral part of the company's day-to-day operation. In line with the Sustainability Strategy and implementing innovative solutions the company continuously decreased its energy consumption and increased its energy efficiency.

By modernizing the network and data centers and increasing the proportion of hybrid and electric cars in its vehicle pool the company

applies more and more efficient tools and solutions. Several telco infrastructures are supplied with wind and/or solar energy sources and the company gives priority to purchasing sustainable info-communication products and services. Two priority projects contributed to the achievement of carbon neutral operation. Telekom Group purchases its electric energy consumption from 100% renewable energy sources and the company's emission from fossil energy has been neutralized with the support of green projects.

Support of talented hard-of-hearing young people

Upon the initiative of the Hearing Fund the joint effort of Belsound, selling Beltone hearing aid equipment, Samsung Electronics, Telekom and Auditus.Net helped hard-of-hearing young people to successfully attend higher education institutions with a donation of 10 million HUF. As a result of the joint effort 5 young persons were given aid in 2015. The internet access of the devices was provided by Magyar Telekom while the hearing aid device was provided by Belsound and Samsung.

Similarly to previous years, in March 2015, Crnogorski Telekom participated in the Earth Hour and Earth Day global campaigns with the aim of raising awareness about climate change issues. The company invited customers through mobile broadcast to support the campaign and raise awareness of importance of environmental protection. Crnogorski Telekom is constantly promoting usage of sustainable solutions among its customers and employees, e.g. promoting e-mail bills, online registration, etc. instead of using printed forms, documents.

4.3 INFORMING OUR CUSTOMERS

Magyar Telekom Group is making ongoing efforts to simplify its propositions as much as possible and to make them available to the widest possible scope of customers.

You can read more about the services and tariff packages of Magyar Telekom Plc.'s business units on the below websites:

<https://www.telekom.hu/lakossagi/english>
<https://www.telekom.hu/lakossagi/english/plans/mobile>
<http://www.telekom.hu/uzleti/main>

Information about the services of our most important member companies is available here:

- **T-Systems:**
<http://www.t-systems.hu/home-page>
- **Kitchen Budapest:**
<http://www.kitchenbudapest.hu/en/kibu/projects/>
- **KalászNet:**
<http://www.kalasznet.hu/>
- **Makedonski Telekom:**
<https://www.telekom.mk/>
- **Crnogorski Telekom:**
<http://www.telekom.me/private-users.nsp>

Customers can inquire about Telekom tariff packages and services or even request modifications 24 hours a day through the consumer customer service call center, which can be called free of charge from Telekom's Hungarian mobile network at 1430 or the 1777 (Domino center) number in case



LEVENTE LÉGRÁDY
CUSTOMER SERVICE
CONTACT CENTER
REPRESENTATIVE,
MAGYAR TELEKOM

I started my career at Telekom at the beginning of 2013. First I worked as the member of the General incoming call center team and I took calls wearing a headset. After that came the Video Call Center project where I experienced truly interactive discussions with customers because in this position we talked face to face through a webcam. From this position I was transferred my current workplace, to the Online channels team, where we communicate with customers through chat. Based on our customers' feedback it works great!

In the meantime I saw an internal opportunity to apply for a Mobile Scientist blogger position. I instantly submitted my application together with my first draft articles that have been followed by many more by now. It is an interesting work, mainly for me, and it feels as if it was

Christmas every day because we are the first to test the latest devices and applications. I could even try HTC's Vive VR helmet and could look around in the virtual world. While I'm writing this I'm preparing for the Smart Mobile 2016 conference. We share our insight in Telekom's Facebook and Twitter site where we already have our own reader community with whom we are in continuous contact. I do love this work because while quenching my thirst for new technologies I also develop professionally. Thanks to our blog posts Telekom's customers do not only receive dry technical data on their phones but also receive detailed explanation on their features too.

they hold top-up card.

We have made Telekom website more user-friendly, among others through highlighting search keywords and developing the webshop service to enable quick, simple purchase. The services are available on the following website: <https://www.telekom.hu/lakossagi/english/plans>.

The integrated servicing of T-Systems customers is provided through the 1400 telephone number and the TS_ugyfelkapcsolat@t-systems.hu e-mail address.

Magyar Telekom considers it top priority to communicate its advertisements to the existing and prospective consumers in compliance with the relevant regulations. We do everything to ensure that our advertisements carry our proposals accurately and clearly, excluding any deception. In view of the above, com-

pliance with the consumer protection and GVH (Competition Office) guidelines, and checking regulatory compliance are important requirements of the work processes of producing advertisements. We convey our proposals to everyone by using the greatest number of communication tools possible and with maximum exploitation of the possibilities offered by the given advertisement carrier. In this way we provide everyone the possibility of gaining all-around information and also the option to make well-considered and responsible decision.



5. EMPLOYEES

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5.1 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: https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf, http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlosegi_Terv_2013_2015_en.pdf

Non-discrimination and equal workplace opportunities are primary objectives of Magyar Telekom Group. Since 2008 the company has been one of the first players in the business sector to adopt Equal Opportunity Plans in cooperation with the collective bargaining partners. The Plan was effective for two-year periods, but now, in line with the Equal Opportunity Plan, the new Plan was designed for three years.

In the "Tell me!" ethics line provided by Magyar Telekom Group and operated by the Compliance department one may report cases of discrimination experienced on behalf of the employer or the breach of human rights and such cases are investigated by the Group Compliance area. If the report was found to have a ground the management takes the necessary actions to sort out the actual situation and prevent similar problems in the future.

The Equal Treatment Authority, responsible for issues where employees may report the cases directly – did not initiate proceedings against Magyar Telekom Plc. in 2015 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 2015 to improve the situation of the following employee groups:

Magyar Telekom Group rejects all forms of discrimination at the workplace and expressly facilitates equal opportunities and diversity among its employees while observing the relevant cultural and legal environment. (Social Charter, Section 5)

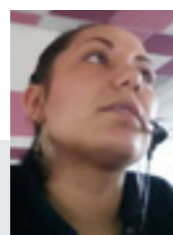
Most Roma employment programs try to reach undereducated, permanently unemployed, unskilled people and help them finding low-paying jobs. As opposed to this the Integrom program's objective is to find quality jobs at big enterprises for young, educated Roma people. In 2015 one full-time and two intern positions were successfully filled with the help of the **Integrom program**. Telekom contributes to the success of the program with donation as well.

For further details of the Integrom program, please read the **Y2014 Sustainability Report**.

In 2015 the Group took part again 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. Magyar Telekom's mentor supported one of the mentees of the program so that he can complete his practical training.

To ensure equal opportunities for **employees with reduced capacity to work or disability** (since 2010) applicants with disabilities using Magyar Telekom's electronic recruitment interface (<http://www.telekom.hu/rolunk/karrier>) can, on a voluntary basis, register their disability and request appropriate help in the selection process.



MELINDA KIRÁLYVÁRI
CUSTOMER SERVICE CONTACT CENTER
REPRESENTATIVE, MAGYAR TELEKOM

I took part in the Integrom Fund's training in 2014 and they helped me to get through the process of being admitted to a job interview at Magyar Telekom. On that very day they informed me that I will be offered a job/pre-contract. It all came true and now I work as an administrator in a call center. I was very happy and excited about my future.

The training started at the beginning of March, 2015 and after a month I could take calls in the call center. The environment and the people around me are very different from what I was used to because I grew up in the countryside, raised my two kids alone and we moved to the

capital in the blink of an eye. This was hard at the beginning. However, I was pleasantly surprised many times. I had never seen so many helping hands reaching out to me before and my colleagues and managers helped me a lot. This support greatly contributed to my development. I am very grateful to the company and these people. It motivates me every day and I would like to show them that their efforts were not in vain.

After a year of work I can tell that I look at Telekom as my family and I feel at home in every moment that I spend here.

2015 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. As member of the Hungarian Business Leaders Forum (HBLF) Diversity HR work group, Magyar Telekom took part in the realization of the wheelchair basketball championship, also supported by HBLF, as a sponsor and competitor (2 teams). As it is customary wheelchair users and non-disabled colleagues competed with each other. This year the winner was one of the Telekom teams.

In 2015 as many as 2,372 colleagues worked remotely for a total of 54,342 days with which they saved almost 1.8 million kilometers – or 10 years – of travel.

In the Y2015 Telekom Health Week we organized a sensitization program for the staff whereby visually impaired masseurs were giving massage to Telekom employees in bigger company sites.

Besides these activities – following the tradition of past years – the company organized very successful thematic employee fairs (Christmas Fair, "It Is Good To Give" cookie event) at various company sites. Magyar Telekom employees could give donations and

buy items manufactured by disabled persons with the involvement of NGOs to support autistic persons' employment.

Telekom employees could follow Fanni Holczeiter's (Mosolyka) inspiring talk in person and online. Fanni is a wheelchair user and presented a new interpretation of a full and happy life to the audience of the event.

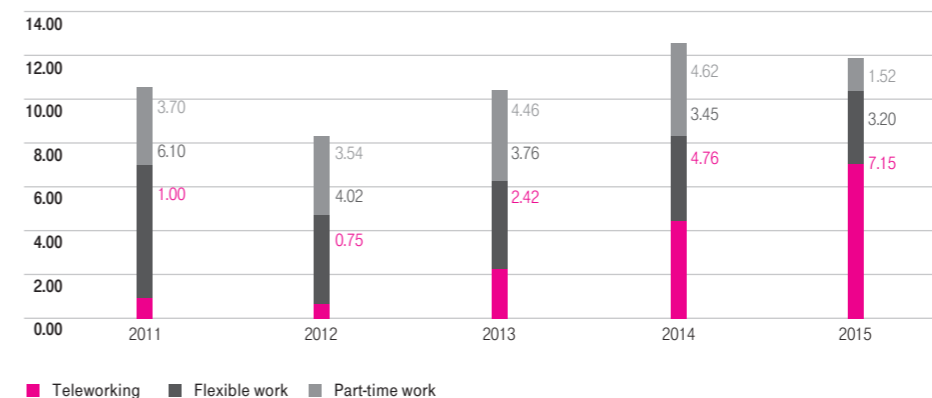
Telekom - as confirmed by the relevant monitoring process - fulfilled its commitments undertaken for two years in the company's application for the Disability-Friendly Workplace title. In 2015 the company won the title for the second year.

Through the support of **non-typical employment** the company helps families to find a healthy balance between their work and private life as parents/grandparents. It is strategically important for the company to make teleworking part of the company's culture which is supported by various practices built into the daily operation, such as big space office design to help teleworking as well as the Future Work initiative. Since 2012, as a response to the monthly announced "Work from home" campaign, there has been a continuous increase in the number of employees who chose to work remotely on specific days.

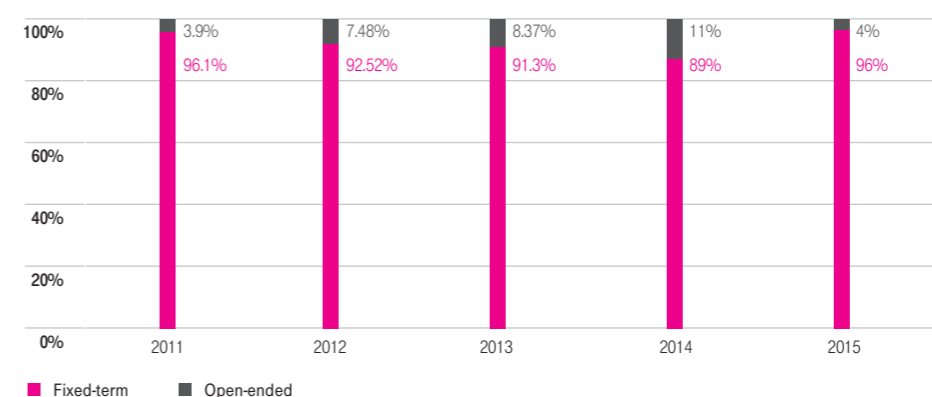
In 2015 there were 646 colleagues who signed remote work contracts and worked 40,551 days from home. Colleagues without remote work contracts (1,726 persons) worked 13,791 days also from home.

It is a significant step in the application and promotion of teleworking that Telekom cooperates with the representatives of other companies within the frame of the Employer's Equal Opportunities Forum Association (MEF).

ATYPICAL FORMS OF EMPLOYMENT AT MAGYAR TELEKOM PLC. IN PERCENTAGE OF THE TOTAL HEADCOUNT ✓



RATIO OF FIXED-TERM TO OPEN-ENDED EMPLOYMENT AT MAGYAR TELEKOM GROUP IN 2015 ✓



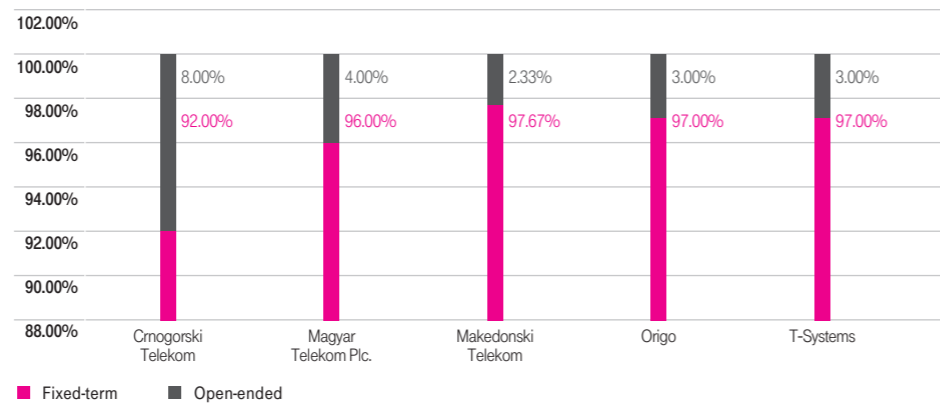
MEF – where one of the founders is Telekom – submitted a **concrete proposal** to the lawmakers to ensure that the effective laws in Hungary better support the practical implementation of teleworking.

The submission was prepared by a work group set up from the members of the MEF and Telekom played an important role in the process. The starting point of the submission was that the current legal environment fails to support the spread of teleworking and is not aligned to the existing practices of companies or to the requirements of employees while imposing such strict limitations on those who would like to work remotely that are almost impossible to meet. With more favorable regulations the number of teleworkers could significantly increase in the SME sector as well. This would be beneficial for both employers and employees. Being endorsed by 100% of the MEF members the document was sent to the responsible ministry that initiated discussions with MEF to address the issue.

Each year the MEF organizes a conference on corporate equal opportunities topics. The conference in 2015 was organized to discuss issues on teleworking. Among the guest speakers of the conference there were Telekom experts and managers who shared their experience and best practices on teleworking.

You may read further information on the Work from home! campaign and the Future Work project in our [Y2014 Sustainability Report](#).

RATIO OF FIXED-TERM TO OPEN-ENDED EMPLOYMENT AT MAGYAR TELEKOM GROUP IN 2015



In 2015, 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, among others with organizing club meetings and Mother Parties. The free, monthly Mothers’ Career Club events, organized by Telekom’s contracted outplacement partner, Job Evolution Ltd., are regularly promoted for Telekom employees who raise their children at home and sometimes we combine these with the Mother Party events. Telekom continuously informs inactive colleagues by way of newsletters, the Young Mother website, the regularly updated Young Mother informative, dedicated email accessibility and a closed Telekom community site called “I have family”.

In order to ensure a proper balance between work and private life it is necessary to share the workload within families. The “Daddy, it

begins!” program tries to raise awareness on the importance of the father’s role within the family. The internal communication portal of the company has been publishing an informative for fathers since 2010 that summarizes some essential information for young fathers. Fathers of newborn children are congratulated by the company via email and are informed on the extra newborn care holiday option.

After 2014 Telekom and T-Systems jointly and successfully applied for the Family Friendly Company 2015 award and the Three Princes and Three Princesses Movement gave a special award to the companies as an acknowledgement of their family-friendly initiatives and efforts. The award is deemed as a recognition of the company’s accomplishments in being a family-friendly workplace.

Dimenzió Mutual Insurance and Self-help Association’s Family Support initiative helps Telekom employees’ families with daycare ser-

vices and school holiday programs. Parents may choose from daycare, kindergarten and school holiday camp options.

The six child friendly offices continued their operation in 2015. These offices offer solutions - i.e. provide child-friendly workstations and office space - in situations where the employee has to take care of a child for a couple of hours or days during one of the short school holidays or when the child recuperates from an illness.

The number of employees whose employment was continued upon returning from long-term leave increased with 1% in comparison to 2014.

The anonymous internal company program, **Abigél**, running since 2008, helps to resolve private life issues through its support (employee assistance) program. The person with problems may keep contact with Abigél via e-mails, who answers all relevant questions. Abigél’s identity is unknown and works under the effect of a nondisclosure agreement.

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

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

The family-friendly atmosphere of the company helps young employees through various channels and ways to raise their families and to be parents. Teleworking is not just attractive for single persons but for those with young children as well so that they can organize their lives more freely and independently.

The majority of the mid-aged, experienced expert pool has a slightly narrower career path potential and may obtain marketable knowledge that is most useful in horizontal career paths. This is supported by the company’s significant resources for external- and internal trainings and in-house job advertisements. Telekom expresses its appreciation towards the experienced workforce with numerous

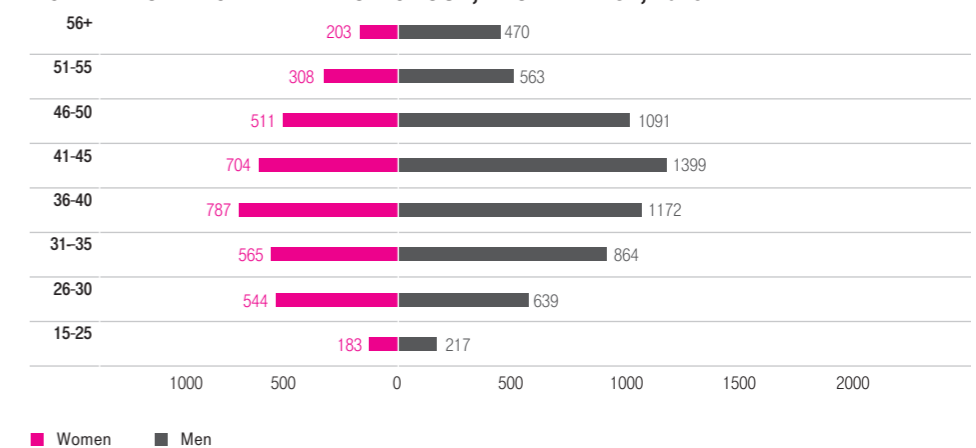
acknowledgments, like the Loyalty Award and the Lifetime Achievement Award.

In certain cases those who approach retirement age may choose to enter the company’s standby pool. With this initiative, among others, Telekom would like to take care of its employees and provide an interim solution for the period between work and retirement. The given employee can be reactivated from the standby pool if the continued employment creates mutual benefit for both parties.

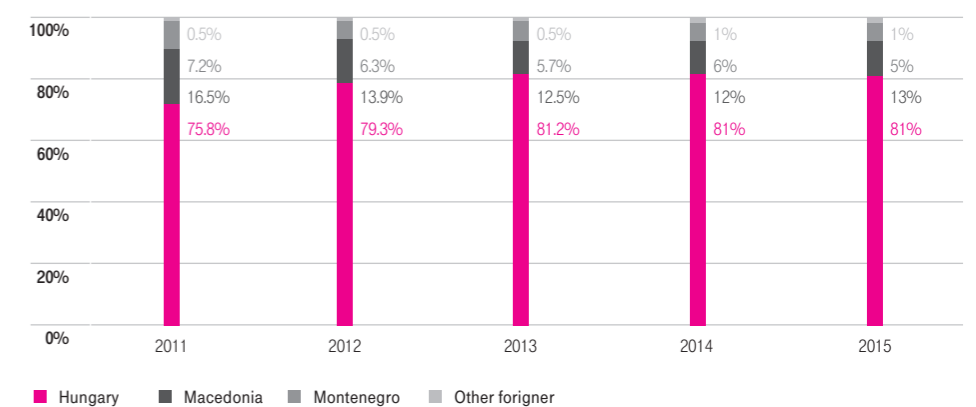
The company established a project to develop the effective and harmonious cooperation between generations. The project elaborated a strategic concept to support this effort.

Telekom, as a bronze level sponsor, participated in the biannually organized Chance Conference and successfully applied for the Multi-generation TOP 10 Organization title. Within the frame of the application the applicants first have to fill in a survey sheet then through a focus group discussion the

AGE TREE OF MAGYAR TELEKOM GROUP, DECEMBER 31, 2015 ✓



DISTRIBUTION OF EMPLOYEES BY REGION ✓



LONG-TERM LEAVE AND RETURN TO WORK FROM MATERNITY LEAVE

	MEN	WOMEN	TOTAL
Employees on long-term leave	2	158	106
Employees returning after long-term leave	2	129	131
Employees returning from long-term leave, after having been employed at least for 12 months upon joining the company	1	106	107
Employees returning from long-term leave with continued employment	50%	82%	82%

organization monitors the applicant company's practices on how it helps the cooperation of various generations and how it reflects on their special needs.

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 and to ease problems arising from these special roles, e.g. management of gender-based specialties of communication. In 2015 Telekom offered the opportunity to take part in the public Lean-in Club (organized by the Coaching Team).

Several female managers from Telekom joined the IBM Windows Opening initiative and participated in the events.

In 2015 Magyar Telekom continued its role in the "Girls' Day" international initiative. Within the frame of the program various information programs were offered for girls from several secondary schools at the Telekom and T-Systems headquarters.

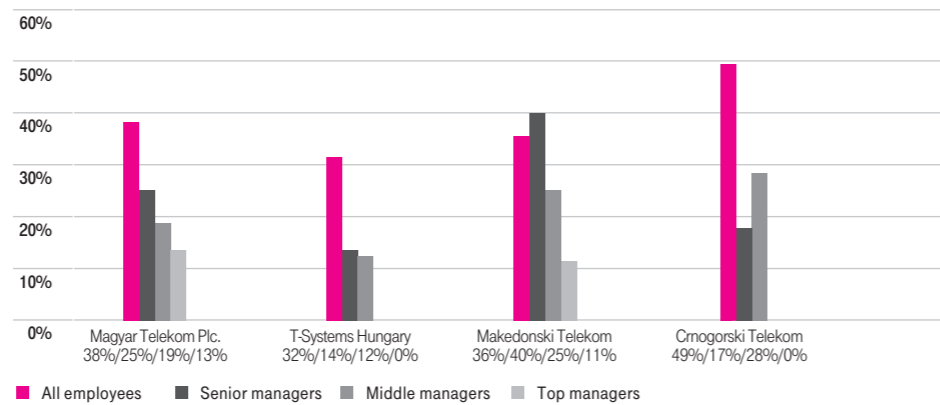
The "Girls' Day" is an interactive, open day, organized on the same day within the EU, when girls interested in technical sciences can spend a day at a leading technical company or university laboratory. Participants may meet women who are successful in the field of research or engineering sciences.

The **T-Systems** office building is accessible for wheelchair users, several floors are equipped with accessible toilets and parking places in the garage. At the beginning of 2014 the company hired 1 wheelchair user as a project assistant who is still an employee of the company.

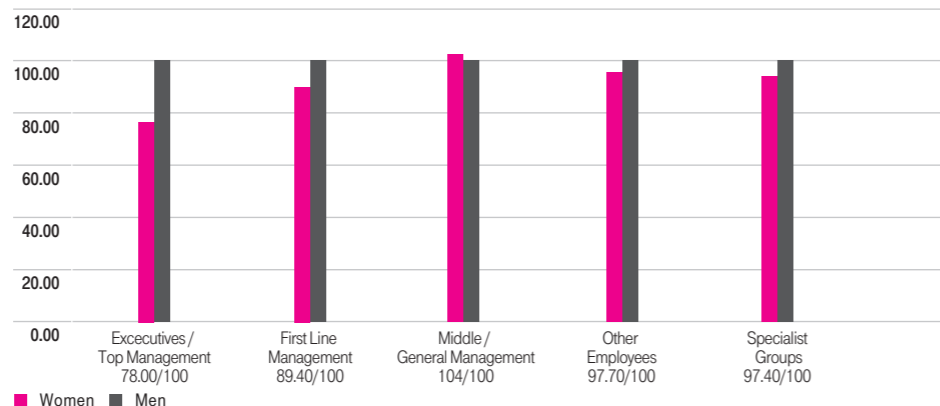
T-Systems Hungary Plc. employs 203 persons above the age of 50, out of which 2 persons work for the company after retirement.

Crnogorski Telekom actively promotes equal opportunities and applies this principle in each and every phase of the employment life

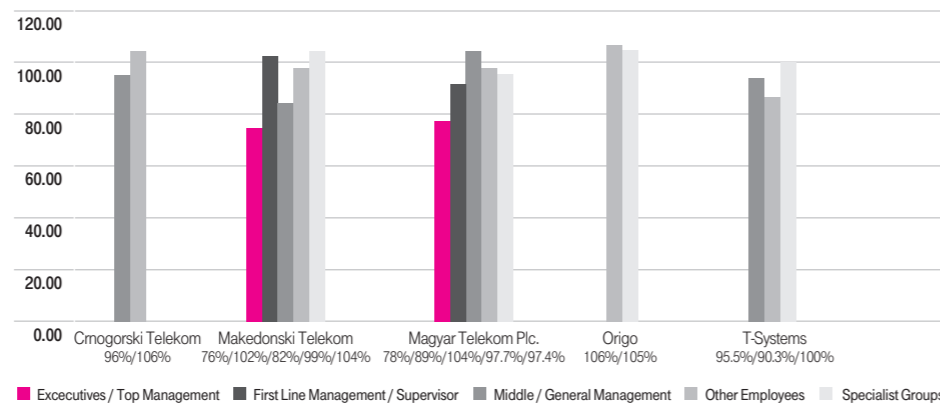
RATIO OF WOMEN IN MEMBER COMPANIES



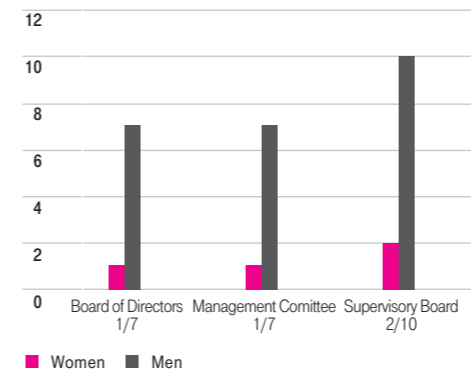
BASE WAGE COMPARISON BY JOB GRADES AND GENDER MAGYAR TELEKOM GROUP, 2015. ✓



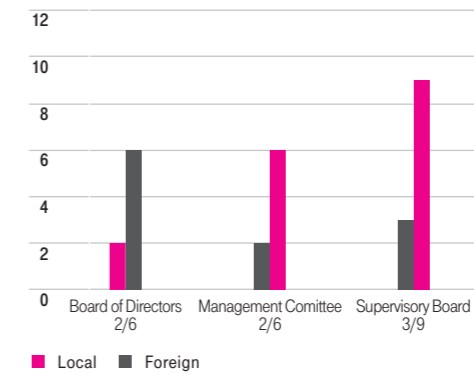
PROPORTION OF BASE WAGES OF FEMALE EMPLOYEES COMPARED TO THE BASE WAGES OF MALE EMPLOYEES (100%) BROKEN DOWN BY JOB CATEGORIES, MAGYAR TELEKOM GROUP 2015



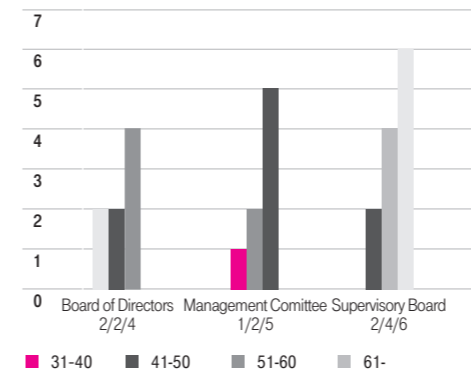
GENDER MIX OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES BY ORIGIN IN 2015 ✓



BREAKDOWN BY ORIGIN OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2015 ✓



AGE BREAKDOWN OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2015 ✓



cycle. Equal opportunities are fully supported by the following Company regulations: Company Directive on Recruitment and Selection, Code of Conduct, Company Directive on Employee Relation, etc.

Visible examples of that approach can be seen at the public media (job advertisements/vacant positions) and company website, where we clearly emphasize Crnogorski Telekom as an equal opportunity employer.

Having in mind that Crnogorski Telekom is perceived among the young population as the most attractive employer, we have 15% of older population among our workforce, from the age structure above 50 which is slightly

less competing with 2014 when it was 18%.

Official records about possible disabilities in case of existing or new employees are not required by Company regulations neither by local labor legislation.

Crnogorski Telekom regularly (annually) updates and communicates Company Directive on Employee Relations. In 2015 new version has been approved by EMB. Information for employees on prohibition of mobbing becomes integral part of this Directive.

This Directive is also used as the tool for validation of the principles defined by Social Charter of Deutsche Telekom AG and valid for the entire Group.

At **Telekom New Média Plc.** there is a process analysis under way to explore new ways of facilitating the employment of disabled people (captioning). Telekom New Média Plc. established a work environment which is accessible for people with physical disabilities.

Child labor

As a socially responsible company 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 2015.

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 period necessary for the employment and determination of the employees' benefits.

In 2015 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 100% of the Group's employees in Hungary, 95% 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.

5.2 INVOLVEMENT OF THE EMPLOYEES

hello holnap! klub

In the event in January we discussed equal opportunities, values, cultural,- geopolitical,- economic and security issues in relation to the attack against the Charlie Hebdo magazine with Zoltán Sulok, Chairman of the Organization of Muslims in Hungary, György Nógrádi, security expert and István Madár, Portfolio's senior analyst.

On the occasion of the Valentine day we organized the February hello holnap! club under the title of "It is a human right to love" with the participation of Rita Béres-Deák, LMBTQ activist, Tamás Dombos, chairman of the Background Association and the Hungarian LMBT Association, Judit Takács, sociologist, scientific advisor of the Hungarian Academy of Sciences. During the panel discussion we touched upon the topic of homosexuality and homophobia, the evolution, definition and use of hetero-normativity as well as the acceptance of differences.

In the first month of spring we organized the hello holnap! Club under the title of "Tips and tricks in gardening - waiting for spring".

Dr. Szabolcs Fekete, flowers and ornamentals specialist and professor at Budapest Corvinus University gave a presentation on gardening in cities and Monika Kertész, managing director of Contemporary Architecture Center and program manager of Community Gardens gave tips and advice for beginner and advanced gardeners.

The topic of the hello holnap! club in April was social responsibility and our guests were the founders and enthusiastic activists of two bottom-up initiatives/organizations: Budapest Bike Mafia and Heti Betevő. We discussed topics like how an idea can be transformed into a project involving masses of people, how the initiatives are welcomed by the persons involved as well as their friends and what objectives, plans they have for the future. The guests

It is one of Magyar Telekom's key objectives to make the concept of sustainability understandable and accessible to everyone. In order to achieve this objective we organize hello holnap! forums where we discuss social, economic and environment protection topics and present them through everyday examples. The event is organized on a monthly basis with the exception of the summer months and is available both for employees and external attendees alike.

were happy to inform the audience about the growing number of volunteers. The members of the organizations serve the community with distributing food, toiletries and clothes by bike or at fixed locations to those in need.

The event in the May attracted a record number of guests where the Sputnik Ship Company art group presented a two-hour, interactive play, called Sociopoly. In the play the artists selected members of the audience to form needy families and the family members were making joint decisions during "four weeks of their lives". Such decisions were whether they should pay upfront for food in the shop vs set up an informal credit balance or if they can buy new shoes for their children to avoid losing social benefits. The play gave an insight into the hopeless life of the poor in a humorous and sometimes ironic way.

The first club after the summer holiday was organized in October. This time the venue was not Telekom's headquarters but a place called "Élesztő" where members of the club could join the Budapest Bike Mafia Vitamin Commando initiative. This is a charity effort where volunteers make sandwiches from food donations that are distributed by bikes to those in need.

In November the company announced that in 2015 Telekom has become entirely carbon neutral. The topic of the event in November was selected on the basis of the announcement: Dr. Tibor Faragó, honorary university professor, researcher, human-ecologist talked

about the importance of climate protection, greenhouse gases and their impact on our environment. The topic of discussion was made perceptible through the improvisation performance of the artists of Momentán theater.

Mobile Market

The Mobile Market visited the company's headquarters first in December, 2014 where the employees could buy agricultural products directly from the farmers. The initiative had a very positive reception and the farmers returned in spring to sell their products in the restaurant of the company's site in Szerémi street. In December 2015 they visited the company's headquarters again and employees could buy fresh farm-food on another occasion.

Earth Hour

Magyar Telekom has been actively participating in the WWF initiative since 2008. On March 28, 2015 between 8:30 PM and 9:30 PM the employees turned off the lights in Telekom shops and properties.

TeleBike

The employees of the company can use TeleBikes from March 30 until October 30. In 2015 the bikes were equipped by LED lights. In the springtime bikes are available for an extended period within the day, i.e. from 7:30 AM until 6:30 PM. In 2015 the bikes were used

on 8502 occasions between Telekom office buildings and traveled a distance of 15,226 kilometers thereby preventing the emission of 2900 kilograms of carbon dioxide.

We gave out the awards of the hello holnap! point collection campaign

Each year we organize the hello holnap! point collection campaign where employees may participate in sustainability activities and receive points in return. This year the campaign was closed on the Earth Day.

In 2014-2015 a total of 2146 employees took part in the activities and collected 5495 points. The most active participants were awarded. Gyula Bereznai was placed third with 44 points, the second was Attila Szabó with 48 points and the most active hello holnap! member in 2015 was Attila József Majoros who collected 90 points. The prizes, that were Csepel bicycle vouchers, were given to the awardees by the members of the Management Committee on May 5.

Purchase sustainable devices with 20% discount!

In May 2015 the employees of the company could purchase telecommunication equipment with 20% discount if they selected a sustainable device. The selected device had to have advanced environment protection (recycled components, e.g. aluminium casing) or social (e.g. hearing aid compatibility) features.

Invisible jobs exhibition at Telekom

The objective of the ART&ME Gallery application for funds is to call attention to people who work invisibly for the community, i.e. people take care of children, elderly, ill or disabled members of the family or pursue activities in NGOs and local communities as volunteers. The works of art submitted as applications were evaluated by a professional jury and were exhibited between June 15 and 21 at various places, including Telekom's headquarters.



Awardees of the hello holnap! piont collection campaign

Magyar Telekom won the "Biker Friendly Workplace" title for the third time

The Ministry of National Development and the Hungarian Biker Association (KMSZ) released their joint "Biker Friendly Workplace" request for applications for the ninth time in 2015. The objective of the award is to acknowledge the efforts of employers and settlements to promote the use of bicycles by way of building the necessary infrastructure and taking the necessary measures.

Magyar Telekom does not only pay increased attention to the needs and comfort of colleagues who travel by bike but also launched its own company bike rental system, that was launched in 2013. The TeleBike fleet helps employees to travel between six sites in Budapest swiftly and without any environmental load.

As a result of the effort to popularize cycling Magyar Telekom won the "Biker Friendly Workplace" award for the third time in a row (2013, 2014 and 2015).

Disabled Friendly Workplace

The 2015 Disabled Friendly Workplace awards were distributed at the Gala Event organized on the International Day of Persons with Disa-

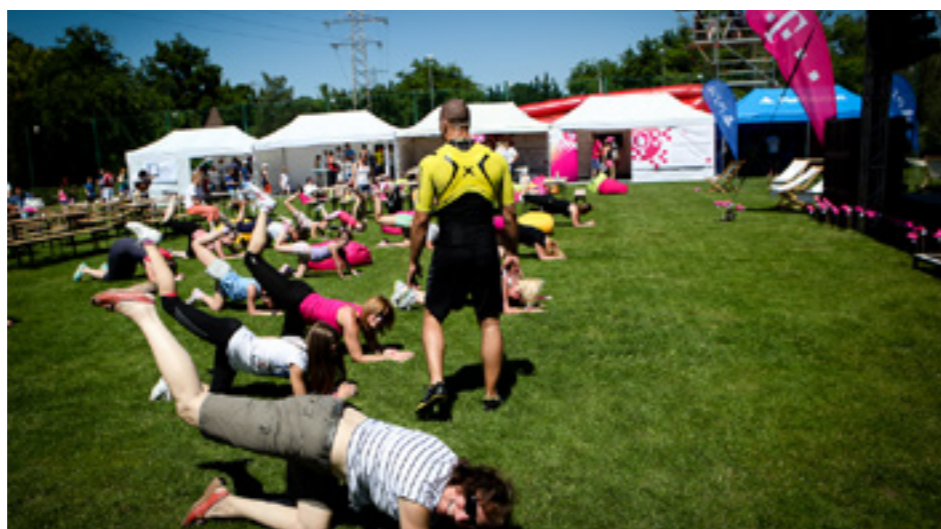
bilities under the name of "The world is better with us". Now 50 Hungarian organizations have received the award, among them Magyar Telekom. As the proud winner of the award the company is entitled to use the Disabled Friendly Workplace logo for another two years.

The winners of the Disabled Friendly award were selected by the Salva Vita Fund to support the connection of job seeking disabled people and employers open to their employment. Those employers can apply for the award that undertake to continuously develop their practice in relation to the recruitment, employment and retention of people with disabilities.

Magyar Telekom has been treating the integration of disabled people with high priority. The series of targeted services and sensitization programs are the proof of these efforts and achievements. However, the award was not given to Telekom for the achievements in the past but based on its current practice and future plans. The jury awarded the company's sensitization programs: preparation for the conscious management of disabilities and the acceptance of disabled persons.

Move Telekom!

A day full of sports and fun for our colleagues and their family members. In 2015 the organizers combined the playful world of Children's Days with the momentum of Telekom Olympic Games and organized the Move Telekom! day. All employees were invited to the June 6 Move Telekom! sports day where everybody could try special and extreme sports while children were entertained by classical children's day programs. The event attracted almost 2800 Telekom employees.



Move Telekom! day

Sustainability survey among employees

Our employees are surveyed for the fifth year on sustainability issues. The survey is performed in November each year and this year 61.3% of the respondents answered that Telekom is a leading company in the field of sustainability. The awareness on sustainability is currently at a level of 79% within the company.

HUF ✓ worth of theoretical contribution to the society.

T-Systems' KIR program – to improve the employees' awareness of environment protection – included the following activities in 2015:

- A Zöld blogba bejegyzések készítése, aminek célja, hogy személyesebbé tegyük a környezetvédelem, a fenntartható fejlődés témakörét, programokra hívjuk fel a kollégák figyelmét, és arra, hogy magánemberként mit tehetünk környezetünk védelméért. 2015-ben összesen 26 blogbejegyzés készült.

- Writing Green blogposts to make environment protection and sustainable growth more personal, to call the attention of our colleagues to programs and to show what we, as private persons, can do to protect our environment. In 2015 a total of 26 blog posts were created.

- T-Systems also joined the Earth Hour (March 29) and the Earth Day (April 22) initiatives. On both occasions well-suited films were shown on screens at the company's reception area and corridors and on the Earth Day our colleagues could calculate their ecological footprint.

- On June 18, 2015 we announced a program to popularize TeleBikes. Within the frame of the program we gave out Sziget summer festival tickets to three T-Systems employees who use TeleBikes most to commute between Telekom sites.

- On the Careless Day our colleagues could test drive electric cars.

- On the World Earth Day (October 21) we prepared information material to be played on screens in company buildings.

In 2015, **Crnogorski Telekom** supported the involvement of the employees in the following Company's CSR activities:

- he company has been organizing voluntary blood donations in collaboration with the Centre for Transfusion for four years. During the four years around 130 colleagues have been registered as voluntary blood donors.

- In 2015 we organized two humanitarian actions to help those in need. On the International Anti-Poverty Day (October 17) our employees collected food and clothes for poor people. The donations were given to the Red Cross organization in Podgorica for further distribution.

- In December 2015 our colleagues participated in the New Year fundraising event for families in need and children with special educational needs. The gifts that were collected in the fundraising were distributed between Montenegrin people by three nonprofit organizations.

- The Guiding Principles Day in 2015 has been organized with the best participation rate ever.

It is good to give! cookie campaign

Within the frame of the "It is good to give!" cookie campaign, as part of the Voluntary World Day initiative, the employees of the company and the members of the Sustainability Media Club were selling homemade cookies in the office buildings.

Several thousands of employees purchased cookies from 222 colleagues and donated to the charity. A total of HUF 1.7 million was raised in 15 venues for the fund that was supplemented by the company to a total of 4,686,600,- HUF.

Further information on the It is good to give! cookie campaign is in 6.2 Community investments chapter.

We increased the sense of social responsibility of our employees with the organization of volunteer programs; 2% of team building activities contained charitable elements. In 2015 10 such programs were organized and at these occasions altogether 649 Magyar Telekom volunteers ✓ participated in 4412 hours ✓. With these programs we provided 21.8 million



6.

CORPORATE CITIZENSHIP

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6.1 SPONSORING

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

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

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



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



Until 2016 Telekom, throwing in a broad array of its telecommunication services, promotes the attainment of the goals of the HOC and the preparation of Hungarian athletes for the Rio de Janeiro Olympic Games as platinum sponsor and supported the HOC's logo design contest for the bid for the organization of the Olympic Games in 2024 in Budapest.

As the most loyal sponsor of the MVM Veszprém handball team the company has been sponsoring the club for 18 years thereby contributing to the success of the world-elite club, like playing in the Champion's League finals or winning the SEHA league. In November, 2015 we extended the term of our cooperation agreement with the MVM Veszprém handball team. Magyar Telekom believes that such world-class achievements and accomplishments significantly help promoting sports and a healthy life style among young people.

Telekom also finds it important to support mass sports and has been sponsoring the Telekom Vivicitá city run where - besides professional sportsmen - a lot of amateurs and families take part to popularize sports and leading an active life style.



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



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

At **Makedonski Telekom** in 2015, music, sports and culture were our focus when it comes to sponsorship. With its support, Makedonski Telekom continued the cooperation with the best handball and football club of Macedonia „Vardar „ and became the general sponsor of the Business league in football – now called Telekom Business League. Furthermore, it traditionally supported the Ohrid Swimming Marathon, which has grown into a top sport

event, and it was also part of the Macedonian Distance Swimming Cup.

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

Besides sports, the Macedonian company also supports their most popular musicians as well as the most recognized music events. For many years they are partners with the one and only Skopje Jazz Festival and in 2015 we started our partnership with Karolina, Elena and Adrijan Gaxha – famous Macedonian music stars. In 2015, the company also supported the most important cultural events: Ohrid summer festival, Struga Poetry Evenings, Novel of the Year, Buskerfest, Skopje Street Festival, the children film festival „Giffoni“ and many others.

Within **Crnogorski Telekom's** sponsorship strategy, sports have a special place since this is an important area for developing a healthy, modern and advanced society. The company is the golden sponsor of the Montenegrin national football team and a general sponsor of the Telekom Montenegrin Football First League. Additionally, in 2015 Telekom supported and sponsored Budu nost Basketball Club.

Music is one of the main areas within Crnogorski Telekom's sponsorship strategy since music is considered to be the universal language for all generations. It sponsored numerous musical events and activities in 2015. The company partnered with organisations across Montenegro and supported the Southern Soul Festival in Ulcinj, Sea Dance in Budva and After Beach Parties along the Montenegrin coast. In September 2015, with the support of Deutsche Telekom, Crnogorski Telekom organised Electronic Beats, a festival of electronic music in Podgorica.

In the field of culture, Crnogorski Telekom was sponsor of FIAT, the festival of alternative theatre in Podgorica.

Crnogorski Telekom's sponsoring platform focuses on sports, music and culture – which is perfect for underlining our brand promise “Life is for sharing” and providing a wide range of memorable moments to share.



Festivalgoers at VOLT



Balaton Sound

6.2 COMMUNITY INVESTMENTS

Development of communities, consciousness forming

Telekom Smart Digital Program: digital education for children and adults

We do believe that as a responsible large corporation we do not only have to provide services but also help their use and bridge the digital gap between certain areas of Hungary. A way of fulfilling this mission is education: we convey our knowledge on the digital world by way of giving free lectures to children, adults, parents and teachers.

Within the frame of our Smart Digital Program 52 Telekom volunteers gave 485 lessons

in more than 300 schools across Hungary. Only last year 12,576 children attended our interactive presentations on the safe use of the internet and mobile communication.

Further information on Smart Digital Program is in 2.1 Closing the digital divide chapter.

Become an IT expert! – career guidance program

Currently more than 20,000 IT experts are missing from the Hungarian labor market and the lack of professionals has a serious impact on the performance of the national economy - generating a loss of several hundreds of billions of HUF per year - and at the same time we experience that not enough young career entrants see perspective in this profession. Magyar Telekom's Become an IT expert! program wishes to turnaround this trend and within the frame of the initiative IT experts



working at the company volunteer to meet young people and present them the advantages of an IT career. The most important objective of the Become an IT expert! Program is to bring down stereotypes and obstacles and make parents and children more open to the IT profession. An integral part of the Become an IT expert! program is the dedicated www.legyelteisinformatikus.hu website where visitors may find useful tips on the profession, competitions and trainee position advertisements.



Chris Mattheisen, Magyar Telekom's CEO at the Become an IT expert! training



ATTILA SZABÓ
TECHNICAL SERVICES SENIOR
SPECIALIST, MAGYAR TELEKOM

Corporate volunteer work is an integral part of the company's social strategy and the CSR as well. The term of CSR - Corporate Social Responsibility - means that companies voluntarily incorporate social and environmental considerations into their business activities and their relations with business partners. Within Telekom there are several voluntary programs out of which the professional knowledge based voluntary program was closest to me and this is where I wanted to test my skills. Within the frame of the program I can convey my knowledge and expertise to children. I find it important to teach this generation how to connect to the online world or safe and consciously. I would like to call their attention to risky areas

of the internet and teach young people how to properly communicate through online channels. This generation was raised in the online world and they might work in positions in the future that do not yet exist so they have to be careful about creating their own image in the online space. During the training sessions I try to call their attention to spend their online time useful and in a creative way and not just to "hang out" on the internet. If we show them what the web is good for they will spend less time on browsing harmful content. They need to consciously build their online personality and I would like to give them all the help that I can. The voluntary program for me is a dream that came true as I always wanted to be a teacher.



Volunteers of the Smart Digital Program



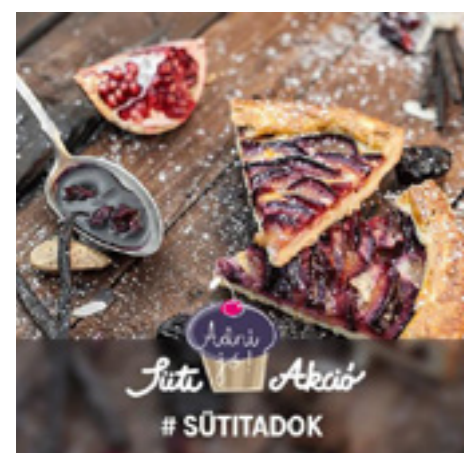
Secondary school students at the Become an IT expert! program

It is good to give! cookie campaign

Several hundreds of Telekom employees baked cookies over the weekend that were offered and sold in certain Telekom offices on December 7, Monday. The event was organized in 15 locations by 38 volunteers and as result 1.7 million HUF was raised for the Autistic Art - Smile Fund together with the members of the Sustainability Media Club - Origo, RTL Klub, CEMP, Class FM, Central Média csoport Zrt., TV2, AxelSpringer, Ringier, Metropol – who also put their heart and soul - and a lot of goodies - in the effort.

We had a professional food stylist and photographer to help us prepare e-postcards and with the sending of these postcards 100 HUF can be donated to the Fund.

In 2015 T-Systems supported numerous organizations that fit into Magyar Telekom Group's sustainable strategy. The fulfillment of the objectives of these programs gives us an opportunity to build a renewing society and environment. The company supported the Hungarian Interchurch Aid with 5 million HUF to purchase a new "Life Changing" house for the social and development center in Kastélyosdombó. We supported the building of an IT-room in a nursing home in Orosháza with 5 million HUF, which is available both for adults and children and also donated another 5 million HUF to modernize the heating system in a



It is good to give! cookie campaign postcard

In 2015 we organized the It is good to give! cookie campaign for the fifth time on the international volunteer day, together with the members of the Sustainability Media Club. The beneficiary of the initiative this year was the Autistic Art - Smile Fund that supports special homes for autistic young people and organizes art therapy sessions to help young autistic people, who mainly suffer from impaired social and communication skills, to express their thoughts and feelings through drawing, painting and visual arts. Within the frame of the event, organized in multiple company sites, the Fund raised almost 1.7 million HUF from selling homemade cookies and the company gave another 3 million HUF donation to supplement the proceeds.

transitional home built for families in Szolnok thereby supporting the sustainable operation of the facility.

Goals of the Montenegrin "Za svako dobro" project are support of socially responsible

projects that are contributing to the community welfare, engagement of important stakeholders and gaining their trust, and increase of transparency in the company's social engagement. In order to ensure transparency and the selection of the best projects, beside



It is good to give! cookie campaign

Telekom employees, representatives from the NGO area, media and the local UNDP office participated in the selection of the winning projects.

These are winning projects:

1. **"Website Star"** – development of website for elderly people
2. **"Accessibility and Montenegro"** – accessibility of public institutions for people with disabilities
3. **"We want to socialize"** – project supporting inclusion of children and youth with special needs
4. **"Calendar of child development"** – online application of calendar of child development from birth until 15 years old
5. **"Robotic laboratory for talented children and youth"** – laboratory for talented children and youth to practice robotics
6. **"This is my responsibility too"** – project supporting arise of awareness of environmental protection

At traditional Annual Award Ceremony for Philanthropy, Iskra, in December 2015, Telekom received recognition for our donation project "Za svako dobro".

Besides the donation contest Za svako dobro, in 2015 Crnogorski Telekom supported a number of initiatives dealing with problems of socially vulnerable groups or promoting good causes for our society. Some of those are donation for the purchase of a sterilizer for the Danilovgrad Primary Health Center and donation for the purchase of a telephone exchange for a Special Hospital in Risan. Both devices were urgently needed for the daily activities of the public medical institutions. National Breast Cancer Awareness Month Campaign in Montenegro was supported too.

The company also participated in disaster relief activities by supporting collection of aid for migrants in Southeast Europe, through a

In 2015 Crnogorski Telekom organized donation contest "Za svako dobro", which is supporting socially responsible projects of special importance for the community, for the second year in a row. Total amount of funding for this year's contest was 35,000 euros, which is an increase of 67% compared to the previous year. The contest was open to all non-governmental organisations from Montenegro that could apply their projects in the fields of education, arts and culture, environmental protection and the creation of equal opportunities for inclusion in digital society. From 50 NGOs that applied for grants, six projects were selected and awarded funds for implementation.

donation line. Donation line was opened in cooperation with Red Cross Montenegro, in order to enable our customers to give a contribution and help those in need.

In 2015 Crnogorski Telekom awarded all pupils that won on state competitions for elementary and high schools with access to internet free of charge for one year.

In 2015 Makedonski Telekom donated medical equipment to the Institute for Respiratory Diseases in Children in Kozle. The equipment is essential for faster and more effective diagnosis, as well as the treatment of children with respiratory diseases. The Institute for Respiratory Diseases in Children in Kozle treats 38,000 children per year, of which 4,000 are hospitalized and 35,000 are treated in the outpatients' ward.



Recognition of the Montenegrin „Za svako dobro“ („All the best“) donation project

Foundation e-Macedonia

In December 2015 the e-Engagement educational caravan project ended with the closing conference at the Telekom Innovation Center, an event organized by the NGO Youth Union with the support of the Foundation e-Macedonia set up by Makedonski Telekom. The aim of the project was to encourage young people to use digital tools for self-improvement and creating positive changes in society.

During 2015 12 one-day workshops were organized in 12 cities. In the two years of its existence, the educational caravan visited 16 cities around the country and over 1,500 young people were actively engaged. Through these workshops young people were encouraged to become leaders and creators of the future, both in the civil society and in youth cooperation, creating positive social change by applying the knowledge, skills and technological benefits generated.

The closing conference on December 12, which was attended by 15 lecturers and the most motivated and active young people, produced many useful conclusions and recommendations about how the young people's electronic engagement can support strategies for proactive involvement in all spheres of social life.

Foundation Telekom for Macedonia

The partnership between UNICEF and the Telekom for Macedonia Foundation aims to raise awareness of the importance of early education. After all, children develop most in the first five years of their lives, and children who attend high-quality pre-school programs are more successful in school and life in general. To this end, the partnership is striving to open early childhood development centers so that children from vulnerable environments enjoy the same opportunities for early education as their peers who go to kindergartens.

In order to close the gap between urban and rural areas, where kindergartens are underrepresented, the new early childhood development centers are being built in the communities that

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

need them most. Overall, nine centers have been opened by the end of 2015.

The Telekom for Macedonia Foundation made an initial cash donation of US\$ 50,000 (€ 46,000) to help pay for the new centers, and also donated some of the revenues from text messages sent on New Year's Eve.

Telekom New Media takes part in the donation efforts at company level each year. Our colleagues are strongly committed and involved in the support of disadvantaged children and those who live with Down syndrome.

Civil and CivilNet Tariff Package

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

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

In 2015 we provided discount priced fixed line telephone and internet services to 35 organizations for 12 months in the value of 3.5 million HUF.

6.3 OUR EMPLOYEES AND SOCIAL RESPONSIBILITY

The core element of the renewed program was the Supplemented Individual Donations in 2012. This name was given to the initiative because in addition to financial donation, employees are also expected to commit themselves to the supported NGO with voluntary work.

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

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

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

- The employee's own initiative - in this case the maximum amount of company support is 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 15,000 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 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 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.

In December 2015 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: this is our traditional "It is the good to give! cookie campaign". The goodies were sold to each other based on the honor system: everybody paid an amount they wished to. The Company supplemented these donations adding up to more than 1.7 million HUF, and donated another sum of 3 million HUF to the Autistic Art - Smile Fund.

For the 13th year in succession, the Telekom for Macedonia Foundation organized a humanitarian New Year's Caravan for the most vulnerable groups of children in December 2015. The caravan visited more than 2,000 children without parental care, children with special needs, impaired hearing and vision or other physical disabilities, and children from socially vulnerable families. A special New Year's play was staged and gift bags handed out to the children. The caravan was made possible by about 50 volunteers from **Makedonski Telekom**, who visited 45 institutions. The Caravan

In 2015 10 such programs were organized and upon these occasions altogether 649 Magyar Telekom volunteers ✓ participated in 4412 hours ✓. With these programs we provided 21.8 million HUF ✓ worth of theoretical contribution to the society.

not only brightened the lives of these needy children but also raised awareness among the employees for the importance of corporate volunteering.

On the occasion of the Guiding principle day, which was celebrated on 24th of September, Makedonski Telekom called for humanitarian action among its employees so as to collect water and food for refugees. Between October 1 and October 10 employees collected 20 big boxes with canned food and bottled water. These donations were given to the Red Cross and then transported to the refugee shelters.

Crnogorski Telekom organized a voluntary blood donation in collaboration with the Centre for transfusion. Around 130 colleagues for 4 years have been registered as voluntary blood donors in the Company. Due to that reason, Crnogorski Telekom received in 2014

the Award for the promotion of voluntary blood donation

In 2015 two humanitarian actions of employees were organized in order to support people in need. Employees collected food and wardrobe on the occasion of the International Day for the Eradication of Poverty (October 17). Collected goods were given to the Red Cross in Podgorica, which distributed it to families in need. Also, in December 2015 employees participated in collection of candies, toys, children books, school items, then packed New Year's gifts for children from families in need or children with special needs. 230 New Year's gifts were donated to three NGOs supporting children with special needs and children from families in need, across Montenegro.

Guiding Principles Day in 2015 has been organized with the best participation rate ever.



Crnogorski Telekom's voluntary blood donors



7.

CORPORATE GOVERNANCE

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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 practice. Being a company listed on the Budapest Stock Exchange it is highly important for the Company to meet 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: http://www.telekom.hu/investor_relations/corporate_governance

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

7.1 SUSTAINABILITY COORDINATION

The group-level governance of sustainability activities in 2015 is shown on the diagram below. The Group-level coordination is continued to be implemented under the auspices of the Group Sustainability Coordination Council (GSCC). In the operation of the GSCC the strategy development and strategy management are separated, thus the method of implementing sustainability activities has two levels:

1. Strategy development and strategy management

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

2. Operative implementation level

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

The GSCC's operation is regulated by a group level directive: on the regulation of Magyar

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

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 other ongoing significant sustainability activities, results, potential exposures and opportunities.

Telekom Group's sustainability operation and the responsibilities and competence of stakeholders.

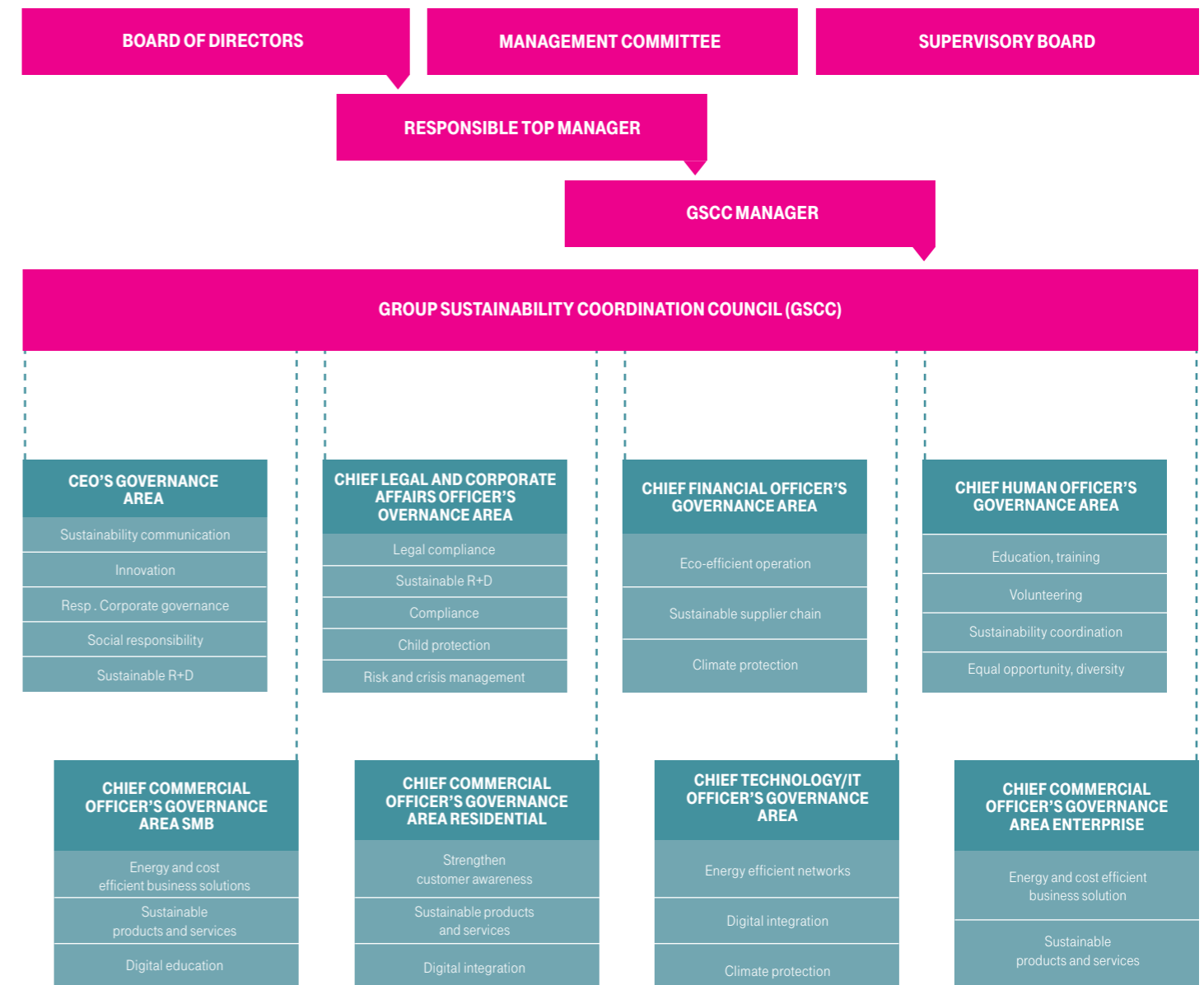
The MC is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The MC keeps contact with the stakeholders (e.g. General Meeting) through the GSCC. Incoming inquiries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

allocated to the respective Chief Officers. 50% of the bonuses of Chief Officers depend on the performance of collective objectives.

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

In 2015 the tasks and the competences of the non-core business directorate were transferred to the Product House directorate.

MANAGEMENT OF MAGYAR TELEKOM IN 2015 FROM THE ASPECT OF SUSTAINABLE DEVELOPMENT



Hierarchy of the sustainability activities

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

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



CHIEF COMMERCIAL OFFICER'S GOVERNANCE AREA ENTERPRISE



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

The sustainability management process covers Magyar Telekom Group's entire sustainability activity (including environment protection).

The connection of sub-processes and activities are shown in the following figure:

7.2 REGULATORY COMPLIANCE

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

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

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

The permanent professional consultation partner of the Hungarian Government regarding the implementation of the Digital Welfare

Program (DWP) is the CRC (chaired by Magyar Telekom's manager since 2014). Thanks to this opportunity the communication industry's stakeholders may continuously represent their interests and share their opinion and comments with the representatives of the state through the CRC.

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

7.3 CORPORATE COMPLIANCE

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

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

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

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

KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP

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

	2014	2015	2015/2014
HUNGARY	31 December	31 December	(% change)
Number of mobile broadband subscriptions	2 016 230	2 211 204	2.8
Population-based outdoor 3G coverage (%)	83.0	83.0	n.a.
Population-based outdoor 4G coverage (%)	78.3	97.3	n.a.
MACEDONIA			
Penetration (%)	106.7	103.7	n.a.
Total number of subscribers	1 197 242	1 229 655	2.7
SIM market share (%)	46.8	47.3	n.a.
MONTENEGRO			
Penetration (%)	163.4	162.6	n.a.
Total number of subscribers	345 863	329 844	(4.6)
SIM market share (%)	34.1	32.7	n.a.

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT ✓

	2014	2015	2015/2014
MOBILE SERVICES	31 December	31 December	(% change)
Number of customers (RPC)	4 964 255	4 949 874	(0.3)
Post-paid share in the customer base (%)	50.0	51.5	n.a.
Monthly minutes of use (outgoing)	171	186	8.8
Post-paid average monthly revenue per user	5 760	5 575	(3.2)
Pre-paid average monthly revenue per user	1 292	1 160	(10.2)
Average monthly revenue per user (HUF)	3 489	3 405	(2.4)
Post-paid (%)	11.2	11.1	n.a.
Pre-paid (%)	25.2	25.3	n.a.
Overall churn rate (%)	18.3	18.1	n.a.
Ratio of non-voice revenues in average monthly revenue per user (%)	26.8	30.6	n.a.
Average acquisition cost (SAC) per gross add (HUF)	5 722	6 129	7.1
Number of mobile broadband subscriptions	2 016 230	2 211 204	9.7

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT ✓

	2014	2015	2015/2014
	31 December	31 December	(% change)
FIXED-LINE SERVICES			
VOICE SERVICES			
Total voice access	1 418 207	1 398 220	(1.4)
Total outgoing traffic (thousand minutes)	2 781 810	2 624 461	(5.7)
Blended monthly minutes of use (outgoing) ⁽⁸⁾	164	156	(4.8)
Blended average monthly revenue per user (HUF) ⁽⁸⁾	2 587	2 495	(3.6)
INTERNET SERVICES			
Number of retail DSL customers	548 656	575 006	4.8
Number of cable broadband customers	314 592	340 883	8.4
Number of fiber optic connections	58 561	70 063	19.6
Total retail broadband customers	921 809	985 952	7
Broadband average monthly revenue per user (HUF)	3 429	3 503	2.2
TV SERVICES			
Number of IPTV customers	445 044	497 662	11.8
Number of satellite TV customers	306 627	306 312	(0.1)
Number of cable TV customers	172 957	156 118	(9.7)
Total TV customers	924 628	960 092	3.8
Blended TV average monthly revenue per user (HUF)	3111	3 290	5.8
ENERGY SERVICES			
Electricity points of delivery	104 831	106 564	1.7
Gas points of delivery	67 087	7 427	(88.9)

KEY OPERATING STATISTICAL FIGURES OF T-SYSTEMS HUNGARY SEGMENT ✓

	2014	2015	2015/2014
	31 December	31 December	(% change)
MOBILE SERVICES			
Number of customers (RPC)	514 085	554 090	7.8
Average monthly revenue per user (HUF)	3 891	3 578	(8.1)
Overall churn rate (%)	12.4	8.1	n.a.
Ratio of non-voice revenues in average monthly revenue per user (%)	40.4	44.8	n.a.
Average acquisition cost (SAC) per gross add (HUF)	3 883	2 358	(39.3)
Number of mobile broadband internet subscriptions	134 812	148 595	10.2
FIXED-LINE SERVICES			
VOICE SERVICES			
Total voice access	65 098	62 542	(3.9)
Total outgoing traffic (thousand minutes)	259 821	217 354	(16.3)
Monthly minutes of use (outgoing)	322	284	(11.8)
Average monthly revenue per user (HUF)	8 434	7 761	(8.0)

(8) Including PSTN, VoIP and VoCable

KEY OPERATING STATISTICAL FIGURES OF MACEDONIA SEGMENT ✓

	2014	2015	2015/2014
	31 December	31 December	(% change)
MOBILE SERVICES			
Number of customers (RPC)	1 197 242	1 229 655	2.7
Postpaid share in the customer base (%)	35.4	37.3	n.a.
Monthly minutes of use (outgoing)	205	213	3.9
Average monthly revenue per user (HUF)	1 855	1 697	(8.5)

FIXED-LINE SERVICES

MARKET DATA

Fixed-line penetration (%)	12.1	11	n.a.
Retail DSL market share (estimated, %)	82.4	82.4	n.a.

VOICE SERVICES

Total voice access	236 912	224 802	(5.1)
Total outgoing traffic (thousand minutes)	293 487	218 379	(25.6)

INTERNET SERVICES

Number of retail DSL customers	165 052	165 497	0.3
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TV SERVICES

Number of IPTV customers	98 216	103 422	5.3
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KEY OPERATING STATISTICAL FIGURES OF MONTENEGRO SEGMENT ✓

	2014	2015	2015/2014
	31 December	31 December	(% change)
MOBILE SERVICES			
Number of customers (RPC)	345 863	329 844	(4.6)
Post-paid share in the customer base (%)	42.9	47.0	n.a.
Monthly minutes of use (outgoing)	179	181	1.1
Average monthly revenue per user (HUF)	2 790	2 810	0.7

FIXED-LINE SERVICES

MARKET DATA

Fixed-line penetration (%)	23	22	n.a.
Retail DSL market share (estimated, %)	85.8	85.1	n.a.

VOICE SERVICES

Total voice access	148 551	144 466	(2.7)
Total outgoing traffic (thousand minutes)	224 995	193 445	(14.0)

INTERNET SERVICES

Number of DSL access	91 972	90 371	(1.7)
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TV SERVICES

Number of IPTV customers	61 127	60 812	(0.5)
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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 18th May 2016 for the purpose of reporting to Magyar Telekom Nyrt. (the "Company") in connection with the 2015 Sustainability Report.

Management's Responsibility

The Management of Magyar Telekom Nyrt. ("Responsible party") is responsible for the preparation of the Sustainability Report ("subject matter") in accordance with the GRI guidelines – "Comprehensive" option – as set out in Sustainability Reporting Guidelines of Global Reporting Initiative G4 version ("GRI criteria").

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

Description of the Subject Matter and Identification of the Criteria

The aim of this limited assurance engagement is to express a conclusion whether the selected information and data (marked with the check symbol ("✓") in the Sustainability Report) of the 2015 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 2015 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 2015 Sustainability Report has been prepared, in all material respects, in accordance with the GRI criteria.

We apply International Standard on Quality Control (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

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

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

PricewaterhouseCoopers Könyvvizsgáló Kft. – 1055 Budapest, Bajcsy-Zsilinszky út 78.
T: +36 (1) 466-9100, F: +36 (1) 466-9110, www.pwc.com/hu



- 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 material 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 2015 Sustainability Report) has not been prepared, in all material respects, in accordance with the GRI criteria.

Budapest, 15 July 2016

Árpád Balázs
Partner, registered auditor
Licence number: 006931
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Registration number: 001464

Note:

Our report and the Sustainability Report will be published together with the GRI guidelines – "Comprehensive" option – as set out in Sustainability Reporting Guidelines of Global Reporting Initiative G4 version ("GRI criteria") on the website of Magyar Telekom Nyrt.

The Management of Magyar Telekom Nyrt. is responsible for the website and we do not accept responsibility for any changes in connection with the Sustainability Report and the GRI criteria described in the Sustainability Reporting Guidelines of Global Reporting Initiative G4 version – "Comprehensive" option – after our report was published.

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

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 attached to specific GRI indicators. You can read more about the guidelines and the indicators on the following website

<https://www.globalreporting.org/standards/g4/Pages/default.aspx>

MAGYAR TELEKOM - SUSTAINABILITY REPORT 2015 - GRI G4 CONTENT INDEX - TELECOMMUNICATION SECTOR SPECIFIC DISCLOSURES

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance																														
GENERAL STANDARD DISCLOSURES																																			
STRATEGY AND ANALYSIS																																			
G4-1	Letter from the CEO	3-4			✓																														
G4-2	Our approach (Sustainability strategy)	6			✓																														
ORGANIZATIONAL PROFILE																																			
G4-3			The registered company name of Magyar Telekom is Magyar Telekom Telecommunications Public Limited Company, and its abbreviated name is Magyar Telekom Plc.		✓																														
G4-4		http://www.telekom.hu/lakossagi/english http://www.telekom.hu/uzleti/main http://www.telekom.hu/about_us/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 the Telekom brand), - services to small- and medium-sized businesses (under the Telekom brand), - and services to large businesses (under the T-Systems brand). Magyar Telekom's employer and HR activities, business and investor relations, legal and corporate affairs, sustainability and corporate social responsibility, non-core business development, technical and network development activities also go under the corporate Telekom brand. 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: You can find more information about the Group's products and services on the Company's home page at: http://www.telekom.hu/lakossagi/english and http://www.telekom.hu/uzleti/main or our partners can also inquire at our customer service offices. Hungarian and foreign members of the Group: http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group		✓																														
G4-5			The headquarters of the Group are located in Budapest (I., Krisztina krt 55.).		✓																														
G4-6			The Group's area of operation: Hungary, Macedonia, Montenegro, Bulgaria and Romania.		✓																														
G4-7		http://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/ownership_structure	OWNERSHIP STRUCTURE OF MAGYAR TELEKOM ✓ <table border="1"> <thead> <tr> <th>Nr.</th> <th>Owner</th> <th>Ownership interest</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Domestic institution</td> <td>5.97%</td> </tr> <tr> <td>2</td> <td>Other foreign institutions</td> <td>20.73%</td> </tr> <tr> <td>3</td> <td>Deutsche Telekom Europe B.V.⁽⁹⁾</td> <td>59.21%</td> </tr> <tr> <td>4</td> <td>Domestic individuals</td> <td>6.56%</td> </tr> <tr> <td>5</td> <td>Government institution</td> <td>0.01%</td> </tr> <tr> <td>6</td> <td>Nominee</td> <td>3.58%</td> </tr> <tr> <td>7</td> <td>Treasury shares</td> <td>0.04%</td> </tr> <tr> <td>8</td> <td>Other</td> <td>3.89%</td> </tr> <tr> <td colspan="2">Total:</td> <td>100.00%</td> </tr> </tbody> </table> <p>Based on the company's share register as of March 31, 2016. Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. Magyar Telekom's shares were introduced at the Budapest and international stock exchanges in 1997. The majority shareholder of Magyar Telekom (59.21%) is Deutsche Telekom Europe B.V., which is owned exclusively by Deutsche Telekom AG.</p>	Nr.	Owner	Ownership interest	1	Domestic institution	5.97%	2	Other foreign institutions	20.73%	3	Deutsche Telekom Europe B.V. ⁽⁹⁾	59.21%	4	Domestic individuals	6.56%	5	Government institution	0.01%	6	Nominee	3.58%	7	Treasury shares	0.04%	8	Other	3.89%	Total:		100.00%		✓
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(9) Deutsche Telekom Europe B.V. (formerly called CMobil B.V.) is 100% owned by Deutsche Telekom Europe Holding B.V., whose 100% owner is Deutsche Telekom Europe Holding GmbH (formerly called T-Mobile Global Holding Nr. 2 GmbH) and Deutsche Telekom Europe Holding GmbH is 100% owned by Deutsche Telekom AG, as a result Deutsche Telekom AG has 59,21% indirect ownership and voting right in Magyar Telekom Plc.

	Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance																																																																																										
G4-9	Key operating statistics of Magyar Telekom Group	54-56		Number of employees of Magyar Telekom Group: 10,357 persons ✓ (as of December 31, 2015)		✓																																																																																										
G4-10	5. Employees	40-45				✓																																																																																										
G4-11	5.1 Human rights, equal opportunities	41-43				✓																																																																																										
G4-12	3. Suppliers	30-33	http://www.telekom.hu/about_us/about_magyar_telekom/procurement			✓																																																																																										
G4-13	3. Suppliers	30-33		<p>CHANGE IN THE COMPOSITION OF MAGYAR TELEKOM GROUP OVER THE PAST YEARS ✓</p> <table border="1"> <thead> <tr> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> </tr> <tr> <td>IQSYS</td> <td>IQSYS</td> <td>IQSYS⁽¹⁰⁾</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>KFKI</td> <td>KFKI⁽¹¹⁾</td> <td>T-Systems Hungary</td> <td>T-Systems Hungary</td> <td>T-Systems Hungary</td> <td>T-Systems Hungary</td> </tr> <tr> <td>EPT⁽¹²⁾</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Pro-M</td> <td>Pro-M</td> <td>Pro-M⁽¹³⁾</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Dataplex</td> <td>Dataplex</td> <td>Dataplex⁽¹⁴⁾</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>MFactory⁽¹⁵⁾</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Origo</td> <td>Origo</td> <td>Origo</td> <td>Origo</td> <td>Origo</td> <td>Origo</td> </tr> <tr> <td>-</td> <td>ISH Informatika⁽¹⁶⁾</td> <td>ISH Informatika⁽¹⁷⁾</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>Daten-Kontor⁽¹⁸⁾</td> <td>Daten-Kontor⁽¹⁹⁾</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>-</td> <td>Budakalász Kábel TV⁽²⁰⁾</td> <td>Budakalász Kábel TV</td> <td>Budakalász Kábel TV⁽²¹⁾</td> <td>KalászNet</td> <td>KalászNet</td> </tr> <tr> <td>TCG⁽²²⁾</td> <td>TCG</td> <td>TCG</td> <td>TCG</td> <td>TCG</td> <td>TCG</td> </tr> <tr> <td>MakTel⁽²³⁾</td> <td>MakTel</td> <td>MakTel</td> <td>MakTel</td> <td>MakTel</td> <td>MakTel⁽²⁴⁾</td> </tr> <tr> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>GTS⁽²⁵⁾</td> </tr> </tbody> </table>	2010	2011	2012	2013	2014	2015	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	IQSYS	IQSYS	IQSYS ⁽¹⁰⁾	-	-	-	KFKI	KFKI ⁽¹¹⁾	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	EPT ⁽¹²⁾	-	-	-	-	-	Pro-M	Pro-M	Pro-M ⁽¹³⁾	-	-	-	Dataplex	Dataplex	Dataplex ⁽¹⁴⁾	-	-	-	MFactory ⁽¹⁵⁾	-	-	-	-	-	Origo	Origo	Origo	Origo	Origo	Origo	-	ISH Informatika ⁽¹⁶⁾	ISH Informatika ⁽¹⁷⁾	-	-	-	-	Daten-Kontor ⁽¹⁸⁾	Daten-Kontor ⁽¹⁹⁾	-	-	-	-	Budakalász Kábel TV ⁽²⁰⁾	Budakalász Kábel TV	Budakalász Kábel TV ⁽²¹⁾	KalászNet	KalászNet	TCG ⁽²²⁾	TCG	TCG	TCG	TCG	TCG	MakTel ⁽²³⁾	MakTel	MakTel	MakTel	MakTel	MakTel ⁽²⁴⁾	-	-	-	-	-	GTS ⁽²⁵⁾		✓
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MakTel ⁽²³⁾	MakTel	MakTel	MakTel	MakTel	MakTel ⁽²⁴⁾																																																																																											
-	-	-	-	-	GTS ⁽²⁵⁾																																																																																											
G4-14	Our approach (Sustainability strategy) 1.1 Climate protection and energy efficiency 3. Suppliers	6 16-17 30-33	http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals https://www.telekom.hu/static-tr/sw/file/20160224_Risk_management_guideline_ENG.pdf	As a result of the corporate environment becoming more risky, in more and more European countries it was made compulsory for listed companies to operate a risk management system and to make risk reports for the information of their investors. Establishing a comprehensive risk management system the Company complies with the relevant requirements such as the recommendations of Budapest Stock Exchange, as well as with international standards. It is Magyar Telekom's policy that all disclosures made by the company to the shareholders and the investment community be accurate and complete, and fairly present Telekom's financial condition and results of operations in all material respects. Such disclosures are made on a timely basis as required by the applicable laws, rules and regulations. To achieve these objectives, Magyar Telekom developed and have continuously enhanced its risk management policies. The Company's risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results. For risk management to be effective, Telekom must ensure that the management takes business decisions with full understanding of all relevant risks. In 1999 Telekom established a formal risk management system. This system has been operating in an integrated way with the risk management system of Deutsche Telekom since 2002. All risks related to material internal and external operations, financial and legal compliance and certain other risks are evaluated and managed by a well-defined internal mechanism. A risk management handbook and an internal regulation on risk management were issued. A risk management course was developed for employees responsible for risk management in all organizational areas. Risk items affecting our operations are reviewed quarterly throughout the Company. All of Telekom's subsidiaries, business units, divisions and entities are obliged to identify and report their operational risks on a quarterly basis. After evaluation of these risks, results are reported to the Company's management, to the Board of Directors and to the Audit Committee. For the sake of prompt disclosure of all risk items influencing investors' decisions, Telekom enhanced its risk management procedures with a new element, complemented the quarterly risk reporting system with a continuous reporting procedure which requires all departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the CFO is notified when a new material risk or information is identified. An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.		✓																																																																																										
G4-15	Stakeholders	9-14				✓																																																																																										
G4-16	Stakeholders	9-14				✓																																																																																										

(10) From 30.09.2012 IQSYS merged into T-Systems Magyarország Zrt.

(11) From 01.04. 2012 KFKI provides its services under the name of T-Systems Magyarország Zrt.

(12) EPT merged into KFKI (with effect 09.30.2010).

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

(14) Dataplex merges into T-Systems Magyarország Zrt. (with effect 09.30.2012).

(15) MFactory merges into Origo (with effect 31.07.2010).

(16) In 2011 ISH Informatika appeared as new data provider.

(17) ISH merges into T-Systems Magyarország Zrt (with effect 09.30.2012).

(18) In 2011 Daten-Kontor appeared as new data provider.

(19) Daten-Kontor merges into T-Systems Magyarország Zrt. (with effect 31.03.2013).

(20) In 2011 Budakalász Kábel TV appeared as new data provider.

(21) From 27.03. 2013 Budakalász Kábel provides its services under the name of KalászNet.

(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.

(24) T-Mobile Macedonia AD merged into Makedonski Telekom AD (with effect 01.07.2015).

(25) In 2015 GTS Hungary appeared as new data provider.

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17			The report covers Hungary, Macedonia and Montenegro and all activities of the Group are included. Telekom uses its best efforts to ensure completeness of the report therefore includes all member companies that are of key importance from a sustainability point of view. The data disclosed the report are comparable to the changes of the composition of the Group which is supported by the table in the direct answers to the G4-13 indicator.		✓
G4-18	Our approach (Materiality)	7			✓
G4-19	Our approach (Materiality) Stakeholders	7 9-14			✓
G4-20			Based on the analysis Telekom believes that all topics have significance both inside and outside the company.		✓
G4-21	Stakeholders	9-14	Based on the analysis Telekom believes that all topics have significance both inside and outside the company.		✓
G4-22			In 2015 the Company continued its sustainability operation based on the 2011-2015 Sustainability Strategy. Thus there are no significant professional changes in respect of the content of the report in comparison to previous years.		✓
G4-23			Although the content did not change there were minor changes to the structure of the report. The structure of the report follows the priorities of the materiality analysis: high and medium priority topics are presented in details whereas information on low priority topics are primarily provided in the GRI indicator table to provide as transparent information to all stakeholders as possible on the company's corporate governance, environmental and social impact as well as the underlying risks and opportunities.		✓
STAKEHOLDER ENGAGEMENT					
G4-24	Stakeholders	9-14			✓
G4-25	Stakeholders	9-14	The report is an information source for all stakeholders, however, the entirety of the report is primarily prepared for Telekom's shareholders and investors, and among them, for the responsible investors and sustainability analysts in the first place. Nevertheless, the Company uses its best efforts to involve all stakeholders and to provide them with information.		✓
G4-26	Stakeholders 2.1 Closing the digital divide 2.4 Protection of our children in the digital age 3. Suppliers 4.2 Involvement of our customers 5.2 Involvement of our employees 6.3 Our employees as corporate citizens	9-14 25-27 29 30-33 37-39 44-45 50			✓
G4-27	Stakeholders	9-14			✓
REPORT PROFILE					
G4-28			Based on the analysis Telekom believes that all topics have significance both inside and outside the company.		✓
G4-29		http://www.telekom.hu/static-tr/sw/file/FJ_2014_ENG.pdf http://www.telekom.hu/about_us/society_and_environment/sustainability_reports	The latest report is Magyar Telekom's Y2014 Sustainability Report.		✓
G4-30		http://www.telekom.hu/about_us/society_and_environment/sustainability_reports	Magyar Telekom releases the sustainability report on an annual basis.		✓
G4-31	Stakeholders	9-14	Should you have any questions or queries on the report, please do not hesitate to write to the following e-mail address: fenntarthato-sag@telekom.hu		✓
G4-32	Assurance statement GRI content index	57 58-77	This year's report was again prepared in compliance with the "Comprehensive" level of the fourth generation Global Reporting Initiative (GRI G4).		✓
G4-33	Assurance statement	57	In order to ensure credibility and transparency, the Company continued to rely upon the support of an experienced and respected, external, independent third party. The purpose of the assurance procedure that they conducted is to determine the compliance, authenticity, comprehensiveness, structural integrity, justifiability and verifiability of the Sustainability Report. The report has been audited by PricewaterhouseCoopers Könyvvizsgáló Kft. and they assure the information contained therein to be reliable. The assurance process has been designed and conducted in accordance with the ISAE3000 standard, defined by the International Federation of Accountants. The respective limited assurance engagement report can be found in the 'Assurance Statement' chapter. Data and information audited are indicated by a ✓ symbol in the report and in the GRI content index. Sources of the data included in the report: - The business data are from the Group's year-2014 Annual Report and Quarterly Reports and data collection conducted within the Group. - The data of social nature are collected within the Group partly with the support of an online reporting tool, while the rest was supplied by the affiliates and organizational units. - The environmental protection data are partly from a process-wise transparent, online data provision system, as well as data collection conducted within the Group.		✓

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
GOVERNANCE					
G4-34	7.1 Sustainability coordination	52-53	http://www.telekom.hu/about_us/investor_relations/corporate_governance		✓
			<p>The Board of Directors is responsible for the management of the Company, which has the power to act 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.</p> <p>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 (MC) with powers to pursue its activities in compliance with the annual business plan.</p> <p>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 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.</p> <p>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.</p>		
G4-35	7.1 Sustainability coordination	52-53			✓
G4-36	7.1 Sustainability coordination	52-53			✓
G4-37	Stakeholders 3. Suppliers 4.2 Involvement of our customers 5.1 Human rights, equal opportunities 7.1 Sustainability coordination	9-14 30-33 37-39 41-43 52-53			✓
G4-38			<p>http://www.telekom.hu/static-tr/sw/file/HAR_2015_Annual_Report_eng.pdf https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors https://www.telekom.hu/about_us/investor_relations/corporate_governance/management_committee https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2015_20160224_eng.pdf https://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents http://www.telekom.hu/static-tr/sw/file/8_BoDmembers_21March2013_eng.pdf</p>		✓
			<p>On December 31, 2015 the Board of Directors had eight members, one executive and seven non-executive members. 3 members were considered independent and 7 members were not considered independent. Members of the Board of Directors on December 31, 2015: Kerstin Günther, Chairperson of the Board of Directors; Senior Vice President, Technology Europe, Deutsche Telekom AG, Christopher Mattheisen, Chief Executive Officer, Magyar Telekom Plc., Thilo Kusch, Chief Financial Officer, T-Systems International GmbH, Frank Odzuck, Chief Executive Officer, Zwack Unicum Plc. (independent), Dr. Ralph Rentschler, Finance Europe, Financial Director Europe, Deutsche Telekom AG, Günter Mossal, Vice President for Area Management, Europe, Deutsche Telekom AG, György Mosonyi, Chairman of the Supervisory Board, MOL Plc. (independent), Dr. Mihály Patai, Chairman-CEO, UniCredit Bank Hungary Plc. (independent). Members of the Management Committee on December 31, 2015: Christopher Mattheisen, Chief Executive Officer, Éva Somorjai, Chief Human Resources Officer, András Gyenes, 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.</p> <p>Members of the Supervisory Board on April 12, 2016: Dr. László Pap, Chairman of the Supervisory Board, Budapest University of Technology and Economics, Professor (independent), Dr. János Illéssy, Managing Director, Lebona Kft. (independent), Dr. Sándor Kerekes, Director of Institute of Environmental Sciences, Corvinus University Budapest, Dr. Károly Salamon, Chairman-CEO, MKB Általános Biztosító Zrt. and MKB Életbiztosító Zrt. (independent), Dr. János Bitó, Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty (independent), Konrad Kreuzer, Member of the Supervisory Board of E.ON Hungária Zrt. (independent), Martin Meffert, Responsible for Corporate Governance issues of Magyar Telekom, Makedonski Telekom and Crnogorski Telekom at the Group Headquarters, Deutsche Telekom AG, Sándor Hartai, TU Wholesale Directorate Expert, Member of the Central Workers' Council, Tamás Lichnovszky, Chairman of the Central Workers' Council, Magyar Telekom Plc., Zsoltné Varga, Quality manager, Magyar Telekom, Dr. Konrad Wetzker, Chairman, Corvinus School of Management (independent), Éva Óz, Controlling Manager of Controlling Directorate, Chairwoman of the Workers' Council of Central Functions, Magyar Telekom Plc.</p> <p>Members of the Audit Committee on December 31, 2015: Dr. János Illéssy Chairman of the Audit Committee, Managing Director of Lebona Kft., Dr. László Pap, Budapest University of Technology and Economics, Professor, Dr. Sándor Kerekes, Director of Institute of Environmental Sciences, Corvinus University, Dr. Károly Salamon, Chairman-CEO, MKB Általános Biztosító Zrt. and MKB Életbiztosító Zrt., Dr. János Bitó, Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty.</p> <p>Members of the Remuneration and Nomination Committee on December 31, 2015: Frank Odzuck Chief Executive Officer, Zwack Unicum Plc., Dr. Ralph Rentschler Finance Europe, Financial Director Europe, Deutsche Telekom AG, Thilo Kusch, Chief Financial Officer, T-Systems International GmbH.</p>		

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
G4-39			The Chief Executive Officer does not fill the position of the Chairman of the Board of Directors.		✓
G4-40		https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation_governance_documents	The current job-grading system is transparent and the structure is reflecting the real value of job positions rather than hierarchy. Each employee is placed in the respective job position on the basis of the responsibility, professional knowledge required by the given position where the employee works. The individual positions are therefore comparable and the entire system is transparent and clear.		✓
G4-41		https://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2015_20160224_eng.pdf https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors http://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjeszesek_eng.pdf	Deutsche Telekom Group and Magyar Telekom Group trust that the interests of their employees do not conflict with the interests of the Company. 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 relationship, which conflicts with the interests of Deutsche Telekom Group and Magyar Telekom Group, especially if such relationship is prohibited by causes of competition. 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. 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.		✓
G4-42	7.1 Sustainability coordination	52-53			✓
G4-43	7.1 Sustainability coordination	52-53			✓
G4-44	7.1 Sustainability coordination	52-53	Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. The performance of the top management (Chief Executive Officer, Chief Officers) is incentivized through the Lead to Win motivation system. The incentive system has a short-term incentive (bonus), a long-term, cash-based incentive (LTI) and a long-term, share-based incentive (share benefit program - SBP) element. The Remuneration and Nomination Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation. The Committee Member, independent from the majority owner, shall provide for the representation of the minority owners' interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives' salary is fixed, while 45% is variable pay (bonus). The annual bonus is payable 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. In the case of the collective 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, the Company also lays emphasis on long-term performance stimulation. The first package of the LTI-program - as part of the Lead to Win system - was introduced in 2015 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4 year term Telekom focuses on the increase of sustainable performance. It is the competence of the General Meeting to approve the "Remuneration Guidelines" that sets forth the remuneration principles and components for the top management and the members of corporate bodies. Besides, as part of the Corporate Governance Report, Telekom each year discloses the previous year's remuneration for the top management and corporate bodies in the Remuneration Statement. The conditions of selecting the members of Magyar Telekom's Board of Directors, Supervisory Board and Audit Committee were amended by the Remuneration and Nomination Committee in April 2016: as new elements diversity and the reciprocal supplementation of competences are also taken into account. In order to fulfill the sustainability objectives the responsible middle managers and experts are incentivized directly through the TM system.		✓
G4-45	7.1 Sustainability coordination	52-53			✓
G4-46	7.1 Sustainability coordination	52-53			✓
G4-47	7.1 Sustainability coordination	52-53			✓
G4-48	7.1 Sustainability coordination	52-53			✓
G4-49	7.1 Sustainability coordination	52-53			✓
G4-50	1.4 Environmental objectives, costs and compliance 7.1 Sustainability coordination	23 52-53			✓

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
G4-51		https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation http://www.telekom.hu/static-tr/sw/file/HAR_2015_Annual_Report_eng.pdf http://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjeszesek_eng.pdf	Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. The performance of the top management (Chief Executive Officer, Chief Officers) is incentivized through the Lead to Win motivation system. The incentive system has a short-term incentive (bonus), a long-term, cash-based incentive (LTI) and a long-term, share-based incentive (share benefit program - SBP) element. The Remuneration and Nomination Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation. The Committee Member, independent from the majority owner, shall provide for the representation of the minority owners' interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives' salary is fixed, while 45% is variable pay (bonus). The annual bonus is payable 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. In the case of the collective 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, the Company also lays emphasis on long-term performance stimulation. The first package of the LTI-program - as part of the Lead to Win system - was introduced in 2015 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4 year term Telekom focuses on the increase of sustainable performance. It is the competence of the General Meeting to approve the "Remuneration Guidelines" that sets forth the remuneration principles and components for the top management and the members of corporate bodies. Besides, as part of the Corporate Governance Report, Telekom each year discloses the previous year's remuneration for the top management and corporate bodies in the Remuneration Statement. The conditions of selecting the members of Magyar Telekom's Board of Directors, Supervisory Board and Audit Committee were amended by the Remuneration and Nomination Committee in April 2016: as new elements diversity and the reciprocal supplementation of competences are also taken into account. In order to fulfill the sustainability objectives the responsible middle managers and experts are incentivized directly through the TM system.		✓
G4-52		https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation http://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjeszesek_eng.pdf			✓
G4-53		https://www.telekom.hu/static-tr/sw/file/8_javadalmazas_19March2014_eng.pdf http://www.telekom.hu/static-tr/sw/file/kozgyulesi_hatarozatok_2014AGM_14April2014_eng.pdf http://www.telekom.hu/static-tr/sw/file/20150324_AGM_submission_Javadalmazasi_iranyelvek_ENG.pdf http://www.telekom.hu/static-tr/sw/file/kozgyulesi_hatarozatok_2015AGM_ENG.pdf	The Annual General Meeting, held on April 11, 2014, determined the fee of the members of the Board of Directors, Supervisory Board and Audit Committee. The shareholders could express their opinion on the decision at the General Meeting. The Annual General Meeting, held on April 15, 2015, adopted the amendment of the Remuneration Guidelines. The shareholders could express their opinion on the decision at the General Meeting.		✓
G4-54		http://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjeszesek_eng.pdf	The information on the fee of the members of the Board of Directors, the Supervisory Board, the Audit Committee as well as the management (members of the Management Committee of the Company) are disclosed in the Corporate Governance Report, prepared in accordance with the provisions of the Hungarian Civil Code and the Corporate Governance Recommendations (CGR) of the Budapest Stock Exchange Plc. ("BÉT").	The information is confidential - Partial disclosure	✓
G4-55		http://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjeszesek_eng.pdf	The information on the fee of the members of the Board of Directors, the Supervisory Board, the Audit Committee as well as the management (members of the Management Committee of the Company) are disclosed in the Corporate Governance Report, prepared in accordance with the provisions of the Hungarian Civil Code and the Corporate Governance Recommendations (CGR) of the Budapest Stock Exchange Plc. ("BÉT").	The information is confidential - Partial disclosure	✓
ETHICS AND INTEGRITY					
G4-56	Our approach 3. Suppliers 5.1 Human rights, equal opportunities	5-8 30-33 41-43	https://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_8April2011_web.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/szocialis_charta_en.pdf https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/vendors/information/Our_Code_of_Conduct.vm http://www.telekom.hu/about_us/about_magyar_telekom/principles/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 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.	✓
G4-57	3. Suppliers 5.1 Human rights, equal opportunities	30-33 41-43	http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Magyar Telekom Group takes the Code of Conduct and its detailed regulation seriously and considers its enforcement to be among the highest priorities, but it is also acknowledged that it is sometimes difficult to know right from wrong. That's why the employees are encouraged to initiate open communication through an internally available Ask me! portal.	✓
G4-58	3. Suppliers 5.1 Human rights, equal opportunities 7.1 Sustainability coordination	30-33 41-43 52-53	http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Complaints and comments related to issues and violations of regulations can be submitted to Magyar Telekom Group's Tell me! portal.	✓

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SPECIFIC STANDARD DISCLOSURES																																																																																																																									
CATEGORY: ECONOMIC																																																																																																																									
ASPECT: ECONOMIC PERFORMANCE																																																																																																																									
G4-DMA	Our approach (Corporate strategy)	5			✓																																																																																																																				
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G4-EC2	Our approach (Management systems) 1. Climate and environmental protection 7.1 Sustainability protection	8 15-23 52-53			✓																																																																																																																				
G4-EC3			The relevant figures are contained in the direct answer to the G4-EC1 indicator. Any Magyar Telekom employee who joins the association may buy life, pension and health insurance and mutual assistance services through the Dimenzió Health Care Fund. Members of voluntary pension funds receive supplementary financial support from the company.		✓																																																																																																																				
G4-EC4		http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals http://www.telekom.hu/static-tr/sw/file/IFRS_2015_eng.pdf	Awards won in 2015: Family Friendly Workplace Award 2015, Biker Friendly Workplace Award 2015, Disabled Friendly Workplace Award 2015, Most Creative Good Deed Award: Magyar Telekom Plc. - Szépmű Project, T-Systems Hungary Plc. - Energy Efficient Company		✓																																																																																																																				
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(26) Value of 2011 contains profit tax and crisis tax, value of 2012 contains profit tax, crisis tax and telecom tax, value of 2013 contains profit tax, telecom tax and utility tax. zműadót tartalmazza.

(27) There is no significant state financial aid (donation, R+D or tax discount, etc.) in other countries above Hungary, that we report in Hungary.

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
ASPECT: MARKET PRESENCE					
G4-DMA	Our approach (Corporate strategy, Strategies and policies related to our sustainability approach)	5, 7-8			✓
G4-EC5	5.1 Human rights, equal opportunities	41-43	Telekom always pays at least the minimum wage as required in the relevant legislation and the salary of new entrants is exclusively determined by the value of the advertised position. The pay brackets are determined on the basis of the actual market benchmark.		✓
G4-EC6	5.1 Human rights, equal opportunities	41-43			✓
ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-DMA	Our approach (Corporate strategy)	5			✓
	2.1 Closing the digital divide	25-27			
G4-EC7	2.1 Closing the digital divide	25-27			✓
	6. Social engagement	46-50			
G4-EC8	2.1 Closing the digital divide	25-27			✓
	2.3 Innovation for sustainability	28-29			
	3. Suppliers	30-33			
	6. Social engagement	46-50			
ASPECT: PROCUREMENT PRACTICES					
G4-DMA	Our approach (Sustainability strategy)	6			✓
	3. Suppliers	30-33			
G4-EC9	3.3 Local procurement	33			✓
CATEGORY: ENVIRONMENTAL					
ASPECT: MATERIALS					
G4-DMA	Our approach (Sustainability strategy, Environmental policy)	6, 8	http://www.telekom.hu/about_us/society_and_environment		✓
	1. Climate and environmental protection	15-23	https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf http://www.telekom.hu/static-tr/sw/file/ISO_14001_2004_Nyrt_E.pdf		
G4-EN1	Our approach (Environmental policy, Management systems)	8	http://www.telekom.hu/about_us/society_and_environment		✓
	1.2.5 Paper consumption	20-21	http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management		
	1.3.1 Waste	21-22			
	1.3.2 Producer's responsibility	23			
G4-EN2	1.2.5 Paper consumption	20-21	http://www.telekom.hu/about_us/society_and_environment		✓
	1.3.2 Producer's responsibility	23			
	1.3.3 Effects of transport and logistics	23			
ASPECT: ENERGY					
G4-DMA	Our approach (Sustainability strategy, Environmental policy, Management systems)	6, 8	http://www.telekom.hu/about_us/society_and_environment		✓
	1. Climate and environmental protection	15-23	http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees		
G4-EN3	1.1. Climate protection and energy efficiency	16-17			✓
	1.2 Resources management	18-21			
G4-EN4	1.1.3 Equipment in customers' premises	17			✓
	1.2.2 Fleet management, fuel consumption	18-19			
G4-EN5	1.1.2 Energy efficiency	17			✓
G4-EN6	1.1. Climate protection and energy efficiency	16-17	http://www.telekom.hu/about_us/society_and_environment		✓
	1.2 Resources management	18-21			
G4-EN7	1.1.2 Energy efficiency	17			✓
	1.2.1 Electricity consumption	18			
ASPECT: WATER					
G4-DMA	Our approach (Environmental policy, Management systems)	8	http://www.telekom.hu/about_us/society_and_environment		✓
	1. Climate and environmental protection	15-23	http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees		
G4-EN8	1.2.6 Biodiversity (Water consumption)	21			✓

	Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
G4-EN9	1.2.6 Biodiversity (Water consumption)	21		Note: the usage of groundwater is only a minor part of the total water consumption, the wells are not located in protected areas therefore we only report quantitative data.		✓
G4-EN10	1.2.6 Biodiversity (Water consumption)	21		Telekom does not perform water recycling activities.		✓
ASPECT: BIODIVERSITY						
G4-DMA	The aspect is not material.					✓
G4-EN11	1.2.6 Biodiversity (Water consumption)	21	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees			✓
G4-EN12	-			Whenever possible the Company avoids construction projects in protected or Natura 2000 areas.		✓
G4-EN13	-			Not relevant.		✓
G4-EN14	-			Not relevant.		✓
ASPECT: EMISSIONS						
G4-DMA	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	6, 8 15-23	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees			✓
G4-EN15	1.1. Climate protection and energy efficiency 1.2 Resources management	16-17 18-21				✓
G4-EN16	1.1. Climate protection and energy efficiency 1.2 Resources management	16-17 18-21				✓
G4-EN17	1.1. Climate protection and energy efficiency 1.1.3 Equipment in customers' premises 1.2.5 Paper consumption	16-17 17 20-21				✓
G4-EN18	1.1.2 Energy efficiency	17				✓
G4-EN19	1.1. Climate protection and energy efficiency 1.2 Resources management	16-17 18-21				✓
G4-EN20	-			ODS material: Magyar Telekom does not produce, export or import substances that damage the ozone layer. No leakage was detected from air-conditioning equipment. Due to the very low number of occurrences Telekom does not report this item.		✓
G4-EN21	1.3.4 Emissions into the air	23				✓
ASPECT: EFFLUENTS AND WASTE						
G4-DMA	Our approach (Environmental policy) 1. Climate and environmental protection	8 15-23	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees			✓
G4-EN22	1.2.6 Biodiversity (Water consumption)	21		Magyar Telekom Group only uses potable water for social purposes (we do not use water for technology purposes) therefore the quantity of sewage water output is the same as the potable water consumption.		✓
G4-EN23	1.3.1 Waste 1.3.2 Producer's responsibility	21-22 23				✓
G4-EN24				There was no significant leakage or unsupervised output.		✓
G4-EN25				Magyar Telekom does not import or export or manage hazardous waste.		✓
G4-EN26				Not relevant.		✓
ASPECT: PRODUCTS AND SERVICES						
G4-DMA	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	6, 8 15-23	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees			✓
G4-EN27	1. Climate and environmental protection 1.1 Climate protection and energy efficiency 1.2 Resources management 1.3.2 Producer's responsibility 2.2 ICT for sustainability	15-23 16-17 18-21 23 27-28	http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/vendors/information/main.vm			✓

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G4-LA2	Our approach (Human resources strategy) 5.1 Human rights, equal opportunities	7 41-43	The remuneration elements are determined by the position level (job grade) of the given position (base wage, bonus %, cafeteria, etc.).		✓																																			
G4-LA3	5.1 Human rights, equal opportunities	41-43			✓																																			
ASPECT: LABOR/MANAGEMENT RELATIONS																																								
G4-DMA	Our approach (Human resources strategy)	7	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 Strategic 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 Business Partners of the governance area are responsible for communication with the local employee representation bodies.		✓																																			
G4-LA4			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.		✓																																			
ASPECT: OCCUPATIONAL HEALTH AND SAFETY																																								
G4-DMA	Our approach (Human resources strategy)	7	Magyar Telekom looks at health and safety as a precondition of the success of the company that play an important role in the satisfaction of our employees as well as in the quality of work and corporate culture. That is the reason why the company is committed to operate the Workplace Healthcare and Occupational Safety Management System that ensures the successful fulfillment of the objectives. The results justify Telekom's work, i.e. as a result of the year 2015 audit the Company successfully renewed the MEBIR certification.		✓																																			
G4-LA5			a. Depending of the risk category of the respective areas the occupational safety risks - and interests - are weighted. In general the technical areas have the highest representation rate in the weighted structure. b. M 0.01% (81 persons), T-Systems: 0.01% (23 persons)		✓																																			

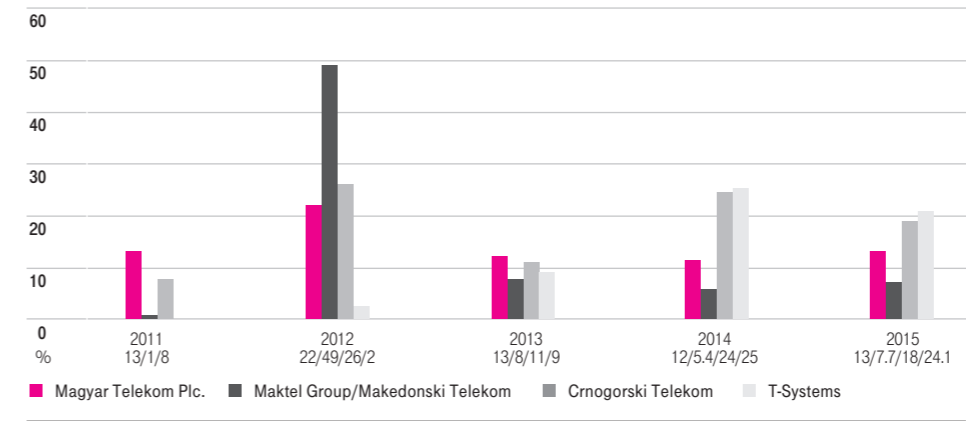
(29) There are no data available broken down to age and other indicators.

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance																																																																								
G4-LA6			<p>WORKPLACE ACCIDENTS AT MAGYAR TELEKOM GROUP ✓</p>  <table border="1"> <caption>Workplace Accidents at Magyar Telekom Group</caption> <thead> <tr> <th>Year</th> <th>Magyar Telekom Plc.</th> <th>Maktel Group/Makedonski Telekom</th> <th>Crnogorski Telekom</th> <th>Origo</th> <th>T-Systems</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>12</td> <td>8</td> <td>14</td> <td>1</td> <td>0</td> </tr> <tr> <td>2012</td> <td>27</td> <td>27</td> <td>3</td> <td>0</td> <td>0</td> </tr> <tr> <td>2013</td> <td>39</td> <td>5</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>2014</td> <td>29</td> <td>4</td> <td>5</td> <td>0</td> <td>0</td> </tr> <tr> <td>2015</td> <td>20</td> <td>3</td> <td>7</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>ACCIDENT RATIO FOR ONE THOUSAND EMPLOYEES ✓</p>  <table border="1"> <caption>Accident Ratio for One Thousand Employees</caption> <thead> <tr> <th>Year</th> <th>Magyar Telekom Plc.</th> <th>Maktel Group/Makedonski Telekom</th> <th>Crnogorski Telekom</th> <th>Origo</th> <th>T-Systems</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>2.11</td> <td>8.6</td> <td>6.2</td> <td>0</td> <td>0</td> </tr> <tr> <td>2012</td> <td>3.8</td> <td>16.3</td> <td>4.0</td> <td>1.63</td> <td>0</td> </tr> <tr> <td>2013</td> <td>3.99</td> <td>3.24</td> <td>7.32</td> <td>0.66</td> <td>0</td> </tr> <tr> <td>2014</td> <td>4.02</td> <td>2.93</td> <td>7.59</td> <td>1.99</td> <td>0</td> </tr> <tr> <td>2015</td> <td>2.9</td> <td>2.2</td> <td>11.4</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>In 2015 there was no occupational disease or fatal accident. Most frequent injuries are bruising and dislocation of limbs, Magyar Telekom Plc.: 52 injuries (10 female, 42 male): 20 cases with more than 3 lost workdays, 27 cases that did not involve loss of workdays, 5 unsubstantiated accidents, i.e. a total of 1031 lost workdays. Injury types: 39 technical and 13 office. T-Systems: There was no accident. Makedonski Telekom: 3 injuries with 62 lost workdays. Crnogorski Telekom: 7 injuries with 399 lost workdays. Telekom does not keep records on injuries at suppliers.</p>	Year	Magyar Telekom Plc.	Maktel Group/Makedonski Telekom	Crnogorski Telekom	Origo	T-Systems	2011	12	8	14	1	0	2012	27	27	3	0	0	2013	39	5	0	0	0	2014	29	4	5	0	0	2015	20	3	7	0	0	Year	Magyar Telekom Plc.	Maktel Group/Makedonski Telekom	Crnogorski Telekom	Origo	T-Systems	2011	2.11	8.6	6.2	0	0	2012	3.8	16.3	4.0	1.63	0	2013	3.99	3.24	7.32	0.66	0	2014	4.02	2.93	7.59	1.99	0	2015	2.9	2.2	11.4	0	0		✓
Year	Magyar Telekom Plc.	Maktel Group/Makedonski Telekom	Crnogorski Telekom	Origo	T-Systems																																																																								
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G4-LA7			<p>Prevention and screening examinations are important part of Magyar Telekom's prevention system. Within the frame of the system the Company requires the vaccination of employees who are exposed to thick bites. It is also important that within aptitude tests Telekom performs hearing and eye examinations. The company pays special attention to locomotor screening examinations too. Independently from the activities performed Telekom provides opportunities for heart and cardiovascular examinations as well. The Company elaborates technological processes to avoid electric shock accidents and to ensure the safety of work performed in heights. In the case of business trips abroad - if necessary - the relevant vaccination is determined.</p>		✓																																																																								
G4-LA8			<p>Besides determining the tasks and responsibilities of occupational safety representatives in the Occupational Safety Rules and Regulations, the competences of the Central Works Council also includes participation in measures to provide healthy and safe workplaces and to avoid accidents and occupational diseases. The regulatory function of the Central Works Council (Occupational Safety Rules and Regulations) guarantees that employees may work in a healthy and safe environment and the Council also has the right to express its opinion in such matters. The Occupational Safety Rules and Regulations determines the scope of personal protective equipment, the environment to provide healthy and safe workplaces that also ensures compliance with the effective legislation as well as the MSZ 280001 MEBIR safety standards.</p>		✓																																																																								

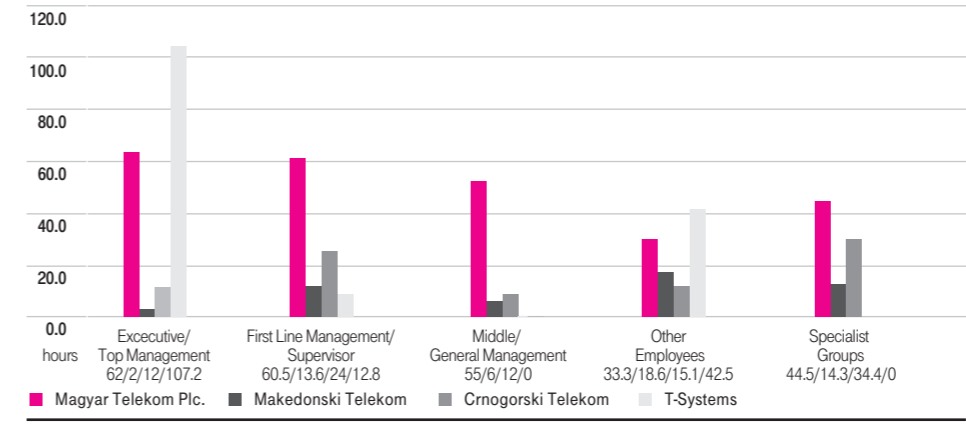
Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
ASPECT: TRAINING AND EDUCATION					
G4-DMA	Our approach (Human resources strategy)	7	Magyar Telekom Group lays much emphasis on constant training, development of its employees and supports the use of the acquired knowledge. Magyar Telekom Group is a decisive organization of Hungary's ICT sector. In this industry it is imperative to know and apply new trends, research results both at employee and managerial levels. The development plans are based on the alignment of the company's strategic objectives and the individuals' development targets.		✓

G4-LA9					✓
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RATIO OF DISTANCE LEARNING AT MAGYAR TELEKOM GROUP ✓



ANNUAL AVERAGE TRAINING HOURS PER CAPITA, BROKEN DOWN TO EMPLOYEE CATEGORIES AT MAGYAR TELEKOM GROUP IN 2015



Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance																														
G4-LA9			<p>STUDENT DAYS PER CAPITA AT MAGYAR TELEKOM GROUP ✓</p> <table border="1"> <caption>Student Days per Capita Data (Estimated)</caption> <thead> <tr> <th>Year</th> <th>Magyar Telekom Plc.</th> <th>Maktel Group / Makedonski Telekom</th> <th>Crnogorski Telekom</th> <th>T-Systems</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>11</td> <td>4</td> <td>7</td> <td>8</td> </tr> <tr> <td>2012</td> <td>10</td> <td>4</td> <td>6</td> <td>3</td> </tr> <tr> <td>2013</td> <td>6</td> <td>1</td> <td>22</td> <td>7</td> </tr> <tr> <td>2014</td> <td>6</td> <td>1</td> <td>3</td> <td>10</td> </tr> <tr> <td>2015</td> <td>5</td> <td>2</td> <td>3</td> <td>7</td> </tr> </tbody> </table>	Year	Magyar Telekom Plc.	Maktel Group / Makedonski Telekom	Crnogorski Telekom	T-Systems	2011	11	4	7	8	2012	10	4	6	3	2013	6	1	22	7	2014	6	1	3	10	2015	5	2	3	7		✓
Year	Magyar Telekom Plc.	Maktel Group / Makedonski Telekom	Crnogorski Telekom	T-Systems																															
2011	11	4	7	8																															
2012	10	4	6	3																															
2013	6	1	22	7																															
2014	6	1	3	10																															
2015	5	2	3	7																															
G4-LA10	5.1 Human rights, equal opportunities	41-43	<p>The company's management has been using its best efforts to devote 1.5-2% of the personnel expenses to the training and development of managers and employees. 2015 was an outstanding year in terms of trainings and education because the management of the company increased the annual training budget with 50%, i.e. the management would like to offer even more opportunities to employees to have access to the latest developments of their professional fields. Besides, Telekom also strengthened the internal knowledge sharing system (Knowledge Stock Exchange, Employee Academy). Training plans at business unit level define the direction of development activities, professional training courses, skills and cooperation development programs, management development events and conferences of the given year. Coaching is a key management development and culture forming tool at Magyar Telekom both for individuals and groups. Telekom elaborated the corporate mentoring system with the focus on knowledge sharing and self-development. The company also supports its employees in their studies, pursued in the framework of the state education system by concluding study contracts with them, thus providing financial subsidy and some reduction of working hours. In 2015, Magyar Telekom concluded a total of 106 study contracts. Out of them 14 covered school training, the others were related to training courses or agreements containing mutual commitments. Upon registration the employees involved in downsizing could use the following services: two-day labor market training course in groups, support in active job search, financial support to training and retraining activities to meet labor market requirements, personal psychological and labor law consulting, as well as follow-up activities and monitoring participants' potential placement are also granted.</p>		✓																														
G4-LA11			<p>In 2015 almost 100% of Magyar Telekom Plc. employees participated in the centrally operated performance management system (TM). The majority of the member companies apply the same TM-KMR system as the parent company does, or run their own performance assessment system to assess the employees' performance and professional development. In the career management (KMR) system not only the employees' professional performance, but also their personal competences and the performance-potential are assessed and the areas of future development are also planned jointly by the relevant manager and the employee. The system does not store information on the gender of employees therefore it is not possible to assess the male - female ratio of the evaluated staff.</p>		✓																														
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY																																			
G4-DMA	Our approach (Human resources strategy)	7			✓																														
	5.1 Human rights, equal opportunities	41-43																																	
G4-LA12	5.1 Human rights, equal opportunities	41-43			✓																														
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN																																			
G4-DMA	Our approach (Human resources strategy)	7			✓																														
	5.1 Human rights, equal opportunities	41-43																																	
G4-LA13	5.1 Human rights, equal opportunities	41-43			✓																														
ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES																																			
G4-DMA	Our approach (Sustainability strategy)	6			✓																														
	3. Suppliers	30-33																																	
G4-LA14	3. Suppliers	30-33	https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm		✓																														
G4-LA15	3. Suppliers	30-33			✓																														

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-DMA	Our approach (Human resources strategy) 5. Employees 7.2 Regulatory compliance	7 40-45 53			✓
G4-LA16			On January 1, 2015 there were 12 pending labor law litigations. In 2015 three more cases were launched and 11 cases were postponed/ carried over to 2016.		✓
SUB-CATEGORY: HUMAN RIGHTS					
ASPECT: INVESTMENT					
G4-DMA	Our approach (Sustainability strategy) 3. Suppliers	6 30-33			✓
G4-HR1	3. Suppliers	30-33	https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm		✓
G4-HR2	5.1 Human rights, equal opportunities	41-43	In 2010 an external, independent party audited the Compliance program and they issued a certificate on Telekom's compliance with the external expectations and the system itself. In 2013 the Company reviewed the program, involving other areas, like the 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 is certified by Ernst&Young, as an independent external auditor. In 2012 every employee of Magyar Telekom Group had to update their 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 2015 a total of 2264 persons were given remote training and 84% successfully completed them. Since 2008 Magyar Telekom Group employees have completed a total of 61,179 remote-learning compliance courses.		✓
ASPECT: NON-DISCRIMINATION					
G4-DMA	Our approach (Human resources strategy) 5. Employees	7 40-45	https://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_8April2011_web.pdf https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf		✓
G4-HR3			In 2015 a total of 3 complaints were made - and the relevant procedures were launched - against the Company by the Equal Opportunity Authority for discriminative practices.		✓
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	Our approach (Human resources strategy) 3. Suppliers 5. Employees	7 30-33 40-45	https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf		✓
G4-HR4	3. Suppliers 5.1 Human rights, equal opportunities	30-33 41-43			✓
ASPECT: CHILD LABOR					
G4-DMA	3. Suppliers 5.1 Human rights, equal opportunities	30-33 41-43	https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf		✓
G4-HR5	3. Suppliers 5.1 Human rights, equal opportunities	30-33 41-43			✓
ASPECT: FORCED OR COMPULSORY LABOR					
G4-DMA	3. Suppliers 5.1 Human rights, equal opportunities	30-33 41-43	https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf		✓
G4-HR6	3. Suppliers 5.1 Human rights, equal opportunities	30-33 41-43			✓
ASPECT: SECURITY PRACTICES					
G4-DMA	The aspect is not material.				✓
G4-HR7	-				✓

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
ASPECT: INDIGENOUS RIGHTS					
G4-DMA	The aspect is not material.				✓
G4-HR8	-				✓
ASPECT: ASSESSMENT					
G4-DMA	3. Suppliers	30-33			✓
	5.1 Human rights, equal opportunities	41-43			
G4-HR9	3. Suppliers	30-33	https://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_8April2011_web.pdf		✓
	4.2. Involvement of our customers	37-39	http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlosegi_Terv_2013_2015_en.pdf		
	5.1 Human rights, equal opportunities	41-43			
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	Our approach (Sustainability strategy)	6			✓
	3. Suppliers	30-33			
G4-HR10	3. Suppliers	30-33	https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm		✓
G4-HR11	3. Suppliers	30-33			✓
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS					
G4-DMA	Our approach (Human resources strategy)	7	https://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_8April2011_web.pdf		✓
	5. Employees	40-45	https://www.telekom.hu/static-tr/sw/file/Social_Charter.pdf		
G4-HR12				In 2015 there was no such case.	✓
SUB-CATEGORY: SOCIETY					
ASPECT: LOCAL COMMUNITIES					
G4-DMA	2.1 Closing the digital divide	25-27			✓
	4.2 Involvement of our customers	37-39			
	5.2 Involvement of our employees	44-45			
G4-S01	2.1 Closing the digital divide	25-27	facebook.com/okosdigitalis		✓
	2.2 ICT for sustainability	27-28	facebook.com/digitalishid		
	2.3 Innovation for sustainability	28-29	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary		
	2.4 Protection of our children in the digital age	29			
	4.2 Involvement of our customers	37-39			
	5.2 Involvement of our employees	44-45			
G4-S02			http://www.telekom.hu/about_us/company/telekom-for-digital-hungary	In the case of network development efforts the physical construction of the network make cause inconvenience to the residents.	✓
ASPECT: ANTI-CORRUPTION					
G4-DMA			https://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_8April2011_web.pdf	In 2012 every employee of Magyar Telekom Group had to update their 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 2015, 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.	✓
G4-S03				Our yearly Compliance Risk Assessment (CRA) addresses active and passive corruption separately. It always includes Magyar Telekom, T-Systems, Makedonski Telekom and Crngorski Telekom. Other subsidiaries may be included on an ad-hoc basis based on inputs coming from compliance investigations. The CRA covers the before mentioned companies entirely (100%).	✓

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
G4-SO4			<p>a. number and proportion of the members of management bodies to which the organization's anticorruption policy and processes have been communicated, broken down to regions: 100%, all regions, Magyar Telekom: 7 persons</p> <p>b. number and proportion of employees to whom the organization's anticorruption policy and processes have been communicated, broken down to employee categories and regions: 100%, all regions</p> <p>c. number and proportion of business partners to which the organization's anticorruption policy and processes have been communicated, broken down to business partner type and region: 100%, Magyar Telekom's current business partners</p> <p>d. number and proportion of management organizations that were trained on anticorruption, broken down to regions: 100%, all regions, Magyar Telekom: 7 persons</p> <p>e. number and proportion of employees who were trained on anticorruption, broken down to employee a category and region: Magyar Telekom Plc.: 2264 persons, in 2015 84% of new entrants completed the course successfully.</p>		✓
G4-SO5			<p>a. number of confirmed corruption incidents: 0</p> <p>b. number of cases as a result employees have been dismissed or were subject to disciplinary measures due to corruption: 0</p> <p>c. number of incidents as a result contracts were terminated or were not prolonged with business partners due to corruption: 0</p> <p>d. public legal action initiated in the reporting period against organizations or employees due to corruption: 0</p>		✓
ASPECT: PUBLIC POLICY					
G4-DMA			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, are given the opportunity to comment draft laws and industry-specific strategies. The ministries and authorities supervising the industry 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 e.g. the Telecommunication Reconciliation Council, 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.		✓
G4-SO6		http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees https://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_8April2011_web.pdf	The Company has no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2015, which is in full compliance with the detailed stipulations set forth in the Code of Conduct - Paragraph [3.1.1 and 3.1.4].		✓
ASPECT: ANTI-COMPETITIVE BEHAVIOR					
G4-DMA			Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strive to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing our processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations.		✓
G4-SO7			In 2015 no fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes. In 2015 there was one Competition Office proceeding initiated against Telekom, which is still pending.		✓
ASPECT: COMPLIANCE					
G4-DMA			Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strives to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations.		✓
G4-SO8			In 2015 the National Media and Info-Communications Authority conducted several individual complaint and general/overall market supervision proceedings against our company. Within the frame of general market supervision proceedings the authority imposed HUF 180 million HUF whereas in the case of subscriber complaints a total of 354 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2015 the total amount of fines were HUF 43.8 million.		✓
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	Our approach (Sustainability strategy)	6			✓
	3. Suppliers	30-33			
G4-SO9	3. Suppliers	30-33	http://www.telekom.hu/about_us/about_magyar_telekom/procurement		✓
G4-SO10	3. Suppliers	30-33			✓

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-DMA			Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strives to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations.		✓
G4-SO11			In 2015 the National Media and Info-Communications Authority conducted several individual complaint and general/overall market supervision proceedings against the Company. Within the frame of general market supervision proceedings the authority imposed HUF 180 million HUF whereas in the case of subscriber complaints a total of 354 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2015 the total amount of fines were HUF 43.8 million.		✓
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-DMA	2.4 Protection of our children in the digital age	29	Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called 'EMF Policy Recommendations', with special emphasis on transparency, information provision, support of and involvement in research. Magyar Telekom applies the relevant Deutsche Telekom recommendation as mandatory regulation since 2004, T-Mobile Macedonia since March, 2011, and the Management Committee of Crnogorski Telekom adopted the company's EMF regulations aligned to the DT regulations on October 27, 2011. To support preventive action both Magyar Telekom and T-Mobile Macedonia set up dedicated workgroups, which meet quarterly and monitor EMF-related national and international developments and respond to the EMF-related queries of the authorities, residents or employees.		✓
G4-PR1			Magyar Telekom did not identify such impacts.		✓
G4-PR2			The number of health and safety incidents regarding products and services, involving disorderly operating equipment or the breach of internal policies were as follows: penalty or fine due to disorderly operation of equipment: 0 warning due to disorderly operation of equipment: 0 internal warning due to disorderly operation of equipment: 0		✓
ASPECT: PRODUCT AND SERVICE LABELING					
G4-DMA	Our approach (sustainability strategy) 2.2 ICT for sustainability 4.3 Informing our customers	6 27-28 39			✓
G4-PR3	Our approach (sustainability strategy) 1.3.1 Waste 1.3.2 Producer's responsibility	6 21-22 23	The information related to electromagnetic fields (SAR values) can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.		✓
G4-PR4			The Company did not identify such incidents.		✓
G4-PR5	4.1 Customer satisfaction	35-37			✓
ASPECT: MARKETING COMMUNICATIONS					
G4-DMA	4.3 Informing our customers	39			✓
G4-PR6			Magyar Telekom Group does not sell prohibited or debated products.		✓
G4-PR7			In 2015 a consumer protection - e.g. marketing communication - proceeding was initiated against Telekom due to the alleged breach of the relevant rules before the Competition Office which is still pending and no fine has been imposed.		✓
ASPECT: CUSTOMER PRIVACY					
G4-DMA		https://www.telekom.hu/about_us/data_protection	Within the frame of the development and provision of services Magyar Telekom pays increased attention to the protection of its customers' and business partners' personal data. Magyar Telekom controls personal data in accordance with the provisions of the effective Hungarian laws, the recommendations of the Hungarian National Authority for Data Protection and Freedom of Information as well as the European Union's data protection guidelines. The company guarantees the safety of personal data with high-priority security, IT, technical and organizational measures. The company joined those Deutsche Telekom Group member companies that adopted Deutsche Telekom Group's Binding Corporate Rules Privacy as a binding policy.		✓
G4-PR8			In 2013 Magyar Telekom received requests and complaints from the Hungarian National Authority for Data Protection and Freedom of Information or directly from the customers, which were duly investigated by the Data Protection Group of Magyar Telekom, and the findings were reported both to the complaining customer and the Hungarian National Authority for Data Protection and Freedom of Information. In 2015 Telekom received 16 requests, to investigate personal data management complaints and only 4 of these were found to have a ground. Based on the results of the investigation, the Company reviews the processes and makes the necessary adjustments.		✓

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
ASPECT: COMPLIANCE					
G4-DMA			Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strives to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations.		✓
G4-PR9			In 2015 the National Media and Info-Communications Authority conducted several individual complaint and general/overall market supervision proceedings against the Company. Within the frame of general market supervision proceedings the authority imposed HUF 180 million HUF whereas in the case of subscriber complaints a total of 354 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2015 the total amount of fines were HUF 43.8 million.		✓
TELECOMMUNICATION SECTOR SPECIFIC INDICATORS					
CATEGORY: INTERNAL OPERATIONS					
ASPECT: INVESTMENT					
IO 1.	Letter from the CEO 2.1 Closing the digital divide	3-4 25-27			✓
IO 2.			Not relevant.		✓
ASPECT: HEALTH AND SAFETY					
IO 3.		http://www.emf-portal.hu/portal/	According to the Company's common practice, at base station antennas are installed in a way that employees normally cannot stay in front of them, they cannot and do not have to work in the relevant zone, and passage ways do not cross the areas in question. If, in extraordinary cases, people must pass or work in front of the antennas - which usually occurs with external contractors' work, e.g. when renovating a building, safety distance data are made available. If necessary, site measuring can be conducted, or in justified cases the antennas can be temporarily relocated or the performance of the transmitter can be reduced. If a Magyar Telekom employee performing work in the vicinity of an antenna detects unidentified signal source, he will use his RADMAN personal radiation detector to determine the boundaries of safe zone and prevent health risk. Compliance with the value limits defined by law for Magyar Telekom mobile network is audited and certified by independent measurement bodies. In 2015, 13 on-site non-ionization electromagnetic exposure measurements were made, all of which found the emission levels to be under the relevant limits. In the framework of the company's overall education program, new employees are informed about matters concerning electromagnetic fields as part of their mandatory orientation training. The adaptation of the year 2014 amendments of the law regulating industrial climbing was completed in 2015 upon the Work Safety Regulation's entry into force. The applicable law requires the formal education of employees ("OKJ" training) who do not have the relevant educational background. In 2015 the effected employees have started the necessary formal education.		✓
IO 4.		http://www.emf-portal.hu/portal/	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 regulations in Hungary are compliant with the EU regulation on electromagnetic fields.		✓
IO 5.		http://www.emf-portal.hu/portal/	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 regulations in Hungary are compliant with the EU regulation on electromagnetic fields.		✓
IO 6.		http://www.emf-portal.hu/portal/	Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called 'EMF Policy Recommendations', with special emphasis on transparency, information provision, support of and involvement in research. Magyar Telekom applies the relevant Deutsche Telekom recommendation as mandatory regulation, T-Mobile Macedonia since 2004 and Crnogorski Telekom since 2011, too. The information related to electromagnetic fields (SAR values) can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.		✓
ASPECT: INFRASTRUCTURE					
IO 7.	1.2.6 Biodiversity	21	The company consults and cooperates with the relevant stakeholders in each and every case when building new base stations. If needed, citizens' forums are held with the participation of all concerned parties to reach an agreement.		✓
IO 8.	1.2.6 Biodiversity	21			✓

Chapter in Sustainability Report 2015	Page Number	Website	Direct Answer	Omission	External Assurance
CATEGORY: PROVIDING ACCESS					
ASPECT: ACCESS TO TELECOMMUNICATION PRODUCTS AND SERVICES: BRIDGING THE DIGITAL DIVIDE					
PA 1.	2.1 Closing the digital divide	25-27			✓
PA 2.	2.1 Closing the digital divide 2.4 Protection of our children in the digital age	25-27 9			✓
PA 3.			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. Magyar Telekom strives to ensure continuous availability with regular technological upgrades and with the provision of spare devices, setting the target of improving customer experience.		✓
PA 4.	2.1 Closing the digital divide (Partnership for Digital Hungary) Key operating statistics of Magyar Telekom Group	26-27 54-56			✓
PA 5.	2.1 Closing the digital divide	25-27			✓
PA 6.	Our approach (Management systems) 2.2 ICT for sustainability	8 27-28			✓
ASPECT: ACCESS TO CONTENT					
PA 7.	2.4 Protection of our children in the digital age	29	http://www.telekom.hu/static-ut/sw/file/Etikai_Kodex_en.pdf	There is an effective service contract and a Code of Ethics in place between the content providers and Magyar Telekom that regulate the terms and conditions of providing services, however, it does not contain provisions on the content.	✓
ASPECT: CUSTOMER RELATIONS					
PA 8.			http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety	As a result of the three mobile operators' cooperation a new website - EMF portal (http://www.emfportal.hu) - was created in 2006 where questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements ordered by the operators from external organizations.	✓
PA 9.			http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety	In 2015 Magyar Telekom, together with OSSKI, performed a joint radiofrequency microenvironment and human exposure survey. All measurement results were significantly below the ICNIRP threshold limit. Every national affiliate of Deutsche Telekom is committed to supporting independent research aimed at extending the Company's knowledge on the impacts of electromagnetic fields. Magyar Telekom, as a member of the GSM Association, continuously supports GSM's research in every year through its membership fee. This makes Deutsche Telekom Group one of the biggest supporters of research on this subject.	✓
PA 10.	4.3 Informing our customers	39			✓
PA 11.	1.1 Climate protection and energy efficiency 1.3.2 Producer's responsibility 2.2 ICT for sustainability 2.3 Innovation for sustainability	16-17 23 27-28 28-29	https://www.telekom.hu/about_us/society_and_environment/environment/management_systems		✓
CATEGORY: PROVIDING ACCESS					
ASPECT: RESOURCE EFFICIENCY					
TA 1.	1.1 Climate protection and energy efficiency 2.2 ICT for sustainability	16-17 27-28			✓
TA 2.	1.1 Climate protection and energy efficiency 1.2.2 Fleet management, fuel consumption 1.2.5 Paper consumption 2.2 ICT for sustainability 2.3 Innovation for sustainability	16-17 18-19 20-21 27-28 28-29			✓
TA 3.	1.2.2 Fleet management, fuel consumption 2.2 ICT for sustainability	18-19 27-28			✓
TA 4.	1.2.5 Paper consumption 2.2 ICT for sustainability	20-21 27-28			✓
TA 5.				Magyar Telekom respects intellectual property and observes the provisions of the relevant law. All software used by Magyar Telekom are procured from lawful sources and are used in accordance with the provisions of law.	✓

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

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

GLOBAL COMPACT PRINCIPLES	CHAPTER
1. Support and respect the protection of internationally proclaimed human rights	3, 5.1, 7.3
2. Make sure that they are not complicit in human rights abuses	3, 5.1, 7.3
3. The freedom of association and the effective recognition of the right to collective bargaining	3, 5.1, 7.3
4. The elimination of all forms of forced and compulsory labour	3, 5.1
5. The effective abolition of child labour	3, 5.1
6. The elimination of discrimination in respect of employment and occupation	Our Approach, 3, 5.1
7. Support a precautionary approach to environmental challenges	Our Approach, 1, 3
8. Undertake initiatives to promote greater environmental responsibility	Our Approach, Stakeholders, 1, 2.3, 3, 4.2, 5.2, 6.2, 6.3,
9. Encourage the development and diffusion of environmentally friendly technologies	Our Approach 1, 2.2
10. Work against corruption in all its forms, including extortion and bribery	3, 7.3



LIST OF ABBREVIATIONS

Abbreviation	Full name
AD	akcionarsko dioničarska (private company limited by shares)
ADSL	asymmetric digital subscriber line
AG	Aktiengesellschaft (Company limited by shares)
AOSZ	National Association of autism
BB	broadband
BCM	Business Continuity Management System
BME	Budapest University of Technology and Economics
BTL	Below the line
CC	call center
CDP	Carbon Disclosure Project
CEERIUS	Central and Eastern European Responsible Investment Universe
CEMP	Central European Media and Publishing
CEO	chief executive officer
CER	Certified Emission Reduction
CES	customer effort score
CEX	Customer Experience
CHRO	Chief Human Resources Officer
CNE	Customer Network Experience
Co.	company
CO ₂	carbon dioxide
CPE	Customer Premise Equipment
CPEx	direct electronic procurement transactions
CRA	Compliance Risk Analysis
CRM	customer relationship management
CRT	Cathode Ray Tube
CT	Crnogorski Telekom
CSR	Corporate Social Responsibility
DNFP	Digital National Development Program
DSL	digital subscriber line
DT	Deutsche Telekom

Abbreviation	Full name
DTAG	Deutsche Telekom Aktiengesellschaft (Company limited by shares)
DWP	Digital Welfare Program
EC	Economic Performance Indicators
eDM	electronic direct marketing
ÉFOÉSZ	Hungarian Association for Persons with Intellectual Disability
EFOTT	University and college students' national tourist meeting
EMF	Electromagnetic Fields
EN	Environmental Performance Indicators
ETNO	European Telecommunications Network Operators' Association
EU	European Union
FGSM	Fixed Global System for Mobile Communications
FINA	International Swimming Federation
FN	Sustainability Day
FTC	Ferencvárosi Torna Club (football club)
FTSE4GOOD	Financial Times Stock Exchange sustainability index
Gbit	gigabit (1000 000 000 bits)
GC	Global Compact
GeSI	Global e-Sustainability Initiative
GHG	Green House Gases
GmbH	Gesellschaft mit beschränkter Haftung (limited liability company)
GRI	Global Reporting Initiative
GSCC	Group Sustainability Coordination Council
GSM	Global System for Mobile Communication
GSMA	GSM Association
GWh	gigawatthour
HBLF	Hungarian Business Leaders Forum
hh!	hello holnap! initiative
HOC	Hungarian Olympic Committee
HR	Human Resources
HUF	Hungarian Forint

Abbreviation	Full name
ICCA	International Customer Contact Analysis
ICT	information and communication technology
IO	Internal Operations
IoT	internet of things
IP	Internet Protocol
IPTV	Internet Protocol TV
ISDN	Integrated Services Digital Network
ISO	International Organization for Standardization
IT	Information technology
IVR	interactive voice response
IVSZ	ICT Association of Hungary
JAC	Joint Audit Cooperation
KÉK	Kortárs Építészeti Központ (NGO)
KFKI	Central Physical Research Institute
Kft.	limited liability company
KIBU	Kitchen Budapest
KIR	Environmental management systems
KPI	key performance indicators
kW	kilowatt
kWh	kilowatt-hour
LA	Labour Practices and Decent Work Performance Indicators
LED	Light Emitting diode
LLC	limited liability company
Ltd.	private company limited by shares
LTE	long term evolution
MakTel	Makedonski Telekomunikacii
Mbps	Megabit per secundum
MC	Management Committee
MEOSZ	National Federation of Disabled Persons' Associations
MHz	Megahertz

Abbreviation	Full name
MKT	Makedonski Telekom
MSAN	multi-service access node
MSZ	Hungarian Standard
MT	Magyar Telekom
MTA	Hungarian Academy of Sciences
MVGYOSZ	Hungarian Federation of the Blind and Partially Sighted
MVM	Magyar Villamos Művek (hungarian energy company)
MWh	megawatt-hour
NatCo	National Company
NFC	Near Field Communication
NG	Next Generation
NGO	non-governmental organization
NOx	nitrogene oxids
OHSAS	Occupational Health and Safety Management System
PhD	philosophie doctor
Plc.	public limited company
PR	Public relation
PR	Product Responsibility Performance Indicators
PSTN	public switched telephone network
PwC	PricewaterhouseCoopers
R&D	Research and Development
RPC	number of subscribers
SAP	Systems, Analysis and Program Development
SINOSZ	Hungarian Association of the Deaf and Hard of Hearing
SME	small and medium enterprises
SMS	short message service
SO	Social Performance Indicators
SOx	sulfur oxids
SSC	Shared Service Center
TCG	Telekom Crne Gore/Crnogorski Telekom/Telekom Montenegro

Abbreviation	Full name
TM	Performance management
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
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNICEF	United Nations International Children's Emergency Fund
USD	USA dollar
VFK	Corporate sustainability Center
VÜK	Enterprise customer support unit
WWF	World Wildlife Fund

IMPRESSUM

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