

A woman with long brown hair tied back, wearing a light blue t-shirt and grey shorts, is sitting on a mossy rock ledge. She is holding a smartphone up to take a picture of a vast, scenic landscape. The landscape features a large, calm lake in the foreground, a small town nestled in a valley in the middle ground, and towering, forested mountains in the background under a clear blue sky. The scene is bright and sunny.

SUSTAINABILITY REPORT 2019



EGYÜTT. VELED



5.

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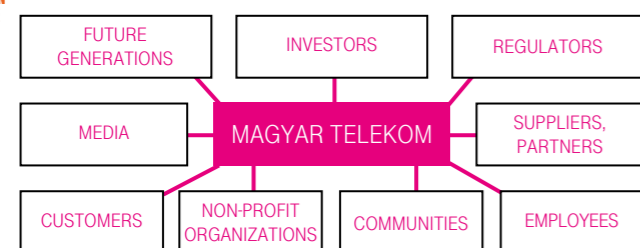


17 PARTNERSHIPS FOR THE GOALS



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 maintains continuous contact with them to ensure that their interests are taken into consideration in the course of its operations. Their opinion and critical comments are important for us in respect of our sustainability activities. We had the opportunity to meet with our stakeholders on several occasions at forums and surveys as well as in person where we could discuss our sustainability activities and challenges.

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



STAKEHOLDER SURVEY

As part of the preparation process of Magyar Telekom's Corporate Sustainability Report we rely on our preliminary research findings and regularly monitor the opinions of our stakeholders concerning the importance of our sustainability topics. We conduct an annual survey aiming to find out how different stakeholder groups evaluate the corporate sustainability practices of our company. Our questionnaire offers the rating of 37 topics on a 1-5 scale where 1 stands for the least important and 5 for the most important topic. The analysis and evaluation of the answers plays a crucial role in the evaluation and materiality rating of our sustainability activities for this report. All topics are important contributing elements to the successful delivery of our strategic goals, nevertheless we pay particular attention to those that our stakeholders pointed to with high level and medium level importance.

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

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

Telekom from where its sustainability activities and approach are accessible,

- which global Sustainable Development Goals (SDGs) should Magyar Telekom consider as priorities, based on its activities.

The latest survey, conducted in December 2019, shows that most of our stakeholders consider climate protection and energy efficiency, waste management and informing our customers. In the areas of ICT-relevant scientific achievements, they underlined the importance of climate protection and innovation, which we address in our report in separate subchapters.

As to risks and opportunities, the responders mentioned climate protection, electromagnetic fields and circular economy. Our stakeholders found that Telekom can mainly contribute to the achievement of SDG4: Quality Education, SDG11: Sustainable cities and communities and SDG8: Decent Work and Economic Growth.

TOPICS EVALUATED BY THE STAKEHOLDER GROUPS AND THEIR IMPORTANCE

	Regulator	NGO	Employee	Media	Customer	Future generation	Supplier/partner	Investor	Local community	Average
Climate protection and energy efficiency	3,60	3,48	3,56	3,20	3,05	2,82	2,95	2,80	2,44	3,10
Wastes	3,60	3,48	3,38	3,20	2,85	2,82	2,98	2,65	2,38	3,04
Informing of customers	3,20	3,48	3,35	3,20	2,71	2,74	3,00	2,45	2,36	2,94
Emissions	3,60	3,38	3,22	2,87	2,81	2,70	2,95	2,60	2,29	2,94
Protection of minors in Digital Age	3,60	3,30	3,64	2,53	2,82	2,88	2,88	2,40	2,29	2,93
Environmental targets, costs and compliance	3,60	3,42	3,20	3,20	2,75	2,76	2,45	2,65	2,15	2,91
Cooperation in environmental and social issues	3,60	3,52	2,97	3,20	2,72	2,70	2,51	2,65	2,09	2,89
Resource consumption	3,60	3,48	3,14	2,87	2,68	2,76	2,85	2,45	2,11	2,88
Customer satisfaction	3,60	3,24	3,31	2,67	2,66	2,68	2,66	2,65	2,36	2,87
Supplier relations	3,60	3,08	2,88	3,20	2,61	2,44	3,20	2,50	2,09	2,84
Sustainability in the supply chain	3,60	3,52	3,14	2,93	2,59	2,76	2,88	1,90	2,11	2,83
Innovation for sustainability	3,20	3,38	3,29	2,87	2,72	2,58	2,50	2,50	2,22	2,81
Involvement of employees	3,20	3,52	3,15	2,87	2,59	2,64	2,71	1,90	2,15	2,75
Local procurement	3,60	3,48	3,19	1,87	2,59	2,76	2,60	2,45	2,18	2,75
Data protection	3,60	2,90	3,15	2,60	2,61	2,54	2,50	2,60	2,09	2,73
Regulatory compliance	3,60	3,06	3,03	2,93	2,57	2,28	2,60	2,30	2,04	2,71
Sustainability coordination	3,20	3,42	2,96	2,93	2,52	2,42	2,50	2,30	2,04	2,70
Human rights, equal opportunities	3,20	2,96	3,20	2,67	2,63	2,34	2,60	2,50	2,18	2,70
Safe use of mobile phones, electromagnetic fields	3,60	3,30	3,30	2,20	2,54	2,58	2,28	2,25	2,00	2,67
Professional cooperation	3,60	3,22	2,64	2,73	2,48	2,28	2,68	2,45	1,96	2,67
Suppliers' Award	3,60	2,90	3,00	2,60	2,41	2,48	2,44	2,65	1,85	2,66
Our employees as corporate citizens	3,20	3,36	3,20	1,93	2,66	2,72	2,24	2,30	2,25	2,65
Service availability	3,60	2,64	2,84	2,67	2,39	2,40	2,54	2,50	2,13	2,63
Occupational health and safety	3,60	2,94	3,23	1,73	2,58	2,58	2,54	2,25	2,15	2,62
Risk assessment	3,60	3,10	2,90	2,27	2,33	2,26	2,59	2,50	1,89	2,60
Addressing legal and ethical aspects of content service providing	3,60	2,68	2,88	2,67	2,26	2,44	2,20	2,50	2,16	2,60
Corporate compliance	3,60	2,90	2,99	2,27	2,48	2,24	2,43	2,10	2,13	2,57
Involvement of our customers	3,60	3,16	2,98	1,47	2,25	2,66	2,53	2,10	1,75	2,50
Digital competency	3,20	2,80	2,99	2,40	2,39	2,36	1,81	2,25	2,05	2,47
ICT for sustainability	3,60	2,86	2,75	2,00	2,32	2,06	2,39	2,30	1,95	2,47
Managing changes	3,20	2,76	2,78	2,67	2,39	2,28	1,85	2,10	2,05	2,45
Talent management	3,20	2,78	2,59	2,33	2,19	2,42	2,35	2,30	1,64	2,42
Donations	2,80	3,08	2,75	2,53	2,25	2,46	1,78	1,90	1,65	2,36
Investors relations	3,60	2,56	2,59	1,80	2,08	2,08	1,91	2,10	1,69	2,27
Sponsorship	2,30	2,42	2,40	1,87	2,05	2,16	1,59	2,00	1,71	2,05
Average	3,44	3,13	3,05	2,57	2,53	2,52	2,50	2,37	2,07	

We wish to continue on joint thinking and cooperation with our stakeholders therefore we encourage everyone to share their comments, ideas and opinion with us by sending them via the [stakeholder survey](#) or to the sustainability@telekom.hu email address.

MATERIALITY

When preparing this report – in compliance with the “Comprehensive” level of the Global Reporting Initiative Standard (GRI Standard) – we put 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 (ISS ESG Rating, FTSE Russell, MSCI, Robeco SAM) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector.

Magyar Telekom’s materiality analysis helps to define all sustainability topics that are important and 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. 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 2018 report we took into account the results of the stakeholder survey. Based on the comparison of the sustainability strategy priorities for the period between 2016 and 2020 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows:

MATERIALITY OF SUSTAINABILITY TOPICS OF MAGYAR TELEKOM IN 2019

High priority topics	Medium priority topics	Low priority topics
Climate protection and energy efficiency	Environmental targets, costs and compliance	Corporate governance
Protection of minors in the Digital Age	Management of customer complaints	Cooperation in environmental and social issues
Customer satisfaction	Data protection	Occupational health and safety
Resource-consumption	Informing our customers	Corporate compliance
Human rights, equal opportunities	Award for suppliers	Supplier relations
Emissions	Safe use of mobile phones, electromagnetic fields	Local procurement
Sustainability in the supplier chain	Sponsorship	Service availability
Innovation for sustainability		Addressing legal and ethical aspects of content service providing
Involvement of our employees		Regulatory compliance
Initiatives to eliminate the digital divide		Risk management
ICT products for sustainability		Managing changes
Our employees as corporate citizens		Talent management
Involvement of our customers		Professional cooperation
Community investments		Investor relations
		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 sustainability strategy and the materiality analysis: high priority topics are presented in details, information on medium priority topics are provided partly in the chapters, partly in the GRI table of contents whereas low priority topics are primarily provided in the GRI table of contents to provide as transparent information to all stakeholders as possible on the company’s corporate governance, environmental and social impact as well as the underlying risks and opportunities.

PROCESS FOR DETERMINING THE CONTENT OF THE REPORT

OBJECTIVE AND USE OF THE REPORT

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

SPECIFICATION OF THE TOPICS

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

INVOLVEMENT, TESTING VALIDATION

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

PRIORITIZATION OF THE TOPICS

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

SUPPLIERS

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

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

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

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

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

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

The company buys services and products from qualified suppliers. After filling out the questionnaire, we inform registered suppliers about their results in the vendor grading system. We procure more than 82% of the value of the orders from prequalified external suppliers, through 914 partners in 2019.

The Suppliers Code of Conduct includes the following principles:

- **Code of Conduct**
- **Code of Human Rights and Social Principles**
- **Diversity Policy**
- **Magyar Telekom Group's Environmental Policy**
- **Financial Code of Ethics**
- **Corporate Governance Declaration**
- **Magyar Telekom Group's Quality Policy**

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

There is a special focus in the assessment process on whether the suppliers have any sustainability expectations declared towards their partners or not. The final score is calculated within industry weighing of the supplier. 16 companies participated directly in this survey in 2019, which translates to 4.11% of the purchase value (this value was 10.86% in 2015, 3.83% in 2016, 21.07% in 2017 and 26.42% in 2018). The Sustainability web audit evaluation is valid for three years. In 2019, our 70 suppliers had a valid evaluation, representing 53.27% of the purchase value. Respondents were informed about their results, and they also received topic-specific feedback on their performance. Upon request we have also provided further information via email or phone to partners who requested it. There was no incident risk or non-compliance identified in 2018. Throughout its operations Magyar Telekom is keen on maintaining sustainability along its operations in a transparent way and encourages its partners to take their share in sustainable development. Therefore, we highly appreciate all partnerships along which we can gain a better understanding of our partners' sustainability related strategies and operations.

The top-rated suppliers of 2018 were awarded on 11 September 2019 at the Sustainability Chat event. At the event, the „Magyar Telekom's TOP3 sustainable supplier 2018” title was given to: Wavemaker Hungary Kft., NEC Eastern Europe Kft. and NET-MICRO Kft.

For the purpose of the sustainability evaluation of our active suppliers we use the internationally recognized and operated EcoVadis system, which is also supported by Deutsche Telekom. We invited strategically important and high-risk suppliers to declare their operational practices based on the detailed EcoVadis criteria. As a result, 4 suppliers have received direct and 21 suppliers indirect evaluation of social, environmental, economic and sustainable procurement aspects in 2019. These suppliers accounted for 44.40% of the overall procurement value, which value was 37.42% in 2015, 33.23% in 2016, 40.59% in 2017 and 45.06% in 2018. The validity of the EcoVadis ratings is two years, thus the results of 2017 and 2018 are taken into consideration.

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

An e-learning course is available for all Magyar Telekom employees about sustainable supply chain processes and in 2019 we have informed our colleagues about these topics through several channels. The e-learning material is available on the intranet and contains all processes, their detailed description and the list of contacts of topic owners.

As part of the sustainable supplier chain management process, and in order to support effective operation we created a working group, the members of which are responsible for and take action in the case of incidents as well as environmental working conditions, human rights or social problems arising in connection with suppliers. The permanent members of the working group are the employees of the Corporate sustainability center, the Procurement



and logistics directorate, the Corporate governance and General legal affairs department in addition to the employees working for the ordering organization involved in the incident, as well as the experts on the given issue. In order to support these efforts, we established an incident management process that defines the relevant actions in such cases. The incident management process analyzes the event that triggers the incident, the strategic importance of the supplier, the severity of the given case, the supplier's reaction and provides guidance on potential remedies. Such process was not launched in 2019 because the analyses have not revealed any negative environmental, working condition, human rights or social non-compliance. Therefore, no sanctions were imposed, and no contracts have been terminated in 2019.

Along the sustainability process, our procurement and compliance organization has an ongoing monitoring process responsible for identification of legal or economic non-compliance cases. There were no such cases identified in 2019.

Deutsche Telekom provides significant support for the sustainable improvement of supplier relations through sectorial initiatives such as JAC – Joint Audit Cooperation. As a result, audits are being conducted worldwide for the selected suppliers. The integrated audit criteria assure compliance with the basic social and environmental benchmarks when it comes to shared suppliers of different subsidiaries. Proving the compliance with the common group standards, in 2019 a total of 7 indirect Magyar Telekom suppliers were involved in Deutsche Telekom audits which is accounted for 38.87% ✓ of the overall procurement value; this value was

18.32% in 2015, 15.05% in 2016, 36.91% in 2017 and 40.14% in 2018. Depending on the results of the audits, corrective action plans are given to the poorly performing suppliers, followed by a re-audit if necessary.

In 2018, Deutsche Telekom transferred its existing Supplier Development Program (SDP) as an industrial approach under the umbrella of the ICT industry initiative Global-e Sustainability Initiative (GeSI). In the second half of the year, Deutsche Telekom launched the new GeSI SDP as a pilot project with four suppliers. In 2019, further ICT companies, their suppliers and subcontractors joined the program, so far, 23 selected suppliers have participated in the program.

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

	ECOVADIS	MT WEBAUDIT	AUDIT	PRE-QUALIFICATION	SUPPLIER SCORE CARD	GESI
Anti-corruption and Bribery	✓	✓	✓	✓	✓	✓
Conflict of interest	✓	✓	✓	✓	✓	✓
Fraud	✓	✓	✓	✓	✓	✓
Money laundering	✓	✓	✓	✓	✓	✓
Anti-competitive practices	✓	✓	-	✓	✓	✓
Respect of intellectual property rights	✓	✓	✓	-	✓	✓
Truthfulness of marketing and advertising messages	✓	✓	✓	-	✓	✓
Economics						
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	-	✓	-	-	-	-

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

The procurement processes, 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 tool (OneSource), orders are also placed/confirmed through an electronic commerce solution (CPEX) or e-mail, managing transactions growing from year to year.

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

The aim of DT Group One.ERP system was to make the orders running electronically smoothly. In PSL system (related on the network-based real estate assets and the tool area of the technology area) the proportion of electronically ordered requests was 97.41% in 2019 (2017: 95.4%, 2018: 99.65%). Total number of orders sent electronically without intervention in the procurement area was 100% in 2019.

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 stationery catalogue the supplier already marks "green" products, and we encourage our colleagues to order such items.

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

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

Despite the globalization of procurement, we continue to purchase a considerable number of products and services from local¹ suppliers. In 2019 more than 91% of our suppliers belonged to this category. By ordering products and services from local suppliers we significantly contribute to the retention of jobs.

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

Subsidiaries ²	2015	2016	2017	2018	2019
Magyar Telekom Plc.	74.5%	78.9%	77.8%	85.56%	81.09%
T-Systems Hungary	77.8%	78.46%	84.32%	82.87%	80.92%
Makedonski Telekom	65% ³	67%	65%	61%	75%

¹ Suppliers with headquarters in a given country.

² Magyar Telekom Group member companies with significant procurement value.

³ T-Mobile Macedonia AD merged into Makedonski Telekom AD on 01.07.2015

CUSTOMERS

CUSTOMER SATISFACTION

Magyar Telekom performs complex customer satisfaction surveys on a quarterly basis among residential customers with the internationally used T*RIM customer satisfaction research method. With the help of T*RIM, the company can continuously monitor the expectations of subscribers as well as the level of satisfaction with its services.

These surveys produce a composite index reflecting customer satisfaction for all Magyar Telekom customers and for individual customer groups which helps tracing and easily interpreting 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 customer feedback, and the fields where actions are necessary for quality improvement in comparison to earlier performance or results from other competitors.

In 2017, the methodology of the T*RIM customer satisfaction survey was changed. Adjusting to the changed market conditions, the level of satisfaction with mobile and fixed line telecommunication service providers is no longer measured separately, instead, it is performed within the framework of an integrated measurement. The survey is conducted in the form of telephone interviews, encompassing samples of justified size, composition and weights. The content of the topics has not changed substantially, however, the change of methodology required to start a new timeline in 2017.

T*RIM - Residential customers

The satisfaction level of Magyar Telekom customers has increased by 2 index points compared to last year end results achieving the targeted goal of the company. Magenta1 customers have reached such a high level of satisfaction that was never measured before. It should also be noted that the fixed line customers have been receiving growing TRI*M evaluations, making it possible to even out with the satisfaction level of mobile subscribers.

Throughout the year 2019, balanced responses were received from Magyar Telekom customers. One of the principal strengths of Magyar Telekom is the renewing choices of fixed services, new tariffs and range of equipment, handsets. Furthermore, there is a steady growth concerning satisfaction towards mobile internet coverage and call quality. Improving satisfaction scores were achieved in the area of order placement process efficiency, and placing orders for new or modifying existing services were also perceived to be increasingly effortless. By last, customers had already become more satisfied with technical fault repair, too.

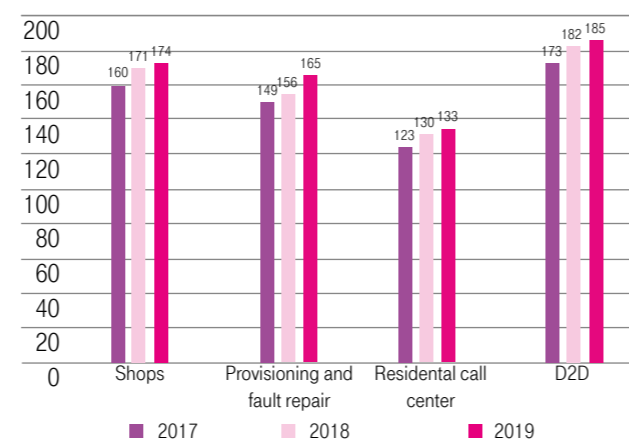
The customer satisfaction measurement of Flip, the second brand of Magyar Telekom offering a service package including three fixed line elements (telephone, Internet and television), was first introduced in 2018. The subscribers have voted Flip as the very best telecommunication services provider in Hungary with a substantial lead.

NG ICCA

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

The research is transaction based: we poll our customers within 2–48 hours of their customer care event. Overall satisfaction is measured in a scale from -200 to +200. The results of the TOP channels involved in the research:

OVERALL SATISFACTION INDICATORS BY CHANNELS, 2017–2019



We modified the NG ICCA measurement system in 2019 in terms of the following aspects:

- The range of measurement points was extended to include the Telesales channel, which was split from the telephone customer service unit, and we started to measure the self-care transactions initiated through the Telekom app and on the web by an email questionnaire.
- The questionnaires were extended to apply the Net Promoter Score (NPS) methodology, which is aimed at measuring the probability of someone recommending the service provider to others: customers can grade their answers to the questions “Would you recommend Telekom to friends, colleagues based on your present experience?” from 0 (“would not recommend at all”) to 10 (“would definitely recommend”), thus enabling us to precisely identify the transaction types that need to be addressed to improve customer satisfaction.

All the above are to help us better understand the mechanics of customer satisfaction, and elaborate more efficient action plans based on that.

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

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

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

In January 2018, T-Systems Hungary has taken over the handling of micro-, small- and mid-sized business (SOHO and SMB) customer base of Magyar Telekom. By 2019 a stabilized customer satisfaction survey system has been launched where T*RIM has remained the measurement tool for customer satisfaction and loyalty of SOHO customers, that is to be carried out twice a year. Due to the 2017 change in methodology, conclusions from SOHO TRI*M survey findings can only be made from this date similar to residential market. But in case of the SMB segment, after the successful measurement of 2018 as a base, customer satisfaction has been measured by strategic satisfaction research.

TRI*M – Microenterprises (SOHO)

The level of satisfaction of mobile customers is higher than that of the fixed line subscribers in case of SOHOs, as well. Recently, the TRI*M index of mobile customers has shown a positive trend. In 2019, subscribers have reached a higher satisfaction level in terms of mobile network coverage and mobile internet connection

speed. Taking competitive results into consideration, our fixed line customers articulate more how they appreciate the progress that T-Systems has made in terms of coverage of the mobile network overall and we also measured higher satisfaction with new fixed and equipment offers, tariffs and pricing of fixed services.

Strategic satisfaction research – small-, medium and large enterprises

Within the frame of the annual satisfaction research we inquire IT and telco decision-makers of our customers about their satisfaction with T-Systems’ services and customer service.

Within the research we perform personal deep interviews and questionnaire-based survey as well. In 2018, the sample targeted by the survey was extended to include the SMB segment in line with T-Systems’s new segmentation structure. Due to these 2018 results as a base - in 2019 year-on-year analysis has been utilized in the SMB segment as well. The questionnaire-based survey is conducted on a random sample of the entire customer base where we contacted 649 companies in 2019. The deep interviews are taken in the top 50 segment of the large enterprise category. The questionnaires and deep interviews are performed anonymously, but the respondents also have the opportunity to identify themselves with their names during the interview.

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

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

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

Based on the so far results of the T-Systems satisfaction survey we can state that the overall performance of the company is reliably high and balanced. Actually in 2019 the overall customer satisfaction has increased significantly both in SMB and large enterprise segments.

Contact person satisfaction research

The contact person satisfaction survey is performed at the end of each quarter among customers who used T-Systems’ telephone or email-based service deficiency reporting and administration processes. Within the frame of the survey we contacted our cus-

tomers' contact persons who turned to the Corporate customer support department or the T-Systems Service Desk with fault reports or complaints.

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

In 2019 both channels performed at and outstanding level and had a specifically positive impact on T-Systems' perception. Both the administrative processes and the professionalism, competence of the staff as well as the treatment of customers achieved a superior rating. Customers find that the vast majority of administrative processes are easy to follow and are successful. The duration of administrative processes is compliant with the SLAs undertaken by T-Systems as well as the expectations of customers.

CUSTOMER FEEDBACK MANAGEMENT

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

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

INVOLVEMENT OF OUR CUSTOMERS

Earth Hour

Earth Hour, the largest voluntary initiative to fight climate change joined communities around the globe on March 30, 2019, from 08.30 pm to 09.30 pm. In a record-breaking 178 countries around the world, including Hungary, many people joined the cause with a symbolic switch-off of lights for an hour, shining a light on climate action. Across Hungary all of the Telekom shops took part in the effort which were open in time of the event. We switched off the lights and projected Earth Hour material on displays in the company's shops during the day.

Enterprise customer support unit

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

Customer satisfaction is measured with a questionnaire prepared on the basis of the ICCA methodology. In order to ensure the independency of the survey the measurement was performed by T-Systems' market research partner. The partner performs 350-400 interviews per month and provides feedback to T-Systems measured in a scale from -200 to +200.

ICCA target value in 2019	ICCA results in 2019
CC: 125	CC: 139.4
Dedicated: 165	Dedicated: 179.2
Aggregated results: 147.8	

It is important for us to provide high quality services to our customers and quick solutions when dealing with complaints. In 2019 compared to the previous year the number of complaints decreased by 17% ✓.

It is our prime objective to provide customized 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.

Telekom Community Gardens

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

Carbon neutrality

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

In 2019, Magyar Telekom Group completed its fourth consecutive carbon-neutral year. On top of reducing its own carbon footprint to zero, the company successfully engaged its customers in its climate protection efforts, too. In the first round, it was the residential and the business Magenta 1 services that went carbon-neutral on the customers' side, too, as the company neutralized the emission of the devices installed at the premises of the more than 150 000 customers concerned.

By launching its first service running 100% on energy from renewable sources, under the name of ExtraNet Green 1 GB, the company enables more customers to take action for climate protection.

Telekom Vivicitá

In 2019 the Telekom Vivicitá city run was organized for the 33rd time in Budapest. There were almost 32,000 runners at the two-day event in Budapest. School teams and families competed at the shorter races on Saturday. The routes of the longer races held on Sunday lead the participants through the most beautiful parts of the city.

The communication campaign designed for the Vivicitá 2019 race focused on being ready to take action, and ran under the title of "No excuses!". The central personality of the campaign was Réka Lukoviczki, the Robot Girl, who prepared for the race with the help of SUHANJ! Foundation. As part of the cooperation, Magyar Telekom donated HUF 1 million to the foundation to help implement SUHANJ! Fitness. SUHANJ! Fitness is the first integrative fitness facility in Hungary which welcomes visually impaired, disabled or able-bodied people alike.

Magyar Telekom employees could enter the Telekom Vivicitá race in return for symbolic donation. As a result, more than HUF 750 000 was collected in donations, which was given to the beneficiaries of the hello holnap! app. The same beneficiaries received the donations generated by the scans of the QR codes on the back of the start numbers. For each QR code scanned, the racers could donate HUF 500 paid by Telekom.

hello holnap! mobile application

The application went online on Sustainability Day in 2014 and by the end of 2019 it was downloaded almost 27,000 times. In various software stores the hello holnap! application is rated very positively. Users may collect points through the application that can be exchanged into money then donated to non-profit organizations available in the application.

The fifth period of the hello holnap! application was closed in 2019. Users collected thousands of points and donated HUF 4.2 million to the beneficiaries.



Sustainability Chat and DELFIN Award

The DELFIN Award ceremony took place on 11 September, as part of the Sustainability Chat roundtable discussion. The professional jury awarded best practices and leading examples in sustainability solutions and sustainable performance of competing companies.

In 2019 any Hungarian enterprise could apply for the DELFIN Award (Award for a Committed, Sustainable and Innovative Generation). The prize was established in 2008 and is open for already implemented projects or operating programs.

In the Sustainable innovation category, the jury awarded the prize to GREEN Culture Kft. while in Diversity category, the jury awarded the prize to the "Living without the Moon" Foundation. In the Sustainable awareness category, two prizes were handed out. One prize was awarded to "CSEMETE" nature conservation and environmental protection association and another was granted to Jane Goodall Institute nature conservation and environmental protection association.

As part of the Sustainability Chat our guests – Rezes Judit, actress, Réka Nagy "Ókoanyu", environmental writer, blogger, influencer, Gergely Hankó, CEO of the Association of Environmental Service

Providers and Manufacturers, and Katalin Szomolányi, head of sustainability at Magyar Telekom – discussed problems of climate change.

Magyar Telekom also rewarded the TOP3 Sustainable supplier. The „Magyar Telekom TOP3 Sustainable Supplier – 2018” award went to Wavemaker LLC, NET-Micro LLC. and NEC Eastern Europe LLC.

Omnibusz survey on consumers' habits

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. Four times a year we include questions on sustainability as well. We normally involve 750 persons in the survey.

EMPLOYEES

INVOLVEMENT OF EMPLOYEES

It is good to give! charity cookie market

It is a tradition going back many years by now that at the beginning of December, as part of the International Volunteer Day, we organize our It is good to give! charity cookie market event. Last year it was on December 09 that we invited our colleagues to trade their homemade cakes and cookies for donations that we further donate to different charitable causes.

We held the event on December 09 at three sites in Budapest (HQ, Budafoki út, Fehérvári út) and five in the countryside (Debrecen, Győr, Nyíregyháza, Pécs, Szeged). The employees collected a total of HUF 806 530, along with Telekom's matching donation of HUF 2 000 000 for the same purpose, for Hintalovon Child Rights Foundation, an organization promoting the enforcement of children's rights.

The mission of Hintalovon Foundation is to support and enforce the rights of children living in Hungary. Their goal is to achieve that the adult generations assume the greatest possible responsibility and take action for the peaceful upbringing of children.

At Magyar Telekom, we put extra emphasis on the online and physical safety of children. In course of our cooperation with Hintalovon Foundation, we work on ensuring that all children and juveniles access the information they need in an enjoyable and safe environment, because the wellbeing of children is of primary

importance., It was with the professional support of the Foundation that we elaborated our Child Protection Guidelines, in which we declare that throughout Magyar Telekom's all initiatives, we are committed to the importance of respectful and equal treatment of children and vulnerable adults, as well as to the appropriate culture of communication. The Guidelines helps all our partners, employees and representatives to exercise their commitment to providing protection against abuse and violence, and we strive to ensure the protection of children in our work processes, too.

Volunteer Program in December

Between 2 and 21 December, 2019, our back-office employees could take the opportunity to experience the challenges of their front-end colleagues by offering their volunteer hours to support the work of customer-contact professionals, working in our stores, at our call-centers or the Network Service Directorate. Nearly 100 Telekom volunteers contributed their workforce and had thus the chance to engage in customer related services that is at the core of our company activity.



Move it, Telekom! Sports and Family Day

Following previous years' tradition in 2019, we organized a corporate family and sports day event under the name of "Move it, Telekom! Day". The event was aimed at exercise and fun for employees and their family members. Move it, Telekom! Day 2019 took place on June 1 and was attended by 2260 colleagues and their family members, as part of which colleagues could compete in sports, try special sports and new types of exercise, as well as have their health condition checked.

Earth Hour

Magyar Telekom has been actively participating in the WWF initiative since 2008. On March 30, 2019 between 8:30 PM and 9:30 PM the employees turned off the lights in Telekom shops and properties.

Mobile Market

The Mobile Market visited the company's headquarters first in December 2014 where the employees could buy agricultural products directly from the farmers. As the initiative received a very positive feedback from the employees, we have continued with the events in support of buying local products from local farmers. In 2019, employees could buy fresh farm-food at Magyar Telekom Könyves Kálmán krt. headquarters building.

Happy Hour

The central atrium at the headquarters building provides an excellent space for all kinds of events. In 2019, the company launched a new series under the name of Happy Hour, which is aimed at filling the building with life, stories, activities with the involvement of our colleagues. A total of 4 events took place during the year, featuring guests like Vecsei H. Miklós, actor, Fördös Zé, gastro blogger, Há-mori Barbara, producer, Rajki Annamária, TV product Tribe lead, Varga „Sixx” Attila, journalist, critique, Tatár Csilla, program host, youtuber, Litkai Gergely, comedian, founder of Dumasínház and Lubics Szilvia, ultrarunner.



INVESTORS

The Chief Executive Officer and the Chief Financial Officer presented quarterly results to the representatives of investors four times during 2019 (20/21 February 2019: Release of fourth quarter 2018 results; 8/9 May 2019: Release of first quarter 2019 results; 6/7 August 2019: Release of first half 2019 results; 6/7 November 2019: Release of third quarter 2019 results).

On 9 April 2019 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 2018, and decided on the use of the profit after tax earned in 2018.

In 2019 we participated at the following investor conferences:

- 18 March 2019: Citi European & Emerging Markets Telecoms Conference – London
- 19 March 2019: PKO CEE Capital Markets Conference – London
- 4 April 2019: Concorde investor Meetup – Budapest
- 7-8 October 2019: Erste Group CEE investor conference – Vienna

Magyar Telekom's top management and staff from the Investor Relations department spend ca. 10 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 100 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 'Investor Relations' section about the company's financial situation (quarterly financial reports), general meetings, and dividend payments. The current listing of Magyar Telekom's shares and all the information necessary to get in touch with the corporation are also available. The e-mail address and telephone number of the Investor Relations department can be found on the website, and members of the department respond to questions sent via e-mail as quickly as possible.

In addition to the above, the corporation assesses investor needs each year with the help of a questionnaire. An independent specialist firm is commissioned to prepare a so-called perception study, which assesses investors' opinions, needs and expectations with the help of a series of detailed questions asked to a representative sample.

Magyar Telekom continues to be assessed by responsible investor ratings. Responsible investors are those who consider each company's environmental and social performance in addition to financial and risk analysis during their investor's assessment processes. Magyar Telekom has been listed among the CEERIUS (Central Eastern European Responsible Investment Universe) Index companies of the Vienna Stock Exchange that offer outstanding performance. Since 2019 the index has been renamed as CECE SRI. We also remained a member of the FTSE4Good Index in 2019, where the related assessment put the company among the top 1% of the sector. At the same time, we received an AA rating from MSCI ESG Research on their scale ranging from CCC to



AAA. We have continued our participation in the Carbon Disclosure Project (CDP), in the framework of which the largest companies report on their climate protection measures, the related risks and opportunities and their CO2 emissions to the key investors. An ISS ESG responsible investment assessment agency report published in May 2019 named Magyar Telekom among the top3 sustainability performance in its sector.

In 2019, we estimated that 45% of our free-floated shares are held by investors who take responsible investment aspects into consideration. From 2017 on, we apply the IPREO methodology, in alignment with Deutsche Telekom.

REGULATORY AUTHORITIES

In case of industry-specific draft strategies and draft legislations circulated by the regulatory authorities for public discussion Magyar Telekom harmonizes with authorities mainly by invitation. Magyar Telekom regularly contributes to harmonization with interest representation forums (in particular with the: Telecommunications Council [HÉT], IVSZ Alliance for the Digital Economy) where the company's key objective is to establish a common legal and professional opinion on the legislative process. HÉT is the dedicated consultation partner of the telecommunication industry in respect of the Digital Success Program (DJP) – the former Digital

National Development Program (DNFP) – launched as a result of the InternetKon national consultation that determined the future of the domestic internet market. During the planning and implementation of the government decree, issued to ensure the implementation of the DJP, the HÉT represents the standpoint of the industry.

LOCAL COMMUNITIES

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

Magyar Telekom's network provides more than 1.7 Million Gigabit speed endpoint connection for one third of Hungarian homes and businesses. The advantages of optic network not only available for people living in cities, but for more than 400 settlement under 5000 residents, half of them has less than 1000.

Magyar Telekom organized Movie Club Picnic events at 8 locations across the country as part of the Network of Actions campaign in the summer of 2019. The company invited its customers to an open-air movie experience to demonstrate that Telekom's network enables them, too, to enjoy a movie anywhere.

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, Telekom Veszprém, the Hungarian Swimming Association, the FTC and the Hungarian Paralympic Committee.

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

NON-PROFIT ORGANIZATIONS

Everyone had the opportunity to exchange ideas and experience with NGOs at the **Sustainability Chat Roundtable discussions**, in Budapest. In 2019 the panel discussion was organized on 11th September.

The **Sustainability Day** of Magyar Telekom has been organized for twelfth time on the second Saturday of September. In 2019 there were 11,000 people wanting to know more about the topics raised. They could visit more than 40 exhibiting stands at the event, and receive information about the work of non-profit organizations who were also present.

By 2019, the number of NGOs Telekom customers could support through the **"hello holnap!" application** had raised to thirteen. In one year, users donated a total of HUF 4.2 million to the Autistic Art Foundation, 'Bátor Kicsi Lélek' Foundation, 'Bátor Tábor' Foundation, Déméter Foundation, 'Felelős Gasztrohős' Foundation, 'Humusz' Alliance, 'Jövő Őko-Nemzedéke' Foundation, 'Kutyaoivi' Animal Protection Association, Shelter Foundation, 'NEO Magyar Segítőkutya' Alliance, Patrónus House, SUHANJ! Foundation and Zseton Animal Protection Association (Csutkarozói's Shelter).

Magyar Telekom launched its Civil Tariff Package service for NGOs in March, 2004 with beneficial rates and service package. In 2019 Magyar Telekom and T-Systems Hungary renewed and expanded the offer for non-profit organizations by **Magenta 1 Nonprofit**. Magyar Telekom invited applications on one occasion and provided discount schemes to 61 organizations.



ŐKET
TÁMOGATHATOD
2019-BEN

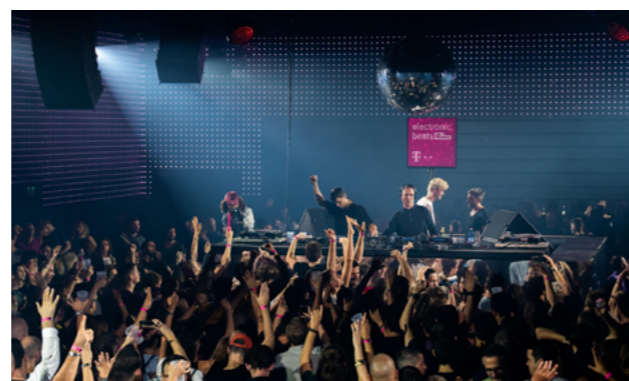
HELLO
HOLNAP!

FUTURE GENERATIONS

In 2019, we continued our “Become an...” digital educational and IT vocational program. We reached out to 4117 students throughout the year, including Digital Topic Week, with our “Become an IT expert!” training sessions held by T-Systems Hungary volunteers. In the first half of the year, we invited highschool students and their teachers and silver age people to compete in our “Be Generation NOW!” contest on which 96 persons participated.



The Telekom Electronic Beats program series rocked on in 2019, too. In addition to the independently organized events, Telekom Electronic Beats also took part in organizing Creative Camp 16, where participants were invited to learn more about how to compose music on hardware and software and with Budapest Spots held 3 “year-end party” in Budapest. The Telekom Electronic Beats Festival, held between September 19-22, included a contemporary music lineup, lifestyle market, movies and other activities at 4 places.



Music and festivals are among the main targets of Magyar Telekom’s sponsoring efforts. The company has been supporting the VOLT and the Strand Festival. By way of supporting festivals Magyar Telekom reached nearly 269 000 young adults in 2019: 143 000 persons partied at the VOLT, 126 000 at Strand Festival.



In addition to supporting the festivals, in 2019, Telekom worked on further improving the concert experience. In the framework of the cooperation with Budapest Park, in 2019 Magyar Telekom sponsored the Ferry Concerts.



MEDIA

Magyar Telekom held an award ceremony in 2019, too, to recognize positive examples of sustainability initiatives, stories on solutions to social problems or changing public mindset, as well as content demonstrating the positive societal effects of digitalization and communication. In 2019 31 applications were submitted to Magyar Telekom’s Sustainability Media Award.

Projects could be nominated in three categories: „TV/radio/video content”, „written content (print, online)” and „blog, vlog”. The projects were required to address environmental, social or economic phenomenon. The awards were distributed among the winners on the Sustainability Chat event



DATA PROTECTION

Among the 2019 sustainability objectives, Magyar Telekom pays special attention to the protection of personal data, with special respect to the General Data Protection Regulation (GDPR) that became applicable as of May 25, 2018. Magyar Telekom ensures the highest standard of data-security and technical and organizational measures regarding personal data management/processing

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

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

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

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

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

BLOCKING CERTAIN ELECTRONIC DATA ON THE INTERNET

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

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

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

- trafficking of drugs,
 - incitement to the use of narcotics,
 - furthering the manufacture of drugs,
 - drug abuse,
 - new psychoactive substance abuse,
 - child pornography,
 - criminal act against the state,
 - act of terrorism
- or, if the electronic data is connected to the above criminal acts.

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

In 2013, upon the implementation of the above coercive measure, a similar legislative measure was introduced by the National Tax and Customs Administration of Hungary (NAV) by promulgating.

Paragraph 36/G of Act XXXIV of 1991 according to which the tax authority without the involvement of a court - is entitled to render any data provided through an electronic communications operator temporary inaccessible if the access thereto or the publication thereof is related to prohibited gambling.

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

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

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

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

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

SAFE USE OF MOBILE PHONES, ELECTROMAGNETIC FIELDS

In order to provide high-quality services to the Hungarian and Macedonian mobile telephone subscribers through the mobile telecom network, UMTS licenses were distributed among operators in Hungary in December, 2004 and for operators in Macedonia in June, 2009. Besides, in December, 2011 Magyar Telekom acquired the right to launch the LTE service and the commercial rollout started in 2012. By the end of 2017 the frequency right acquired in the 800 MHz band allowed that almost 100% of Hungarian citizens can use Magyar Telekom's LTE service.

However, the rollout of the LTE – also 5G – related networks may heighten the interest of the communities in the issue of electromagnetic fields, which will increase the importance of the company's strategy in addressing the issue.

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

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

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

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

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

The EMF policy was also endorsed by Makedonski Telekom. The policy sets forth the basic principles applicable to the responsible use of mobile communications technologies. In this document we assume commitment for greater transparency, for the provision of information and for involvement in the relevant processes.

Mobile network, network development

According to the Company's common practice station radiating 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 – this usually happens related to external contractors' work, e.g. when renovating a building, safety distance data are made clear and available. If necessary, site measuring can be conducted, or in justified cases the antennas can be temporarily relocated or the performance of the transmitter can be reduced.

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

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

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

Communication

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

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

In addition to internal communication, in 2019 Magyar Telekom continued to respond openly to inquiries about the safe use of mobile phones.

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

Research

Exposure of the world's population to non-ionizing electromagnetic radiation and electromagnetic fields has considerably increased in recent years. Since a civilized society cannot avoid the use of equipment emitting non-ionizing electromagnetic radiation,

like mobile telecommunication equipment, satellite and terrestrial television/radio broadcasts, flight navigation, meteorological satellites, radio astronomy, space exploration, the exposure of the environment and the population is expected to increase further in the future. World Health Organization (WHO) and several other international organizations, as well as research groups monitor the impact of technological development on human health.

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

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

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

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

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

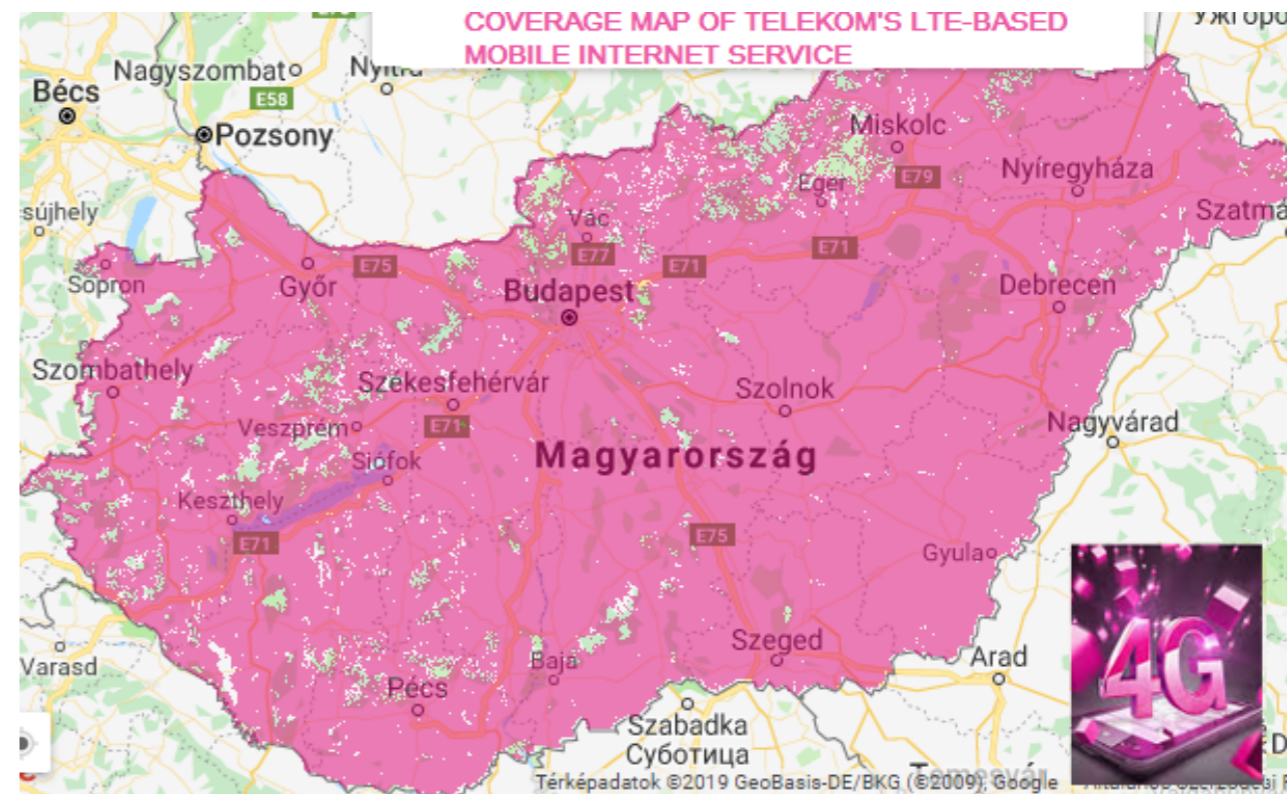
SERVICE AVAILABILITY

Magyar Telekom Plc. guarantees its customers rights in connection with service availability and troubleshooting on the basis of the **General Contract Terms and Conditions (GTC)** available at the customer service points and also in the Internet. In this it declares to fulfill the published quality targets during providing services on the entire service territory, to check this via measurements and to publish the measurement methods.

Here, the Company also defines the quality targets for the services provided, meeting of which is continuously measured and made available to everyone on an annual basis. The trouble management for customers is handled along a defined process – in accordance with their rights set out in the GTC, inter alia – after having detected the problem and having filed the trouble at the company.

ANNUAL SERVICE AVAILABILITY (%)

Service availabilities	2015	2016	2017	2018	2019
Annual availability (%)					
Cable television analogue/digital	99.93/99.84	99.97/99.89	99.97/99.90	99.98/99.50	99.98/99.82
Sat TV	99.924	99.92	99.91	99.91	99.919
IPTV	99.898	99.85	99.83	99.84	99.896
Fixed line internet (ADSL/GPON/CableNet)	99.90/99.97/99.92	99.88/99.96/99.90	99.89/99.96/99.90	99.90/99.95/99.92	99.93/99.96/99.94
Mobile internet (2G/3G/4G)	99.66/99.74/99.67	99.56/99.79/99.35	99.902	99.893	99.86
Telephone/VoIP/VoCA	99.94/99.92/99.91	99.94/99.90/99.91	99.95/99.93/99.92	99.94/99.93/99.95	99.93/99.95/99.95
Mobile telephone (2G/3G/4G)	99.907/99.883/99.849	99.907/99.901/99.844	99.91	99.906	99.825



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

We take the lead in mobile network quality

In 2019 we were again awarded with 'P3 Best in Test' certificate whereby the independent tester, P3's measurements showed that the best Hungarian mobile network is that of Magyar Telekom. In 2019 we achieved 916 points out of the maximum 1000.



SPONSORSHIP

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

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

Magyar Telekom has been the committed supporter of the Hungarian sport life for decades and considers sport a cornerstone of its sponsoring strategy. The Company is proud to have contributed to many prominent international sport successes of several domestic sport branches and athletes outstanding 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, London and Rio and going to be in Tokio¹, too.

As a key sponsor of the paralympic movement, Telekom considers important providing equal chances to everyone, including the handicapped. As the main sponsor of the Hungarian Paralympic Team, Telekom will support the preparations in the next paralympic cycle.

As a further important element of its sports sponsorship strategy, in 2018 Telekom signed a renewed four-year agreement with the Ferencvárosi Torna Club, in the scope of which not only male but already the female football teams as well as men's gymnastics, water polo, ice hockey and gymnastics sections are also prominently supported. We are proud that all teams wearing Telekom's name won their Hungarian championships in 2019.

Since 2014, Telekom has been supporting the football succession training program of the Ferencvárosi Torna Club, in 2015, as the FTC's prominent sponsor and under the new agreement, the FTC's main sponsor of the adult male football team. The company also contributes to the club's success as brandname sponsor of the sections FTC-Telekom Waterpolo, FTC-Telekom Ice Hockey, FTC-Telekom Women's Football and FTC-Telekom Men's Gymnastics. The agreement announced in 2018 fits into Telekom's overall sponsorship strategy, and to the parent company's international support system: as the country's leading telecom provider, the company is helping the work of the most popular and successful players in domestic sports life. As part of its sponsorship, it prominently supports the FTC-Telekom Active Fans lifestyle change program, as well as a number of digital solutions such as 360-degree sports ground tracks, AR and VR activities or the E-fan program to make fans' cheering experience even more exciting.

Telekom Veszprém handball team has been supported by our company for more than 20 years. Boosting our co-operation to a new level, since 2016 we are present as brandname sponsor of the team, contributing to the domestic and international success of this world elite club such as winning the SEHA League or the serial participation at Champions League Final Four. Magyar Telekom believes that such world-class performances and achievements make a significant contribution to attracting more young people to active sporting and promote healthy lifestyles. Our digital solutions, such as Telekom Speed Radar to display the fastest hits; our Digital Tattoos, AR and VR activities –help completing the cheering experience for the Most Generation.

Telekom also finds it important to support mass sports and has been promoting the Telekom Vivicitá city run as brandname sponsor for more than 20 years, where - besides professional sportsmen - a lot of amateurs and families take part to popularize the importance of sporting and leading an active life style. Like in previous years, Telekom Vivicitá was one of the biggest and most popular running events in Hungary in 2019, too.

In addition to Telekom Electronic Beats' impressive domestic media portfolio, in 2018 we also put much more emphasis on the representation of the local electronic music scene in the program. In the first half of 2019, its prominent domestic partner was Žagar, founded by Balázs Zságer, who is the forerunner of the Hungarian electronic music. We shared special contents through our online channels. (website, facebook, instagram, youtube channel, stream). The legendary Hotel Budapest hosted the Telekom Electronic Beats Summer Kickoff Party on June 08, where the DJs of three metropolises spun the records, while 8 rooms on the eighth floor went surrealistic thanks to the efforts of artists representing different perspectives on life. The same event hosted the conference organized jointly with NEO Budapest, addressing the sustainable cultural lives of large cities. The conference also served as the kickoff event of the joint program of Telekom Electronic Beats and NEO Budapest under the name „Budapest spots”, which offers exciting, forward-looking cultural, musical, theatrical, gastronomical and other locations and programs in Budapest, within and outside of the ring avenue.

Telekom Electronic Beats Festival took place at Akvárium on September 19-21 with the top-class musical performers, as always, and in Toldi Movie Theater, the premiere of the third part the award-winning documentary series of Budapest Underground about electronic music, the main sponsor of which is Telekom Electronic Beats. Magyar Telekom is present as sponsor at the biggest Hungarian festivals; in 2019 we were present at the Telekom VOLT at Sopron and at the Strand Festival in magenta colors, as well as at an additional 4 ferry concerts in the middle of the Lake Balaton, and we also attended World Urban Games in September. At the Efort Festival we provided WIFI, which was sponsored by T-Systems.

The presence of the brand in 2019 further extended the “Step out of your comfort zone, and discover something new every day!” platform launched in 2018, and this time we encouraged the youth to do so by a campaign encompassing the whole summer. The focal point of the campaign was the Magenta Vibe chatbot, through which, those who registered could learn about many surprising, interesting facts and novelties.

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



¹ The XXXII. Summer Olympic Games are going to be held between 23 July and 8 August, 2020, Tokio.



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

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

Name of Association	Strategic membership	Holding position in the governance body
Magyar Telekom Plc.		
European Telecommunications Network Operators Associations (ETNO)	x	
GSMA Association	x	
Joint Venture Association (JVSZ)	x	Curatorium membership
German-Hungarian Chamber of Industry and Commerce	x	Curatorium membership
Telecommunication Advocacy Council	x	Chairmanship
ICT Association of Hungary	x	Chairman of multinational department
Hungarian Association of International Companies		
Hungarian Business Leaders Forum (HBLF)	x	
Employers' Equal Opportunities Forum	x	
Hungarian Chamber of Engineers		
Hungarian Logistics, Procurement and Inventory Management Association		
Large Enterprise Logistics Managers Club		
T-Systems Hungary		
ICT Association of Hungary	x	
American Chamber of Commerce in Hungary	x	
Hungarian Outsourcing Association(HOA)		
Hungarian Hospital Association	x	
Hungarian Water Utility Association	x	
Hungarian Project Management Association	x	Vice-presidency
Scientific Association for Infocommunications		
Hungarian Librarian's Association	x	
Lobby Club Association		
Hungarian Chamber of Engineers		
Agro ICT Cluster	x	Chairmanship
Buday Business Club		
Association of Health Technology Suppliers and Medical Device Manufacturers	x	Board membership
it Services Management Forum (itSMF)		
Chamber of Bodyguards, Property Protection and Private Detectives		
Chamber of Architects		
Hungarian Innovation Association		Board membership
Makedonski Telekom		
International Telecommunication Union (ITU)	x	
European Telecommunications Network Operators Associations (ETNO)	x	
RIPE Network Coordination Centre	x	
GS1 Macedonia (bar code association)		
Economic Chamber of Macedonia	x	Board membership
American Chamber of Commerce in Macedonia	x	Board membership
Macedonian-German Business Association	x	
Macedonian IT Chamber (MASIT)		Board membership
GSMA Association	x	Board membership DT
Chamber of authorised architects and engineers of Macedonia	x	

ENVIRONMENTAL AND SOCIAL EXTERNAL INITIATIVES

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

Magyar Telekom has been an active member of **ETNO's** (European Telecommunications Network Operators Association) Sustainability Workgroup for years. The members work closely towards solving all kinds of sustainability-related programs.

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

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

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

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

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

Magyar Telekom has acknowledged the UN **Sustainable Development Goals** (SDG) and through incorporating the priority ones in its Sustainability strategy 2016-2020 the company finds the contribution to the goals a mandatory element of its operations.

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

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

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

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