

A woman with long brown hair tied back, wearing a light blue t-shirt and grey shorts, is sitting on a mossy rock by the edge of a large, clear blue lake. She is holding a smartphone up to take a picture of the surrounding landscape. The background features a vast, green mountain valley with a small town visible in the distance under a clear sky.

SUSTAINABILITY REPORT 2019



EGYÜTT. VELED



LETTER FROM THE CEO

DEAR READER,

For Telekom, sustainability is not solely about meeting requirements, observing standards and fulfilling criteria, but a mindset that is a part of our overall operations, philosophy and strategy. I trust that our Sustainability Report regarding 2019 confirms and underlines this statement, and provides an authentic proof of Telekom's commitment to sustainability to all readers.

Being a telecommunications, ICT company, we are in the fortunate position to be able to firmly and honestly claim that through our operations and services we truly make the world a better place. That is not an unfounded belief or wishful thinking on our behalf: we know and experience every day that digitalization is the tool that helps us overcome the social, economic and environmental challenges that have accumulated and piled up in front of us by now. Here, at Telekom we firmly believe that we have something to give to the world that can stop the current trend or even turn it around, and that is digitalization.

Our company does not shy away from serious undertakings. By means of our services, we wish to support our customers in becoming the winners in their lives, to enable them to get in contact with each other, conduct their business, work and have fun whenever and however they wish to – to make their lives more efficient, economical, effective, in one word: smarter. But we do not stop there. We have undertaken to digitize Hungary, and to build a gigabit society. We feel responsible for our direct environment. Therefore, it is our goal to enable the local economy and the population of the country to utilize the benefits of digitalization in their efforts to grow and prosper. As we stated in Telekom's Sustainability Strategy encompassing the years from 2016 through

2020: our company assumes responsibility and commits to pursue its operations, corporate governance and overall activities in a way to generate a positive effect upon the society, the environment and the economy. We do that along four foci: climate protection, education, digital sustainability and diversity.

These demanding goals require full dedication. By their nature, they call for adaptability and change, and we have undertaken to implement them. We wanted to become more sensitive to the needs of our customers, and we wished to make our internal processes more dynamic, as well as to improve the efficiency of our developments and operation. The agile transformation has not even been completed, yet, but Telekom has already visibly changed, and has become a company whose every segment is renewed. The change was also necessary for us to be able to deliver 1 million gigabit connections in 2019, which is more than ever before, as well as to position ourselves among the best in Europe in terms of the development of our state-of-the-art fiber network.

Digitalization helps to make the world a better place, but we must admit that the development and operation of technology are energy-intensive processes. That is exactly why we consider it a major achievement that our operations had been carbon-neutral for the fifth year in a row last year: the company has improved its energy-efficiency, modernized its network and data centers, and increased the ratio of hybrid and electric cars in its fleet. Telekom powers several of its infrastructures by solar energy, and gives preference to sustainable ICT products and services as part of its operations. The company purchases its total Hungarian power consumption from renewing sources, and neutralizes its emis-

sions generated by fossil fuel consumption by supporting green projects.

In the past three years, in order to increase the volume of green energy generated by the company itself, Telekom installed solar panels at Budapest and Szeged, which enabled the launch of the community solar panel project among the employees. We extended the program also to customers in 2019: the approximately 80 000 customers opting for the ExtraNet Green 1 GB data extension package can constantly monitor the performance of the solar panel systems they support, as well as promote the installation of further solar panels by their choice, as Telekom finances its following such projects from the revenue thus generated.

Another important step is that in 2019 we updated our long-term emissions targets set for 2030 in line with IPCC's 1.5°C scenario, which has also been approved by the Science Based Target initiative.

We also do our best in the area of our internal operations to decrease the emissions detrimental to the environment. We defined another major undertaking in 2019 by deciding to stop using disposable plastic. The target of the Plastic Free Telekom program is to decrease the volume of PET by 80% by the end of 2020, reduce the ratio of disposable plastic to zero, and to replace all polystyrene that come from our supplier chain.

While striving to reduce our environmental footprint, we have not forgotten about the social dimension of sustainability either. Telekom assumes an active role in the digital education of different layers of society, by which we contribute to the goal of enabling the greatest possible number of people to benefit from the opportunities offered by our services. As part of the Become a member of Generation NOW! program, close to 70 customized sessions were held in the high-schools of nine towns last year, where students taught members of the elder generation how to use features of the digital world. Though the young are better at handling those features, we also set the goal to protect them from the online threats specifically targeted young users, and we have stood up, among others in our commercial communication, against online harassment, fake news and violation of privacy.

At Magyar Telekom, we continuously work on creating an open, inclusive and safe workplace for everyone. As part of our commitment to equal opportunity and a discrimination-free corporate culture, we created the first unconscious bias awareness training in Hungarian, which we offered not only to our employees, but by making it a publicly available course on our website, we also supported others in their endeavors to fight against discrimination. Telekom continues to support the UN Global Compact targets, and we report, along the goals primarily relevant to our operations, about our commitment to the Sustainable Development Goals (SDG), too.

Global developments, like the shift of investment funds' focus to ESG (environmental, social and governance) performance or the

Green Deal package announced by the European Commission, which is aimed at establishing a more sustainable economic and social structure, all point to the direction that companies' sustainable operation in increasingly becoming a requirement posed by all stakeholders. That is another reason why we find the assessment of responsible investment analysts evaluating Magyar Telekom an important feedback.

In 2019, we held our position being a member of the FTSE4Good indexes, the assessment related to which put the company among the top 1% best performers of the sector. And from MSCI ESG Research, we received an AA rating on a scale from CCC to AAA. We took part in the Carbon Disclosure Project in 2019, too, in the framework of which the biggest corporations of the world report about their climate protection approach, related risks and opportunities, as well as their CO₂ emission levels to investors. We have got our assessment from ISS ESG responsible investor analysts already at the beginning of 2020, which put the company among the top three best performers of the sector with a "B" Prime rating. Assessments like the above are also important for us, because 45% of Magyar Telekom's free-float shares are held by responsible investors.

The year 2019 seems to be a watershed from many aspects not only for Magyar Telekom, but also for the whole of international economy and society. Sustainability has become a household term, about which not only careful warnings and forecasts are published, but specific requirements and urgent demands are also made. I personally also believe that steadfast and decisive measures are needed affecting economy and society alike, because measures adopted for the sake of appearances only cannot address the enormous threat we are facing. My above statement applies here, too: demanding tasks call for adaptability and change. I hope that the measures adopted by Telekom serve as examples for others, and urge them to accept the same responsibility in their own operations.

Budapest, April 7 2020

TIBOR RÉKASI
Chief Executive Officer

