



SUSTAINABILITY REPORT

2017



EGYÜTT. VELED

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LETTER FROM THE CEO

DEAR READER,

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

By 2017, it had become obvious all around the world that asset managers and asset owners do take companies' sustainability activities into account before they make their investment decisions. A research conducted by BNP Paribas among 461 asset managers and asset owners in 2017 found that 79% of the responders adopt their investment decisions and assess the products available on the market based on the sustainability activities pursued by the specific companies¹.

It is especially important for us that based on our sustainability activities we are considered to be among the best in the industry, as it shows we are on the right track. The responsible investment rating agency ISS-oekom, in its report published in April 2018, reviewed the sustainability performance of more than 3,800 companies around the world based on December 2017 data of approximately 100 indicators². In that review, Magyar Telekom was ranked first in the telecommunications sector, ahead of companies many times larger in terms of revenues, size and personnel. According to our understanding this shows that efficient sustainable operation is a matter of commitment, regardless of the size of the enterprise.

Furthermore, in 2017 we continued to be listed in the FTSE4Good Emerging Index, we were rated by Trucost, and we

continue to be part of CEERIUS (Central and Eastern European Responsible Investment Universe) index, too, from its beginning. Due to our commitment to climate protection, we report each year to the CDP (Carbon Disclosure Project) independent rating agency, that is followed by investors representing a total of 100 trillion dollars.

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

As a result of our sustainability performance, 32.1% of the company's free floating shares are held by responsible investors³, who establish their portfolios primarily based upon the principle of investing into companies that are leading in terms of sustainability.

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

(1) BNP Paribas ESG Global Survey, 2017: http://securities.bnpparibas.com/files/live/sites/web/files/private/surv_esg_en_2017-07-07.pdf

(2) oekom Corporate Responsibility Review 2018: <http://www.oekom-research.com/homepage/english/2018-04%20oekom%20CR%20Review-EN.pdf>

(3) In our Sustainability Report 2016, we estimated that 8% of our freely floated shares are held by responsible investors. From 2017 on, we apply the IPREO methodology, in alignment with Deutsche Telekom.

The year 2017 was of special significance for our affiliate, T-Systems Hungary, too. Reaching its fifth year of operation it was selected to be the regional center for smart solutions within Deutsche Telekom by the establishment of the European Smart Solutions Center entity, tasked to accelerate the development of smart cities in Europe. ESC provides central functions like marketing, supporting partnerships, controlling pre-sales and post-sales processes, as well as closely cooperates with local smart city sales and implementation experts.

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

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

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

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

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

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

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

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



Christopher Mattheisen
Chief Executive Officer

Budapest, May 10, 2018

OUR APPROACH

Corporate strategy

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

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

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

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

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

Sustainability approach

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

Sustainable development is not a challenge for one. It affects everyone across the whole corporate Group. Therefore, it cannot be approached as a task dedicated to one organizational unit. The different entities of the Group learn about and then apply the sustainable practices applicable in their respective areas

through the policies governing internal operating procedures. Our newly hired employees familiarize with and start to apply the sustainable operating principles that govern the whole Group and are present as an organic part of our corporate culture. The specific tasks often involve totally different entities within the Group, and require the cooperation of organizations far from each other. Magyar Telekom's sustainable corporate governance practice is described in Chapter 7. on Responsible Corporate Governance.

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

Economic dimension

- Business venture, integrity, transparency
- Vision, innovation
- Employees, team, dynamism
- Client

Social dimension

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

Environmental dimension

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

RANKED MOST SUSTAINABLE IN THE SECTOR

SUSTAINABILITY STRATEGY 2016-2020 ALIGNED WITH UN SUSTAINABLE DEVELOPMENT GOALS

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

Being first in the industry, we are even more convinced that our commitment serves the interests of future generations, while we can make the most out of the inherent potentials of digitalization right now, while maintaining sustainable operations and business.

We monitor the achievement of the goals set forth by Magyar Telekom's Sustainability Strategy for the period between 2016 and 2020 on an annual basis, together with tracking our contributions to the UN Sustainable Development Goals (SDGs). Reaching the 17 SDGs is our global task calling for the cooperation of political decision makers, NGOs and businesses.

The objective set by our strategy is to incorporate sustainability into Magyar Telekom Group's business in order to ensure that the company pursue its operations in a sustainable manner and encourage its customers to follow sustainable consumption patterns (SDG 12 – Sustainable consumption and production). With this focus, we have achieved that one third of our revenues comes from sustainable products and services. For that, we needed to ensure that our product development processes are aligned with sustainability aspects, as well.

In the ISS-oekom's Corporate Responsibility Review 2018 Magyar Telekom Plc. is named as the TOP1 performer of the telecommunications sector. The rating agency has compiled this review of publicly available data from 2017 December, along the close assessment of sustainability related operations of 3,800 companies globally based on data of approximately 100 indicators⁴. Achieving sector leading status with our dedication to sustainability confirms the validity and efficient implementation of our Sustainability Strategy.



(4) oekom Corporate Responsibility Review 2018:
<http://www.oekom-research.com/homepage/english/2018-04%20oekom%20CR%20Review-EN.pdf>

2017 was Magyar Telekom Group's third carbon-neutral year in a row, in addition to which we have made Magenta1 and Magenta1 Business services carbon-neutral, too, by 2018. In 2017, we launched a community solar panel project among our employees, in the framework of which we installed 113 solar panels on the roof of our training facility, which our colleagues were invited to rent for a nominal fee.

We implement our main objective along the following three foci:

Climate change

It is our goal to support our customers to become more climate conscious, and that Magyar Telekom, as an authentic and responsible ICT provider is to help them on this way. We have achieved the ambitious goal of bringing down Magyar Telekom Group's actual CO₂ emissions to below 100 000 tons, and our other objective is to generate revenues from our climate protection activities. Our climate protection objectives and activities primarily aim to serve the effort against climate change (SDG 13) and the goal of sustainable energy consumption (SDG 7), but we indirectly contribute to making our urban environment more sustainable, too (SDG 11).

Education

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

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

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

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

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

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

Digital sustainability

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

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

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

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

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

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



Zsuzsanna Friedl

ZSUZSANNA FRIEDL

Chief HR Officer and top executive in charge of sustainability

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

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

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



Katalin Szomolányi

KATALIN SZOMOLÁNYI

Head of the Corporate Sustainability Center and executive supervising sustainability activities

SOCIALLY RESPONSIBLE ELEMENTS OF STRATEGIC PROGRAM 'MISSION TURNAROUND' OF MAKEDONSKI TELEKOM

Mission Turnaround is the new strategic program of Makedonski Telekom for 2017 and 2018 and is expected to bring a strong positive turnover to the company's operation. The program is based upon the ten key initiatives that should guarantee company's growth in the period to come. Many of the main focuses of these ten projects are referring to the social and sustainable aspects of the strategic business activities but also throughout business as usual operations. Thanks to that, so far several projects have been realized for increasing the awareness and engagement of the employees in actions of environmental consuming, cultural behavior and customer's empowerment significance. Therefore, so far, water saving taps have been installed in all restrooms in the corporate HQ in Skopje. Thus, the company save up to 40% of this precious resource. 70 recycle bins for paper and plastic have been placed in HQ on visible and frequently visited locations and also there was an action for collecting e-waste and empty batteries in almost all premises of the company including Telekom shops. Practice of organizing eco day in the company has also been established where employees come at work without their cars. And this is just the beginning. More plans are ahead and more activities are to come.

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 (Oekom Research, FTSE Russell, Sustainalytics) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector (<http://gesi.org/portfolio/report/79>).

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

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

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

Based on the comparison of the sustainability strategy priorities for the period between 2016 and 2020 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows:

MATERIALITY OF SUSTAINABILITY TOPICS OF MAGYAR TELEKOM IN 2017

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

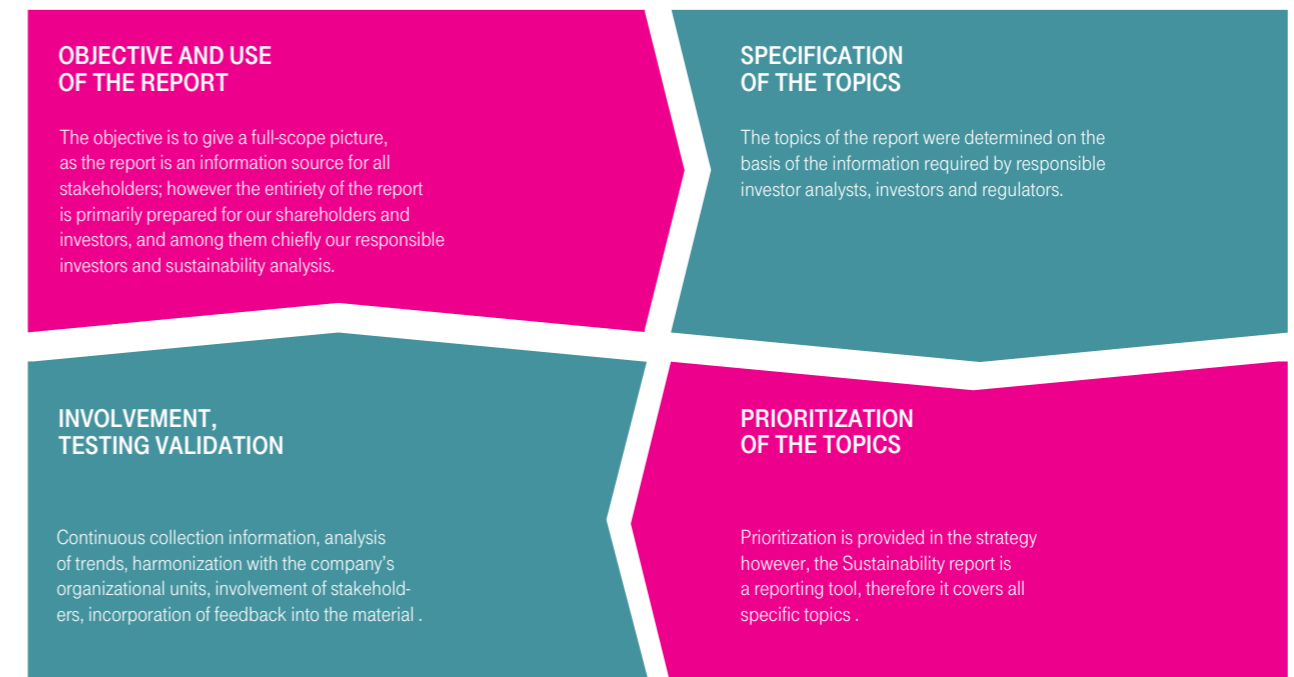
ICT products for sustainability	Data protection	Sponsorship
Customer satisfaction	DELFIN Award to responsible companies	Professional cooperation
Emissions		Talent management
Resource-consumption		Service availability
Human rights, equal opportunities		Addressing legal and ethical aspects of content service providing
		Cooperation in environmental and social issues
		Risk management
		Managing changes
		Investor relations
		Corporate compliance
		Operational data
		Political presence

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

The structure of the report follows the priorities of the materiality analysis: high and medium priority topics are presented in details whereas information on low priority topics are primarily provided

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

PROCESS FOR DETERMINING THE CONTENT OF THE REPORT



STRATEGIES AND POLICIES RELATED TO OUR SUSTAINABILITY APPROACH

People Strategy

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

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

Company perspective of People Strategy

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

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

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

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

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

Employee perspective of People Strategy

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

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

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

Equal opportunities in Life and Work

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

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

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

Support strategy

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

The focus of the bi-decennial sponsoring efforts of the company have been shifted into an integrated scheme that focuses on the support of projects that are closely aligned with the company's profile as well as the leveraging of synergies and targeted sponsoring activities.

The Company sponsors various areas, among others professional and amateur sports, music - especially pop music festivals -, professional events and social efforts.

Magyar Telekom is convinced that its long-term success depends on the company's commitment to social matters, its openness to social needs and problems as well as the quality of its sensitivity to these topics. Besides, Magyar Telekom strives to make its social engagement and support activities an awareness-raising oriented activity, so from the very start it pays distinguished attention to the communication of its support program and the involvement and activation of its customers and employees.

It is important for Magyar Telekom to harmonize its sponsoring activity with other elements of its sustainability activity. This also means that we do not only provide financial support but other types of assistance, too, and seek to aid the realization of the projects with our core activity info-communication solutions and support socially important matters with our own initiatives.

Since 2013, in line with the senior management's decision and the company's strategy, Magyar Telekom connects its sponsoring efforts to its core activity, i.e. emphasizes programs that improve digital competences thereby creating a firm basis for the society to leverage the opportunities offered by the latest technologies. The Become an IT expert! program, established in 2016, is the company's IT career orientation program for young students while joining Deutsche Telekom, the mother

company's Teachtoday initiative, Magyar Telekom conveys useful knowledge to children, their parents and teachers on the conscious use of media.

Parallel to this the Company gives high priority to supporting social issues in areas where the company has an impact and where solutions can be approached from a new angle with the use of technology. An example for this is the company's strategic partnership with the Autistic Art Foundation whereby Magyar Telekom supports homes for autistic people with digital devices and helps organizing their development workshops, helping to elaborate methodologies and promoting the widespread use of electronic devices.

Environmental policy

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

Quality policy

The **Quality policy** of Magyar Telekom Group, approved in 2005 and renewed in 2009, is available in full length.

Management systems

In October 2017 Magyar Telekom Group renewed the ISO 9001, ISO 14001, ISO 27001 certificates. Deutsche Telekom maintains its HSE (ISO 14001, OHSAS 18001) umbrella certificate to Magyar Telekom Plc. The integrated management system of Magyar Telekom Plc. includes a company health and security management system too (MSZ 28001:2008 (BS OHSAS 18001:2007)). T-Systems has its ISO 50001 energy management system and an ISO 20000-1 IT service management system that was obtained by Magyar Telekom Plc. as well in 2016.

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

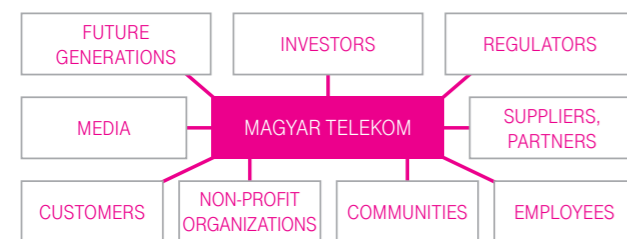
Please find more detailed information on quality guarantees in Magyar Telekom Group on [this](#) website.

STAKEHOLDERS

STAKEHOLDERS

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

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



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

In the first part of the program Katalin Szomolányi, manager of Magyar Telekom's Corporate Sustainability Centre, outlined the first year results of the company's fourth sustainability strategy (2016-2020). The participants of the panel discussion, Zsuzsanna Friedl, Chief Human Resources Officer, Katalin Szomolányi, Emese Gulyás (Chairperson of the Association of Conscious Buyers) and Péter Fülöp (researcher at NRC Marketing Research and Consulting Kft.) discussed if "Sustainable consumers exist at all?". The presentations are available [here](#).

MATERIALITY EVALUATION BY STAKEHOLDERS

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 along which we wish 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 of the 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 is accessible.

According to the answers received for the above questions in the latest survey conducted in January 2017 we can state that most of our stakeholders confirm the importance of the goals of our corporate Be Smarter (2016-2020) Sustainability Strategy. They found that apart from the continuing importance of reduction of our emissions our contribution to digitally enabled sustainability and to bridge the digital divide also plays a crucial role in contributing to our shared and sustainable future. In relation to the important scientific findings, several stakeholders mentioned factors of safe mobile phone use and electromagnetic fields, a topic which deserves a separate subchapter in our current report at 2.6. Safe use of mobile phones, electromagnetic fields.

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

TOPICS EVALUATED BY THE STAKEHOLDER GROUPS AND THEIR IMPORTANCE

	NGO	Supplier, partner	Regulator	Employee	Media	Customer	Future generation	Investor	Local community
Customer satisfaction	3,42	3,32	4,00	3,33	3,36	2,94	2,76	2,73	2,49
Management of customer complaints	3,47	3,32	4,00	3,27	3,36	2,70	2,69	2,91	2,49
Corporate governance	3,53	3,46	4,00	3,23	3,36	2,80	2,57	2,58	2,44
Data protection	3,18	3,05	4,00	3,30	3,20	2,89	2,61	2,67	2,60
Protection of minors in the Digital Age	3,53	3,31	4,00	3,24	2,36	2,69	2,87	2,47	2,40
Informing our customers	3,18	3,16	3,00	3,21	3,04	2,80	2,70	2,55	2,37
Service availability	3,10	3,34	4,00	2,98	2,84	2,66	2,29	2,62	2,17
Occupational health and safety	3,20	3,01	3,00	3,20	3,16	2,77	2,63	2,51	2,46
Climate protection and energy efficiency	3,12	3,06	3,00	3,14	3,04	2,85	2,70	2,55	2,39
Sustainability in the supplier chain	3,28	3,00	4,00	2,95	2,72	2,55	2,56	2,42	2,17
Innovation for sustainability	3,23	3,19	3,00	3,05	3,20	2,60	2,55	2,47	2,21
Resource consumption	3,08	3,06	3,00	2,93	3,04	2,72	2,50	2,75	2,21
Supplier relations	3,02	2,99	4,00	2,95	2,68	2,49	2,30	2,47	2,10
Human rights, equal opportunities	3,05	3,11	2,00	3,14	3,36	2,64	2,81	2,47	2,35
Initiatives to eliminate the digital divide	3,07	3,05	3,00	2,81	2,84	2,60	2,57	2,35	2,24
Emissions	2,97	2,92	3,00	2,88	2,88	2,66	2,45	2,53	2,17
Safe use of mobile phones, electromagnetic fields	3,03	3,07	3,00	2,91	2,72	2,64	2,30	2,20	2,42
Risk management	2,87	2,88	4,00	2,91	2,16	2,56	2,23	2,49	2,13
Talent management	3,08	2,94	3,00	2,90	3,00	2,40	2,40	2,22	2,20
Addressing legal and ethical aspects of content service providing	2,83	3,08	3,00	2,81	3,04	2,47	2,23	2,33	2,28
Environmental targets, costs and compliance	3,10	3,16	3,00	2,84	2,88	2,50	2,23	2,15	2,15
Regulatory compliance	2,67	2,46	4,00	2,71	2,24	2,35	2,16	2,40	1,92
Involvement of our employees	2,90	3,14	2,00	2,85	2,56	2,56	2,37	2,35	2,12
Local procurement	3,03	3,20	1,00	2,89	2,88	2,55	2,60	2,27	2,34
Corporate compliance	2,67	2,58	4,00	2,76	2,04	2,32	2,21	2,27	1,90
ICT products for sustainability	2,92	2,66	3,00	2,80	2,20	2,33	2,37	2,02	1,93
Managing changes	2,85	2,87	2,00	2,68	2,32	2,29	2,10	2,35	1,94
Professional cooperation	2,83	2,75	2,00	2,81	2,32	2,24	2,23	2,24	1,95
Our employees as corporate citizens	3,23	2,61	2,00	2,70	2,52	2,18	2,26	1,89	1,91
Involvement of our customers	3,02	2,67	2,00	2,61	2,52	2,00	2,15	2,09	1,95
DELFIN Award for Responsible Companies	2,45	2,95	3,00	2,24	2,20	2,22	2,15	1,76	1,83
Cooperation in environmental and social issues	3,05	3,00	1,00	2,45	2,52	2,15	2,19	1,76	2,05
Donation	2,98	2,71	1,00	2,39	3,00	2,09	2,18	1,56	2,01
Sponsorship	3,13	2,53	2,00	2,15	3,00	1,76	1,86	1,58	1,79
Investor relations	2,57	2,47	2,00	2,50	2,20	2,08	1,97	2,36	1,64
Political presence	1,18	1,49	1,00	1,50	1,32	1,37	1,53	1,55	1,15

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

STAKEHOLDER INVOLVEMENT

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

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

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

CUSTOMERS

Within the frame of the 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.

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

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

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

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

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

SHAREHOLDERS

The Chief Executive Officer and the Chief Financial Officer presented quarterly results to the representatives of investors four times during 2017 (22/23 February 2017: Release of fourth quarter 2016 results; 10/11 May 2017: Release of first quarter 2017 results; 2/3 August 2017: Release of first half 2017 results; 8/9 November 2017: Release of third quarter 2017 results).

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

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

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

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

Magyar Telekom also gives space on its website to satisfy the information needs of interested parties. Up-to-date information can be found in the 'For Investors' section about the 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. The summary of the final results of the survey is prepared by the Investor Relations department, and presented to the members of the Management Committee.

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



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



REGULATION AUTHORITY

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

Magyar Telekom regularly contributes to harmonization with interest representation forums (in particular with the: Communications Reconciliation Council [HÉT], IVSZ Alliance for the Digital Economy) where the company's key objective is to establish a common legal and professional opinion on the legislative process. HÉT is the dedicated consultation partner of the telecommunication industry in respect of the Digital Welfare 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.

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

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

Name of Association	Strategic membership	Holding position in the governance body
Magyar Telekom Plc.		
European Telecommunications Network Operators Associations (ETNO)	✓	
GSMA Association	✓	
Joint Venture Association (JVSZ)	✓	Curatorium membership
German-Hungarian Chamber of Industry and Commerce	✓	Curatorial membership
Telecommunications Advocacy Council	✓	Chairmanship
ICT Association of Hungary	✓	Chairman of multinational department
Hungarian Association of International Companies		
Hungarian Business Leaders Forum (HBLF)	✓	
Employers' Equal Opportunities Forum	✓	
Hungarian Chamber of Engineers		
Hungarian Logistics, Procurement and Inventory Management Association		
Large Enterprise Logistics Managers Club		
T-Systems Hungary		
ICT Association of Hungary	✓	
American Chamber of Commerce in Hungary	✓	
Hungarian Outsourcing Association (HOA)		
Hungarian Hospital Association	✓	
Hungarian Water Utility Association	✓	
Hungarian Project Management Association	✓	Mihály Kiss -vice president
Scientific Association for Infocommunications		
Hungarian Librarian's Association	✓	
Lobby Club Association		
Hungarian Chamber of Engineers		

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
Agro ICT Cluster	✓	Szilárd Gombos chairman
Buday Business Club		
Association of Health Technology Suppliers and Medical Device Manufacturers (ETOSZ)	✓	Bende Richárd member of the board
it Service Management Forum (itSMF)		
Chamber of Bodyguards, Property Protection and Private Detectives		
Chamber of Architects		
Makedonski Telekom		
International Telecommunication Union (ITU)	✓	
European Telecommunications Network Operators Associations (ETNO)	✓	
RIPE Network Coordination Centre	✓	
GS1 Macedonia (bar code association)		
Economic Chamber of Macedonia	✓	
AmCham - USA		MKT representative is BoD member
Macedonian-German Business Association		MKT representative, CFO is President of the BoD
European Business Association		
MASIT/ (Macedonian IT Chamber)		
GSMA Association	✓	MKT representative is BoD member
Chamber of authorised architects and engineers of Macedonia	✓	

SUPPLIERS

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

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

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

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

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

EMPLOYEES

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



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

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

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



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

In 2017 an Autumn Health Program was organized for our colleagues who could participate events to support their physical and mental health for 3 months, in more than 50 locations across the country. A total of 1233 colleagues used the refreshing, relaxing and stress-relieving massage service, more than 2500 Telekom and T-Systems employees took part in healthcare screening examinations and could discuss their problems with 6 internal and 19 external coaches to work off their everyday stress and to strengthen their awareness. After the Autumn Health Program the company continues to support the employees' health preservation efforts with making available in-house gyms, medical services and regular blood donation opportunities.

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

MEDIA

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

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

NON-PROFIT ORGANIZATIONS

Everyone had the opportunity to exchange ideas and experience with NGOs at the annual Sustainability Roundtable discussions, in Budapest. In 2017 the panel discussion was organized on 12th June.

The Sustainability Day of Magyar Telekom has been organized for tenth time on the last Saturday of September. In 2017 there was a record number of visitors, 9000 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.



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

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



LOCAL COMMUNITIES

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

The agreement fits into the Telekom general sponsorship objectives and aligns with the mother company's international support 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.

FUTURE GENERATIONS

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

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

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

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



ENVIRONMENTAL AND SOCIAL COOPERATIONS

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

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

- Diversity Working Group
- Equal Opportunities Working Group
- Environmental Protection and Sustainability Working Group

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

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

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

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

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

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

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

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

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

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

SUSTAINABILITY DAY

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



At the **environmental section** the experts discussed flow in environment. After that, the participants of the **social section** discussed the flow of information, knowledge and people. In the **economy section**, the experts discussed the flow of money. The **+1 section** was organized around the individual in 2017, too.



The attendees of the event could visit many of reputable organization who presented their sustainability activities. During the day more than **40 exhibitors** waited visitors with interactive presentations, games and informational materials. The exhibitors informed people about sustainable transport, renewable energy using, urban gardening, waste management and recycling, sustainable food and conscious consumption, equal opportunities and accessibility, but there were a lot of children's program for the little ones.



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

Within the frame of the Sustainability Press Award the applications were submitted in three categories. The winner „TV/radio/video content” category was a journalist from 24.hu, Bea Belicza with her „Egy nyelven sem beszél, mégis három nyelven ért és ír” (‘Egy nyelven sem beszél, mégis három nyelven ért és ír’). In the „written content” category the members of the jury, delegated by Telekom and the Sustainability Media Club, gave the first prize to Veronika Bordás for the „Magyarország: nemek és igenek” (‘Hungary: noes and yeses’) article at National Geographic. In the „blog, vlog” category the first prize was given to Dóra Melis from Rundebella travel blog for her article: „Ahol még a postás sem jár - tíz nap a felhők fölött” (‘Where not even the postman goes – ten days above the clouds’).

In line with our traditions acknowledgments were given to the three most popular exhibitors on the basis of the attendees' votes. This year the acknowledgment was given to the Meixner School, the Motar carpooling system and the reGARDEN - újraKERT.

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

THE HELLO HOLNAP! APPLICATION

In 2017 Magyar Telekom concluded donation contracts with nine nonprofit organizations within the framework of the **hello holnap! application** keretein belül. The **ArtMan Association, Autistic Art Foundation, Budapest Bike Maffia, Heroes of Responsible Dining, Humusz Szövetség, Hungarian Food Bank Association, Hungarian Nature Conservation Association, SUHANJ! Foundation, WWF Hungary Association** could collect donation until 31st December, 2017. At the end of 2017 new tender was announced for the year 2018. In 2018 11 organizations can collect donation from the hello holnap! application: **Foundation for Africa, ArtMan Association, Autistic Art Foundation, Society for animals of Etyek, Heroes of Responsible Dining, Humusz Szövetség, Hungarian Food Bank Society, Hungarian Nature Conservation Association, Patrónus Ház, SUHANJ! Foundation, Transparency International Hungary.**

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

DELFIN AWARD

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

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

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

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

Winners of the DELFIN Award in 2017:

- In „Sustainable innovation” category:
 - Villam Translation Services
 - FORNAX ICT In
- In „Equal opportunity” category:
 - Alko-soft Bt.
- In „Climate protection” category:
 - Budapest Waterworks
- In „Sustainable awareness” category:
 - ELTE EKSZ
 - Impact HUB Budapest

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

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

PROFESSIONAL COOPERATION

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

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

and Economics, and the Eötvös Loránd University provide professional support for students within their EIT Digital doctoral programs. In 2017, among the previous year's projects, the Telekom Open Services project was implemented.

In recent years the international cooperation between DT companies has come to the forefront to exploit synergy opportunities within the group. We are playing an important role in the international program started for transformation of the parent company's operating model. Its objective is the development of an infrastructure and a range of services to support future operations, contributing to DT Group's being Europe's leading service provider, and to that the optimization of network infrastructures and resources takes place at group level.



1.

CLIMATE AND ENVIRONMENTAL PROTECTION

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3 GOOD HEALTH AND WELL-BEING



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



11 SUSTAINABLE CITIES AND COMMUNITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



As a leading provider of info-communications services in the region, Magyar Telekom's commitment to sustainable development with a focus on preserving the environment lies in the centre of its mission. In our new Sustainability Strategy 2016-2020 we set the ambitious goal to reduce the level of our carbon dioxide emission below 100 000 tons.

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

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



In 2017 we continued our carbon offset project. We spent half of the income of our company car policy regulated bonus-malus system to carbon offset. Our aim was to become carbon neutral again in

2017 too. We have reached our goal by using 100% renewable energy for our electricity consumption and we offset the rest of our emissions, by purchasing and retiring CER (Certified Emission Reduction) units. The reduction came from a Chinese project, we offset 30,000 tons of CO₂. In 2017 Magyar Telekom Plc. has purchased 184 GWh of renewable energy that is covering 100% of the total amount of electricity used by the Company.

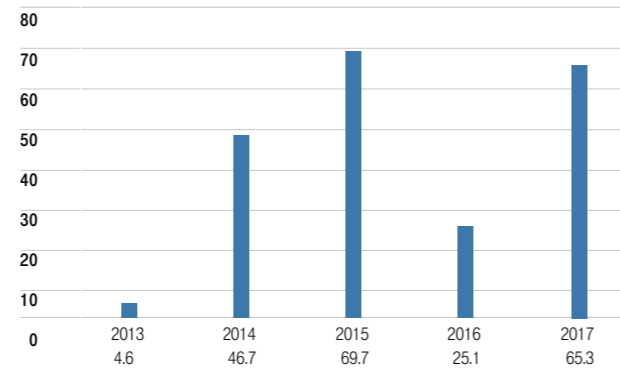
Magyar Telekom's sustainability strategy for the period 2016-2020 points to the focus of climate protection and the reduction of CO₂-emissions. Our highlighted environmental and operational ecoefficiency goals are:

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

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

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

STORM DAMAGE (HUF M) MAGYAR TELEKOM PLC. ✓

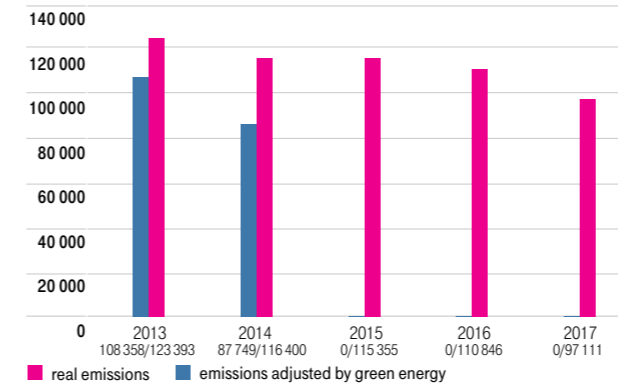


1.1 CLIMATE PROTECTION AND ENERGY EFFICIENCY

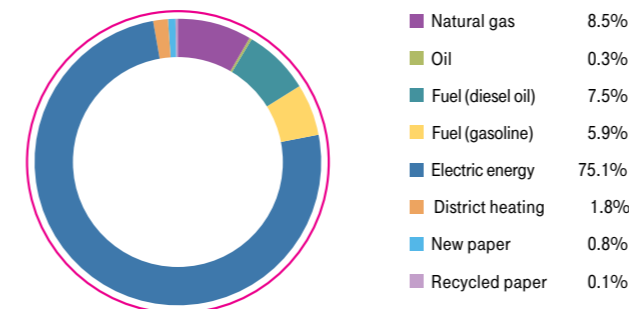
To present the quantitative greenhouse gas emissions of Magyar Telekom Group's activities, in accordance with the global warming potential (GWP), we use a CO₂e (carbon dioxide equivalent) as an indicator. (We do not measure greenhouse gases separately and we do not have biogenic CO₂-emissions.)

The details of Magyar Telekom Group's CO₂-emissions are given in the following table. The CO₂-conversion factors were determined on the basis of the 2007 recommendations of the International Energy Agency Data Services (electricity), the UNEP guidelines (heating oil, fuel, natural gas), DEFRA's coefficients and by the data provided by a prominent Hungarian paper factory. We present our real emissions with and without carbon offset

AGGREGATED CO₂ IMPACT MAGYAR TELEKOM (TCO₂) REAL AND ADJUSTED BY GREEN ENERGY AND CARBON OFFSET EMISSIONS ✓



SHARE OF CO₂ BY SOURCE, 2017 ✓



MAGYAR TELEKOM GROUP'S TOTAL CO₂-EMISSIONS ✓

CO ₂ -IMPACT [TCO ₂]	2013	2014	2015	2016	2017
Direct energy consumption					
Natural gas	11 400	9 824	8 910	8 266	8 252
Oil	2 600	2 004	1 629	1 206	319
Fuel (diesel oil)	8 217	8 317	8 364	8 109	7 248
Fuel (gasoline)	6 436	6 631	6 590	5 873*	5 726
Fuel (total)	14 653	14 949	14 954	13 982	12 974
CO₂ emission of direct energy consumption	28 653	26 777	25 493	23 454⁵	21 545
Indirect energy consumption					
Electricity ⁸	91 361	86 655	87 010	84 725	72 911
Green energy	-11 516	-11 516	-63 337	-68 145	-62 321
Electricity (adjusted with green energy)	79 845	75 139	23 673	16 580	10 590
District heating	2 156	1 863	1 918	1 793 ⁶	1 791
CO₂ emission of indirect energy consumption (adjusted with green energy)	82 001	77 001	25 591	18 373⁵	12 381
Total energy consumption					
CO₂ emission of total energy consumption (adjusted with green energy)	110 654	103 778	51 084	41 827⁷	33 926
CO₂ emission of paper consumption					
New paper	1 078	961	813	755	745
Recycled paper	146	144	122	119	119
CO₂ emission of total paper consumption	1 223	1 106	935	874	864
Cumulated CO₂ emission					
CO ₂ emission of total energy consumption (adjusted with green energy)	110 654	103 778	51 084	41 827 ⁷	33 926
CO ₂ emission of total paper consumption	1 223	1 106	935	874	864
Carbon offset	-3 520	-17 135	-52 189	-50 000	-43 971
Cumulated CO₂ emission (adjusted with green energy and carbon offset)	108 358	87 749	0	0	0

(5) there were a data mistake at MAKTEL in 2016 (gasoline consumption), now we corrected it

(6) there were a data mistake at MAKTEL in 2016 (district heating), now we corrected it

(7) corrected emissions

(8) Purchased electricity, the own energy production is not included

Magyar Telekom takes all necessary measures to treat the risk from operation of the fluorinegreenhouse gas containing equipment. Based on the inspections carried out in accordance with the regulations there was no leakage in 2017. There are only 790 equipment with R22 gas, they represent less than 5% of the operating conditioners. The dismantling is in progress.

1.1.1 CLIMATE PROTECTION RESULTS

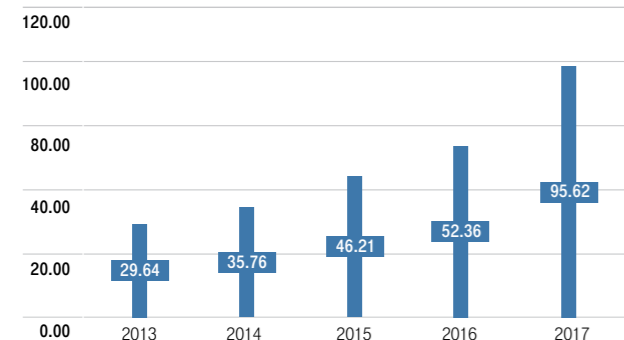
Taking the purchase of green energy and carbon offset into account, total carbon dioxide emissions was offset by the Magyar Telekom Group. Our Scope 1 emission decreased by 8% due to the significant decrease of the fuel consumption, while the Scope 2 emission decreased by 14% due to network modernisation.

1.1.2 ENERGY EFFICIENCY

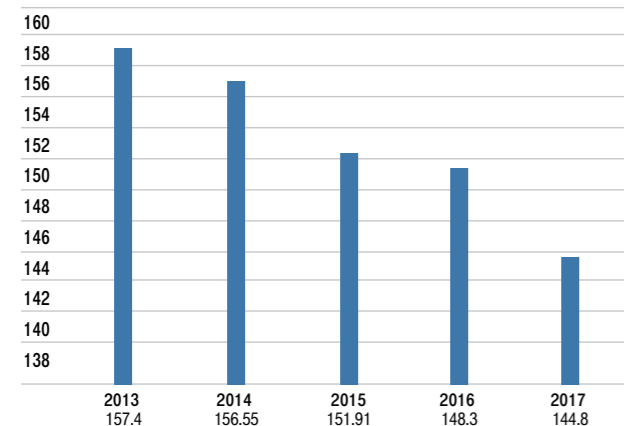
In order to measure our energy efficiency, in our 4th Sustainability Strategy we continue to use a Gbit/kWh indicator. Our goal is to reach the 100 Gbit/kWh, in 2017 it was 95.62 Gbit/kWh ✓.

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

BITS TRANSMITTED / ENERGY CONSUMPTION (GBIT/KWH) MAGYAR TELEKOM PLC. ✓



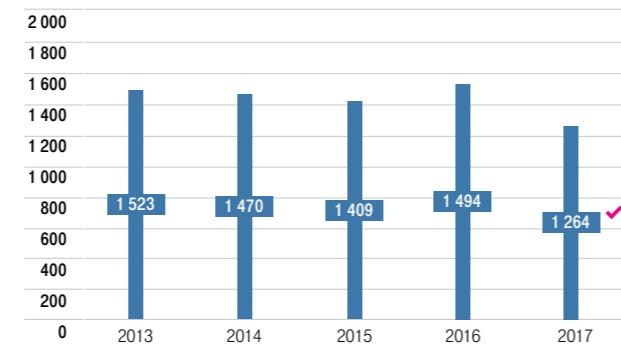
THE AVERAGE CO₂ EMISSIONS OF THE FLEET (GCO₂/KM) MAGYAR TELEKOM PLC. ✓



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

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

REVENUE RELATED ENERGY CONSUMPTION GJ/HUF M MAGYAR TELEKOM GROUP



1.1.3 EQUIPMENT IN CUSTOMERS' PREMISES

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

ENERGY CONSUMPTION OF EQUIPMENT IN CUSTOMERS' PREMISES ✓

	pcs	energy consumption (kWh)
CPE	2 571 062	175 949 289
mobile subscriptions	5 400 966	5 400 966
sum		181 350 255
emission [tCO₂]		61 423

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

1.2 RESOURCES MANAGEMENT

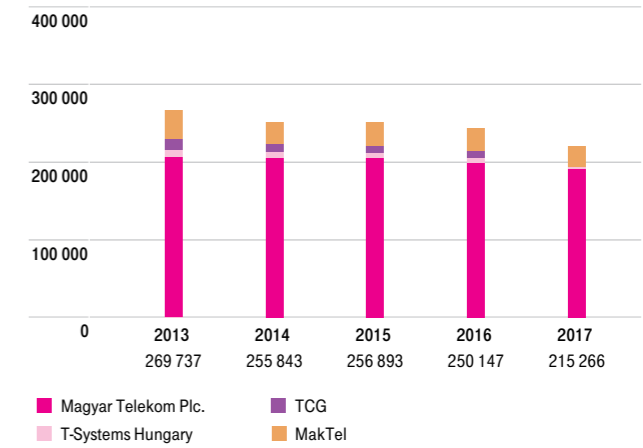
1.2.1 ELECTRICITY CONSUMPTION

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

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

- Our attested building ventilation technology has been upgraded in 2016: we implemented the so-called wardrobe type equipment thus reducing the operation time of air-conditioners and saving electric energy.
- The 3 years long global PSTN (Public Switched Telephone Network) replacement project resulted in significant energy savings.
- We have replaced our power supply equipment in several huge machine rooms; we continued the merge of fixed line and mobile power supply operation at specific sites. As smart cooling technology evolves, it brings new results in more sustainable cooling strategies.
- The increase of machine room temperatures is managed as a global project concerning operation spaces of all sizes, from minor containers up to the large exchange centres. The use of temperature resistant accumulators and accumulator coating is a preparatory phase of the project.
- In 2017 we introduced a new EMS (Energy management system), thus we could measure the consumption of the most energy-efficient sites and we could correct the energy consumption immediately in case of over-consumption.

ELECTRICITY CONSUMPTION⁽⁹⁾ (MWH) MAGYAR TELEKOM GROUP ✓



(9) Purchased electricity, the own energy production is not included

Community Solar Project for employees

In 2017, as the first in Hungary, Magyar Telekom introduced the Community Solar Project. As part of the project, 113 Magyar Telekom employees were able to rent a solar panel from the company for one year. The solar panels were installed on our Kékvirág Street educational building and the generated energy is used locally. The system provides quarter of the energy consumption of the building.



1.2.2 FLEET MANAGEMENT, FUEL CONSUMPTION

The number of vehicles in the fleet on a Group level decreased further, while the types of usage and distribution of fuel has not changed. The number of hybrid cars increased significantly, the number of electric cars remained 5.

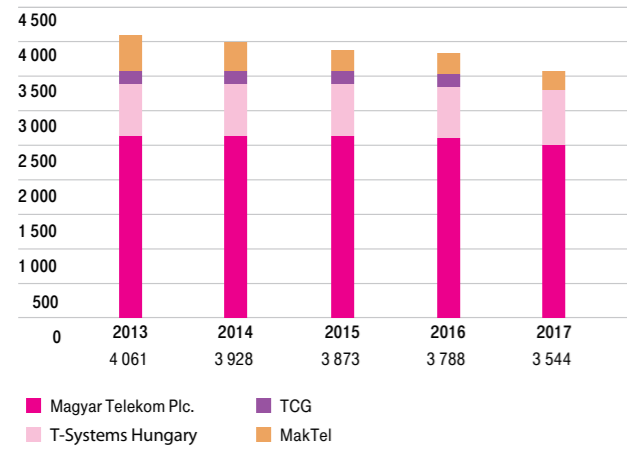
The fuel consumption (-7%[✓]), average fuel consumption of vehicles (-1%[✓]) and the mileage (-6%[✓]) have decreased at group level as compared to the previous year.

The electric cars' consumption increased from 3.38 MWh to 5.36 MWh[✓](Personal use is more significant due to the lack of refill-station capacity of the national network.)

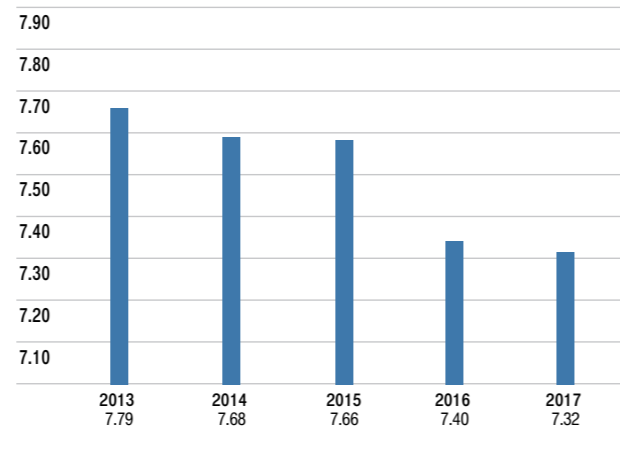
NUMBER OF VEHICLES BY FUEL AND USAGE TYPE AT MAGYAR TELEKOM GROUP ✓

	2013	2014	2015	2016	2017
Total	4061	3928	3873	3788	3544
Diesel	2369	2261	2244	2181	2005
Gasoline	1600	1572	1541	1490	1371
Hybrid	89	92	82	112	163
Electric	3	3	3	5	5
Benefit cars	1636	1428	1423	1359	1399
Service cars	2425	2500	2450	2429	2145

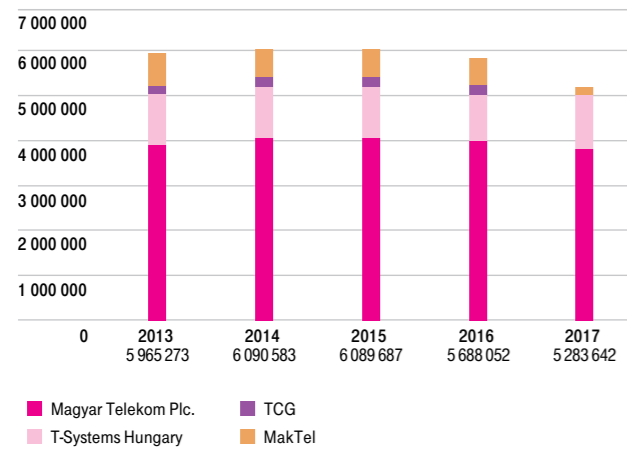
TOTAL NUMBER OF VEHICLES MAGYAR TELEKOM GROUP ✓



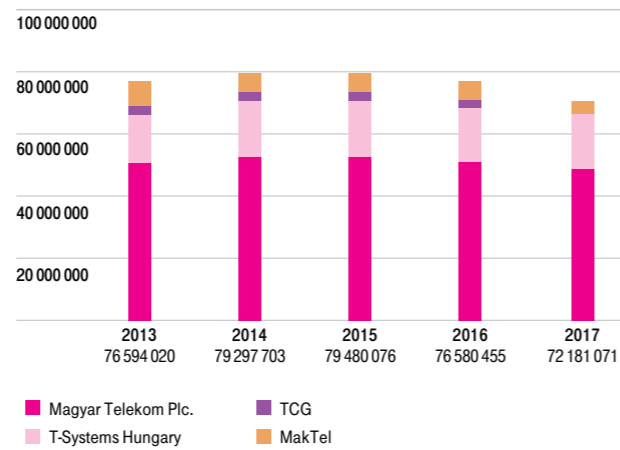
AVERAGE FUEL CONSUMPTION (L/100KM), MAGYAR TELEKOM GROUP ✓



FUEL CONSUMPTION (LITRE) MAGYAR TELEKOM GROUP ✓



MILEAGE OF VEHICLES (KM) MAGYAR TELEKOM GROUP ✓



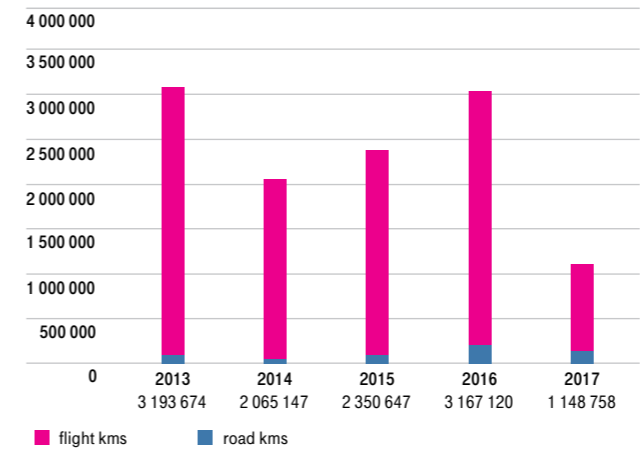
Travel replacement solutions

Mileage, as the measure of business trips has significantly decreased (2016: 8 361 494 km; 2017: 3 077 609 km). Share of business travels was the following: 84% by plane, 14 % by car, 2% by other form of transportation. The emission of business travels in 2017 was 527 tons of CO₂. (air travel: 465 t CO₂¹⁰; car travel: 62 t CO₂¹⁰)

TelePresence video conferences

Video conference and TelePresence systems are now available in Magyar Telekom headquarter, T-Systems Hungary's Budafoki str. headquarter and in regional offices. In 2017 more than 989 840 kilometers[✓]flight and 158 918 road kilometers[✓]of travel have been saved, thereby reducing our CO₂ emission with 112 tons[✓].

TRAVELS REPLACED BY VIDEO-CONFERENCES (KM) MAGYAR TELEKOM GROUP ✓



Teleworking

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

TeleBike

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

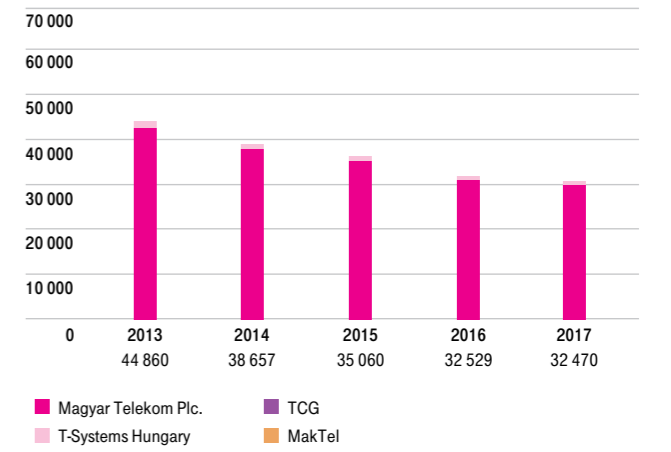
Bicycle courier service

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

1.2.3 FOSSIL FUEL CONSUMPTION

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

GAS CONSUMPTION (MWH) MAGYAR TELEKOM GROUP ✓

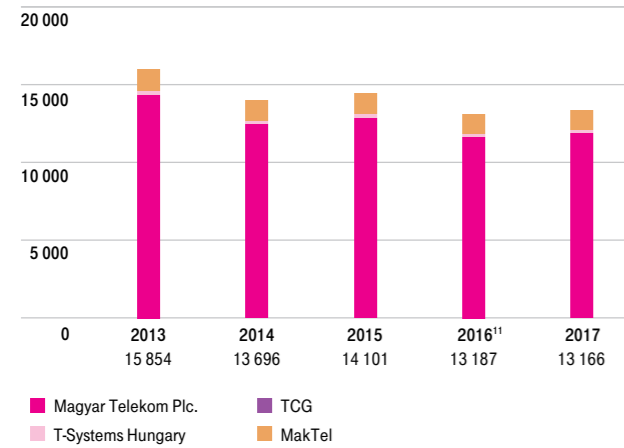


1.2.4 DISTRICT HEATING

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

(10) 180 g CO₂/km as an average of air travel, and 144 g CO₂/km as an average car travel

DISTRICT HEATING CONSUMPTION (MWH) MAGYAR TELEKOM GROUP ✓



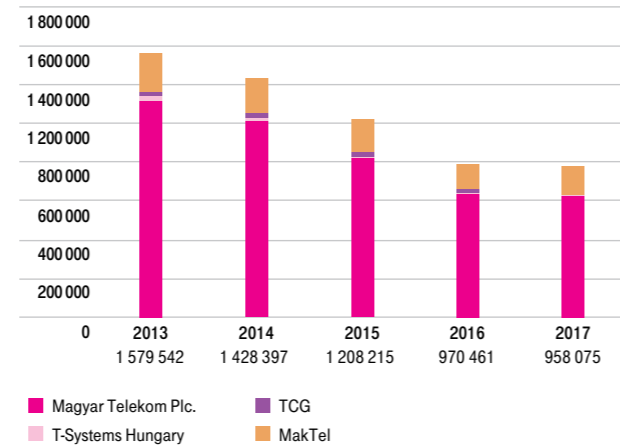
(11) there were a data mistake at MAKTEL in 2016 in district heating, now we corrected it

1.2.5 PAPER CONSUMPTION

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

In the past two years Magyar Telekom has introduced e-signature and e-Terms of Service in its stores thus renewing personal customer service operations. This innovative solution may considerably reduce the amount of printed documents, working time and costs of printing, filing and storing. This will also improve the operational efficiency and reduce the environmental impact as well. Telekom's aim is to set up a full range electronic customer service in the future where legally binding documents with electronically recorded signatures will replace all paper-based contracts. As a result of these solutions we were able to reduce the number of printed pages by 60%.

TOTAL PAPER CONSUMPTION (KG) MAGYAR TELEKOM GROUP



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

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

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

PAPER CONSUMPTION OF THE GROUP (KG)

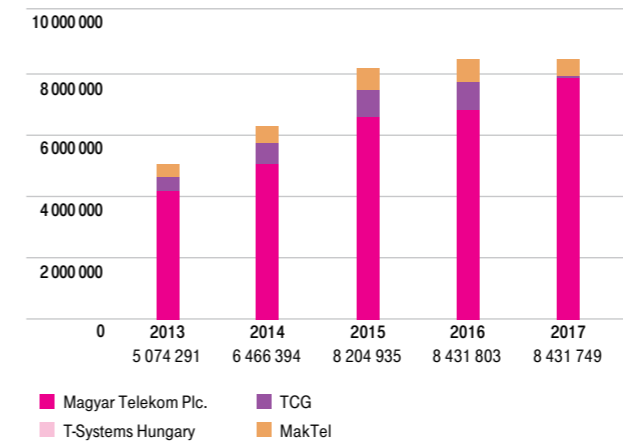
	2013	2014	2015	2016	2017
Total paper consumption (kg) ⁽¹²⁾	1 579 542	1 428 397	1 208 215	970 461	958 075 ⁽¹²⁾
Packaging paper (kg)	128 114	175 479	97 371	14 551	14 365 ⁽¹²⁾
Office paper(kg)	544 134	481 009	459 653	84 897	83 813 ⁽¹²⁾
Bills (kg)	653 966	662 409	799 757	823 798	813 284 ⁽¹²⁾
PR and marketing material (kg)	253 328	109 500	335 231	47 215	46 612 ⁽¹²⁾
Recycled paper (kg)*	194 056	192 456	162 789	158 669	156 644 ⁽¹²⁾

(12) estimation based on 2016 data

E-billing

Thanks to the campaigns Magyar Telekom achieved outstanding growth, electronic invoicing constitutes more than 25.2% of all residential billings which means 11% growth compared to the previous year.

ELECTRONIC BILLS (PCS) MAGYAR TELEKOM GROUP ✓



1.2.6 BIODIVERSITY

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

Land use, landscape impact

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

The composition of the mobile network represents no significant change: the number of base stations have not changed, in 2016: 7894; in 2017: 7557 on Group level (in 2017 without TCG). The number of towers shared with other operators increased by 6.5% (in 2016: 1827 pieces, in 2017: 1947).

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

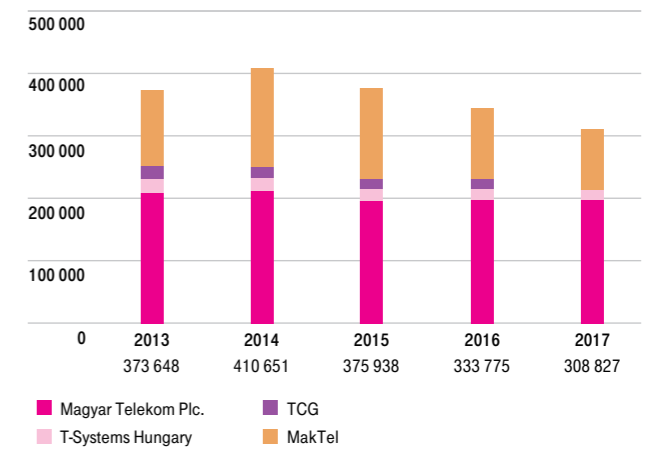
Noise and vibration protection

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

Water consumption

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

WATER CONSUMPTION (M³) MAGYAR TELEKOM GROUP ✓



1.3 EMISSIONS

1.3.1 WASTE

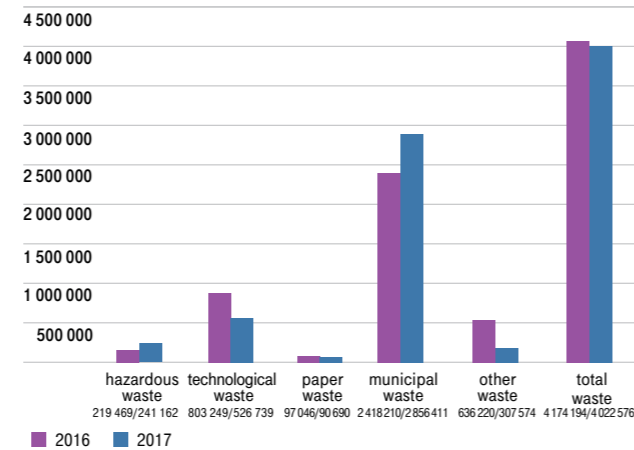
The quantity and quality of waste generated greatly depends on the current telecommunication projects and developments: on Group level in 2017, compared to 2016, the total amount of waste decreased by 4%. Due to the finished projects the Group level recycling rate has decreased to 15%.

Within Magyar Telekom Group the largest proportion of generated waste (close to 71% ✓) – is still the residual waste, it has increased by 18%. Second by volume is technological waste 13% ✓; hazardous waste is 6% ✓; the proportion of paper waste is 2% ✓.

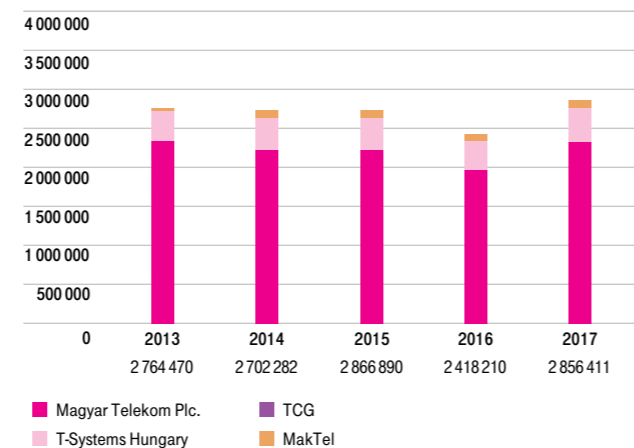
In order to reduce the harmful effects of waste on the environment:

- We make sure that unused equipment gets reused either within the company, or by trading them to employees or external partners, or by renting, leasing or transferring them without compensation (donation).
- We collect waste selectively in more sites
- We improve their effectiveness through the revision of our existing contracts, the regular revision of collection points and through communication
- We continue to operate in accordance with the DT group level policy, released in 2015, for the regulation of management cables.

WASTE BY TYPE (KG) MAGYAR TELEKOM GROUP ✓



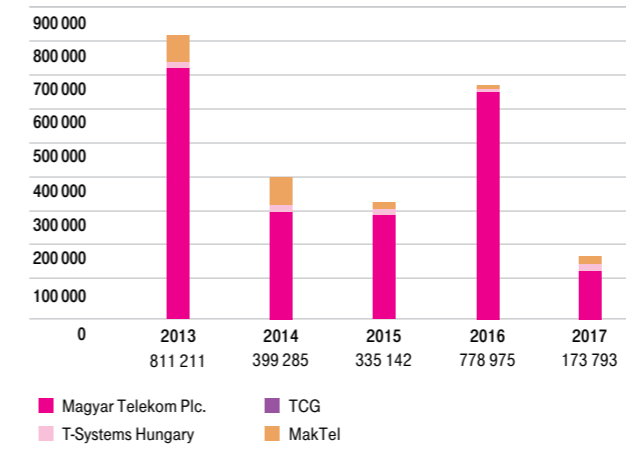
RESIDUAL WASTE (KG) MAGYAR TELEKOM GROUP ✓



QUANTITY OF WASTE BY TYPE AND RECYCLING RATE AT MAGYAR TELEKOM GROUP, 2010-2016 ✓

	2013	2014	2015	2016	2017
Hazardous waste (kg)	148 923	104 058	119 556	219 469	241 162
Recycled hazardous waste (kg)	95 794	56 303	85 194	164 327	232 430
Technological waste (kg)	1 079 417	628 656	549 757	803 249	526 739
Recycled technological waste (kg)	811 211	399 285	335 142	778 975	173 793
Paper waste (kg)	149 894	134 828	79 337	97 046	90 690
Recycled paper waste (kg)	143 874	125 248	78 637	96 346	90 690
Municipal waste (kg)	2 764 470	2 702 282	2 866 890	2 418 210	2 856 411
Recycled municipal waste (kg)	2 916	1 140	-	13 317	12 045
Other waste (kg)	241 550	356 145	249 877	636 220	307 574
Recycled other waste (kg)	24 768	28 394	29 334	77 103	-
Total waste (kg)	4 384 254	3 925 969	3 865 417	4 174 194	4 022 576
Recycled waste total (kg)	1 078 563	610 370	528 307	1 130 068	508 958
Recycling rate (%)	25%	16%	14%	27%	13%

RECYCLED TECHNICAL WASTE (KG) MAGYAR TELEKOM GROUP ✓



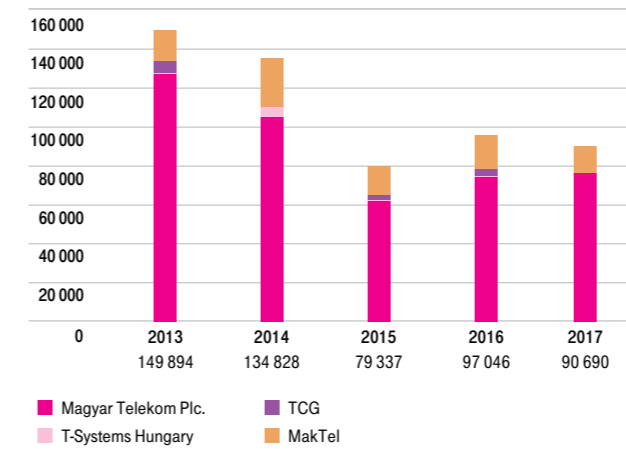
Hazardous waste

The amount of hazardous waste increased by 10% ✓ at Group level, due to network upgrade and maintenance (e.g. batteries, replacement of network elements). Non technical waste decreased by -89% on group level and by -84% at Magyar Telekom Plc. The reason for the decrease of the later is the fact that the hazardous waste generated from building maintenance or power supply equipment maintenance is being handled and removed by the subcontractor responsible for maintenance.

Paper waste

The quantity of paper waste decreased at Group level by 7% ✓, due to the paperless office objectives.

PAPER WASTE (KG) MAGYAR TELEKOM GROUP ✓



Other waste

The quantity of other waste at Magyar Telekom Plc. has dropped to 52% due to the finished building renovations.

At Magyar Telekom Plc. the recycling rate is nearly 13% ✓. In the case of municipal waste, local public services must be used, so only estimated data is available; the waste is disposed into licensed landfill sites. The company does not transfer waste directly to incineration or composting.

1.3.2 PRODUCER'S AND DISTRIBUTOR'S RESPONSIBILITY

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

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

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

- In the case of electronic equipment subject to product fee regulations most companies choose the payment of the product fee payment and the use of the national collection system. Magyar Telekom Plc. paid the mandatory product fee for electric and electronic equipment in 2016. The national collection rate requirement was 45% in the IT sector (the national system does not report company-level data.)
- In the case of batteries, in accordance with the provisions of law, Magyar Telekom Plc. partly transferred the obligation to intermediary organizations. Each year, our contracted partner, ReLem Limited Liability Non Profit Corporation fulfils its obligation above the law enforced level.

In accordance with the legislations in force we inform our customers on our websites about the various waste disposal options for used equipment and batteries. In spite of ensuring the opportunity to exchange returned waste and thus receive a discount from the price of new devices the volume of such waste showed a decreasing trend.

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

1.3.3 EMISSIONS TO AIR

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

1.4 ENVIRONMENTAL OBJECTIVES, COSTS AND COMPLIANCE

In 2017, Magyar Telekom Group's CO₂ emission decreased from 110 736 tons of CO₂ to 97 111 tons of CO₂. Our energy efficiency indicator followed the increasing trend to 95.62 GBit/kWh ✓. Our fleet average emissions are experiencing a stable

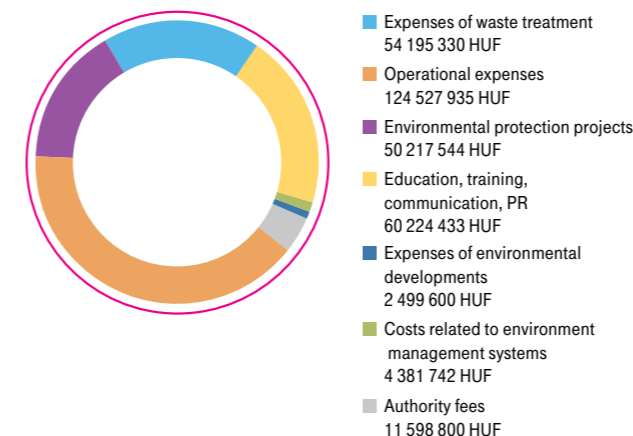
decrease, while the share of the hybrid and electric benefit cars in the fleet has increased to 16.1% by the end of 2017. Thanks to the paperfree solutions in the stores the amount of printed paper has dropped by 60%.

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

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

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

ENVIRONMENTAL PROTECTION COSTS IN 2017 (HUF) MAGYAR TELEKOM GROUP ✓



KPI BY 2020	
CO₂ emission	<100 000 tCO₂
fixed network	min -44% based on 2008
mobile network	max +35% based on 2008
data center	max +3% based on 2008
buildings	min -16% based on 2008
Energy efficiency	100 Gbit/kWh
Fleet	
fuel consumption	min -34% based on 2008
average CO ₂ emission	<100 gCO ₂ /km
share of hybrid and electric cars	min 30%
CPE's emission	general decrease
Waste reduction	min -10% based on 2015
Paper usage in the shops	min -90% based on 2015



2.

RESPONSIBLE SERVICE

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1

NO
POVERTY

3

GOOD HEALTH
AND WELL-BEING

4

QUALITY
EDUCATION

9

INDUSTRY, INNOVATION
AND INFRASTRUCTURE

10

REDUCED
INEQUALITIES

12

RESPONSIBLE
CONSUMPTION
AND PRODUCTION

16

PEACE AND JUSTICE
STRONG INSTITUTIONS

2.1 CLOSING THE DIGITAL DIVIDE

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

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

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

DIGITAL WELFARE PROGRAMME

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

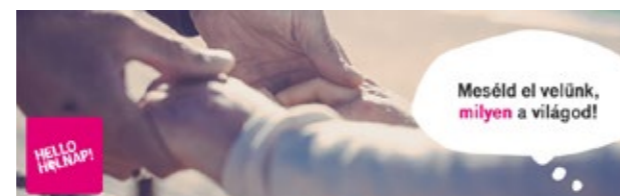
Supporting people living with disabilities

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

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

hello holnap! tariff packages

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



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



Supporting isolated, disadvantaged groups and small settlements



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

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

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

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

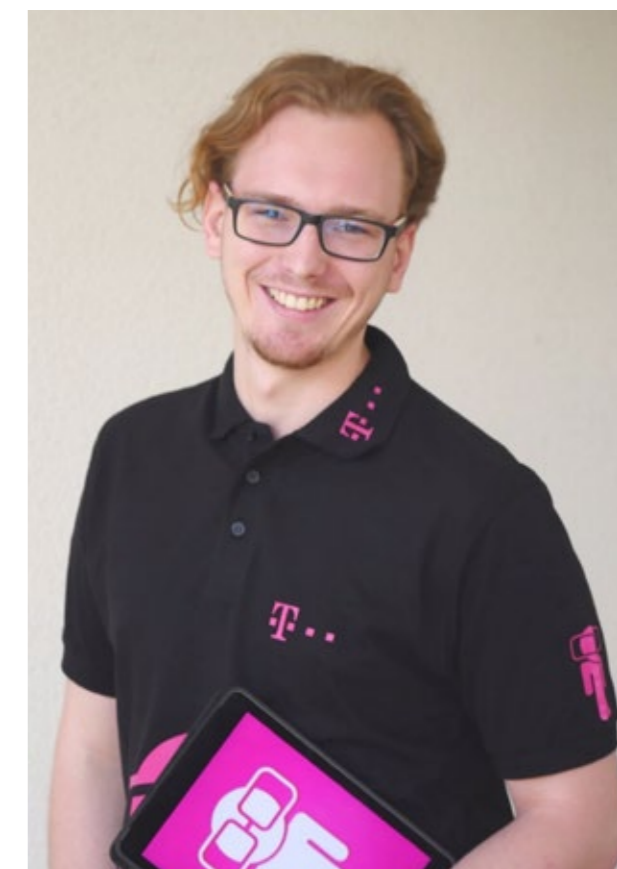
For videos, pictures and further information about the Digital Bridge program visit [this website](#) or the program's [Facebook page](#).

Telekom forum

Telekom Forum is an online social platform where our existing and potential customers can chat, find information about our services, and about the use of internet, smart devices and smart devices, and also information about access to various online contents. The page is public and worth to visit for all who wish to gain first-hand information about Telekom products from the most reliable experts: the users themselves. The page is moderated and supported by Magyar Telekom experts.

Mobile Experts

Our Mobile Experts (Mobiltudósok) are to be found in Telekom shops offering help and support to visiting customers in the use of our devices and services. They provide information on how the internet can improve the customers' lives (administration, banking, online shopping). Our experts can also be found online: they share their knowledge about the latest technical improvements, products and interesting facts. They are blogging via Mobiltudós blog, and they are also present on [Telekom's Facebook page](#).



Become an IT expert! – Career-guidance program

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



Teachtoday

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

SERVICE AVAILABILITIES

Annual availability (%)	2013	2014	2015	2016	2017
Cable television analogue/digital	99.94/99.88 ✓	99.94/99.90 ✓	99.93/99.84 ✓	99.97/99.89 ✓	99.97/99.90 ✓
SatTV	99.94 ✓	99.948 ✓	99.924 ✓	99.92 ✓	99.90 ✓
IPTV	99.86 ✓	99.83 ✓	99.898 ✓	99.85 ✓	99.82 ✓
Fixed line internet (ADSL/GPON/CableNet)	99.89/99.96/99.87 ✓	99.89/99.90/99.86 ✓	99.90/99.97/99.92 ✓	99.88/99.96/99.90 ✓	99.89/99.96/99.90 ✓
Mobile internet (2G/3G/4G)	99.40/99.57/99.67	99.66/99.74/99.67 ✓	99.66/99.74/99.67 ✓	99.56/99.79/99.35 ✓	99.902 ✓
Telephone/VoIP/VoCa	99.93/99.90/99.87	99.94/99.88/99.90 ✓	99.94/99.92/99.91 ✓	99.94/99.90/99.91 ✓	99.94/99.93/99.92 ✓
Mobile telephone (2G/3G/4G)	99.91/99.88/99.84	99.907/99.883/99.849 ✓	99.907/99.883/99.870 ✓	99.907/99.901/99.844 ✓	99.91 ✓

Hello Biznisz

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

Service availability

Magyar Telekom Plc. guarantees its customers rights in connection with service availability and troubleshooting on the basis of the **General Contract Terms and Conditions (GTC)** available at the customer service points and also in the Internet. In this it declares to fulfill the published quality targets during providing services on the entire service territory, to check this via measurements and to publish the measurement methods. Here, the Company also defines the quality targets for the services provided, meeting of which is continuously measured and made available to everyone on an annual basis. The trouble management for customers is handled along a defined process - in accordance with their rights set out in the GTC, inter alia - after having detected the problem and having filed the trouble at the company.

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

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

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

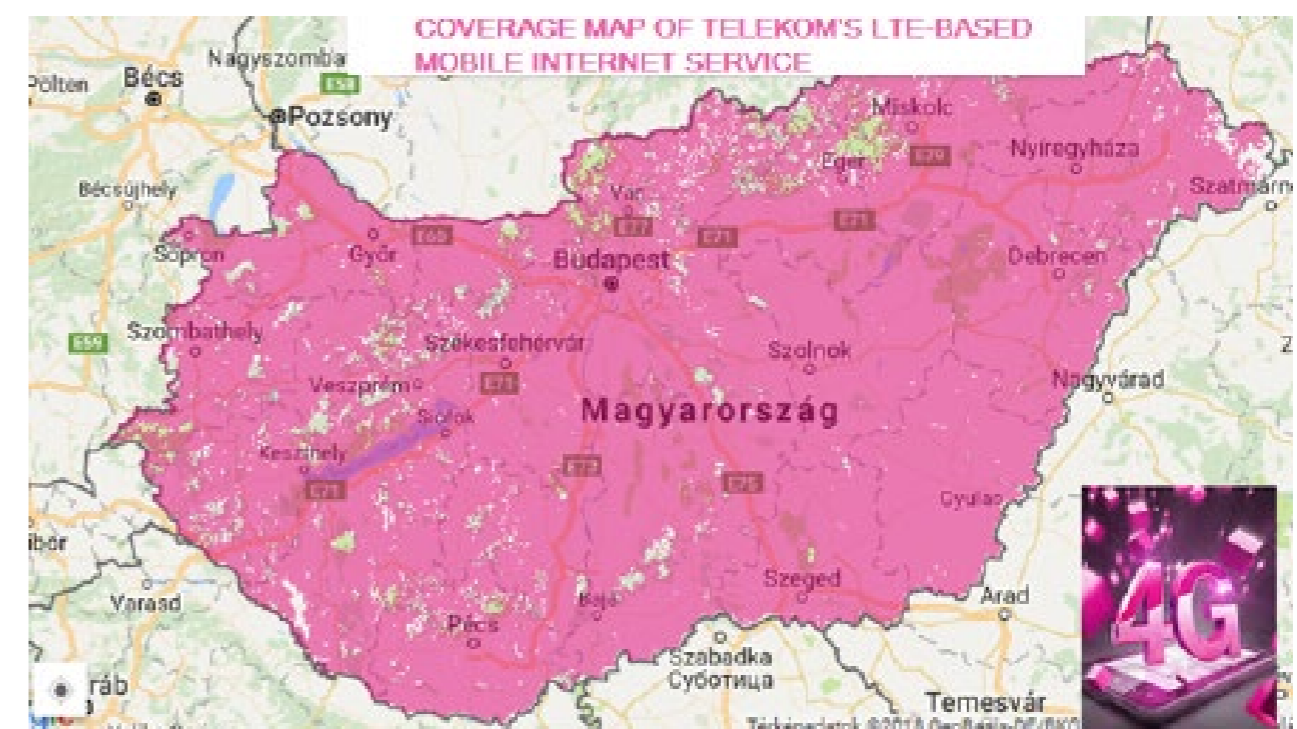


In 2017 we managed to increase further our 4G coverage countrywide in the residential customer segment.

NEW BRAND AND A FIXED LINE OFFER IS INTRODUCED IN THE HUNGARIAN MARKET: FLIP

In May 2017 Magyar Telekom launched a new fixed line brand and offer. Flip was developed for customers requiring simple but good quality basic service without extra comfort services, at an extremely favorable price level, without obligations and commitment for a compulsory loyalty period. The Flip offer – named Flip Otthon – altogether includes 130 digital TV channels, 100 Mbit/s download speeds, a WiFi router and free of charge voice communication between Flip telephone numbers. Upon the launch, Flip became available in more than half a million households, in numerous locations within Hungary.

„The Hungarian telecommunication market enters a new, more mature phase characterized by versatile and ever more definite customer requirements. We realize that there is a customers segment which specifically requires the basic services. We can address the needs of these clients more efficiently and accurately with a new brand, featuring simplicity and freedom, without any obligations. Having recognized this, we launch our new brand Flip” – said Christopher Mattheisen, chief executive officer of Magyar Telekom at the event introducing Flip.



Initiatives at **Makedonski Telekom** to eliminate the digital divide:

- As many as 98% of households are covered with fixed access network. In rural areas where we do not have coverage, Voice services were provided with FGSM or Satellite based solutions, like ASTRA.
- Starting from 2017, new customer requests for BB access in rural areas are provided with FMS solution based on LTE using 800 MHz band.
- With 418 locations where xDSL equipment is installed, MKT provides broadband access in the whole territory of Macedonia. Increased BB access speed for households in already covered in low speed areas with VDSL Vectoring equipment. We continue the deployment of the hybrid access solution (xDSL+LTE) for BB speed demands in low speed areas.
- MKT fiber optic network (as of EoY 2017) provides more than 28.6 % of coverage of households enabling access speeds >40Mbps and we will continue with its further rollout.
- Mobile BB access to our customers is provided using 4G network with 99.5% coverage of population. LTE Advanced using Carrier Aggregation is enabled on 54% of total number of sites while MIMO is implemented on several locations, both technologies together enabling maximum download speeds of 500 Mbps.

2.2 ICT FOR SUSTAINABILITY

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

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

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

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

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

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

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

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

- Social pillar: assessment of the contribution of the product/service to health, access to information, education, equal opportunities and personal growth.

- Economic pillar: assessment of the contribution of the product/service to sustainable consumption, competitiveness and actual needs (fair prices, regional responsibility).
- Environmental pillar: assessment of the contribution of the product/service to the preservation of resources, reduction of the environmental footprint and climate protection (environmentally compatible products and proceedings).

2.3 INNOVATION FOR SUSTAINABILITY

Research and development

Tender Project

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

Own Risk based Research and Development

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

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

R&D cooperation

In addition to innovative domestic SMEs, the research and development tasks are performed by the internal researchers as well as the product and services development staff of Magyar Telekom. In addition, the Company leverages the synergistic effect of an internal and external knowledge base, and strives for partnership with well-known innovation centers and institutes of higher education. Our main partners are renowned

ICT AT MAKEDONSKI TELEKOM

We see our focus in promoting ICT solutions particularly in smart city segment. That is our way how we can help cities to become smarter and more sustainable. Therefore, we expanded our smart city portfolio with new services and solutions like smart parking, smart waste, smart benches, up to smart lights and electric vehicle chargers. We have built quality pilot solutions based on Deutsche Telekom experience for smart lighting, smart parking and waste management.

We are extremely proud that we managed to transfer this innovative and eco-friendly spirit to our employees by starting another green initiative – smart-bike system. The eco-friendly and innovative smart-bike solution is now implemented within our company, offering our employees a fast transportation method which includes usage of applications that controls locker of bike and tracks the bike. This way, we promote culture of sustainability and decreasing CO₂ emissions.

Hungarian universities and research institutes, such as the Budapest University of Technology and Economics, the Eötvös Loránd University, the Budapest Corvinus University, the Óbuda University, and the Hungarian Academy of Sciences.

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

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

In-house incubation programme – Mission Telekom

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

Our goal was to bring the best tenders into practice, selected by a professional jury, with the active cooperation of the project initiators and professional/technical mentors in the year 2017.



After several selection rounds, out of 150 applications the top five ideas were chosen for team-implementation on a prototype level. A key selection criteria was the inherent sustainable value of the project proposal.

The development of the Mission Telekom concept has started at the end of 2016. The year-long program was launched for the first time in February 2017 and it has ended in January 2018. At the project closing team presentation event, the finalists had the opportunity to show the results of their eleven months work to the Magyar Telekom Management Board (MC).

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

Kitchen Budapest (KiBu) is an experimental innovation and incubation laboratory that was established in 2007 with the support of Magyar Telekom. As one of the first media labs in Hungary, KiBu found its primary mission in investigating digital literacy and DIY techniques on the local scene. Ever since, KiBu has been actively present as an internationally recognized innovation lab with young researchers and developers forming its team. In 2017 KiBu has been transformed into T-Systems Hungary Open Innovation center. Through the activation and involvement of external innovation capacities its tasks include the support of the growth of the industry which is used to respond to T-Systems' business and technological challenges.

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

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

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

KiBu looks at its Startup Program launched in 2012 as an important milestone; it gives teams with budding ideas the opportunity to make their dreams come true. So far we received 900 requests and accepted 9 teams to our incubation program. It is part of our mission to help ideas come into life.

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

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

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

2.4 PROTECTION OF OUR CHILDREN IN THE DIGITAL AGE

Magyar Telekom is committed to assist children's, parents' and teachers' safe use of internet and aims to provide them with all the support along the way. The Company's child protection website contributes to this effort with controlled content, advise, education and events organized for children and their parents alike to be prepared for risks of the digital world.

Teachtoday - Telekom for the conscious use of the internet

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

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

For parents

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



For teachers

Teachtoday helps the work of teachers with ready-made modules that can be immediately incorporated into the digital curriculum as well as best practices and examples. For example,

teachers can set up a Media Adventure Park together with the students or may acquire new skills and knowledge with the use of the Be a meteorologist! project.

For children

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

The downloadable English language Scroller magazine is written for small children as another fun source of information about the digital world.



Child friendly customer service

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

There is a high demand for the protection of young generations either through parents or through teachers. In parallel to the rapid digitization of our world the number of exposures have also increased and there is an increased level of risk affecting minors through various communication channels. Therefore it is crucially important to equip our customer service staff with competence and expertise in child protection issues.

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

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 precursor abuse,
- new psychoactive substance abuse,
- child pornography,
- criminal act against the state,
- act of terrorism
- or financing terrorism

or, if the electronic data is connected to the above criminal acts.

The technical implementation of temporary blocking is the responsibility and obligation of the National Media and 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 temporarily 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.

All content provisioning related activities within **Makedonski Telekom** are in full compliance with all areas of all relevant regulations and legal framework, with increased focus on General Data Protection regulation and copyright laws, but also all other relevant regulation related to the content service providing. It is strictly regulated that the content and content related services shall not be in contrary to the public moral and the public order (meaning that indecent, vulgar, intimidating, threatening or other illegal content is forbidden) as well as that the content shall not be aimed at incitement or call for military aggression against the state order or stirring up ethnic, racial, gender or religious hatred and intolerance, terrorism related activities or violation of the rights and freedoms of other persons.

2.5 DATA PROTECTION

Among the 2017 sustainability objectives, Magyar Telekom pays special attention to the protection of personal data. Magyar Telekom ensures the highest standard of data-security and technical and organizational measures regarding personal data management/processing.



Prior to developing new products and during provision of services, Magyar Telekom considers the protection of its customers' and business partners' personal data as top priority. Magyar Telekom processes personal data in accordance with the applicable Hungarian legislation, the guidelines of the National Authority for Data Protection and Freedom of Information and the European Union directives regarding personal data protection. A new general data protection regulation (GDPR) was enacted in the European Union in 2016 that is directly applicable in the Member States from May 25, 2018. Magyar Telekom pays particular attention to prepare itself for the application of the new general data protection regulation. Magyar Telekom ensures the highest standard of data-security and technical and organizational measures regarding personal data management/processing. 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 to process personal data according to the highest standard of data security and technical and organizational measures.

Magyar Telekom provides multiple channels for its customers to request information and to send complaints regarding their personal data management. 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.

In 2017, **T-Systems Hungary Ltd.** was operating a certified data and information protection system (ISO/IEC 27001).

- The objective of the data and information protection system is to ensure secrecy, unharmed operation and uninterrupted availability of our data and information.
- The data and information protection system manages the data files managed and produced by T-Systems Hungary, the company's business data, the data of its partners and employees, offices, commercial and developed software, buildings, offices, equipment and IT systems.
- The maintenance of the system is ensured through the application of new and continuously developing information and communication technology.
- We respond to information security exposures in a way that residual risks may not adversely impact our work and the company's operation.

Makedonski Telekom as a member of the Deutsche Telekom Group, pays great attention to the personal data protection in all of its business processes, by implementing the standards stipulated with the personal data protection regulations in the Republic of Macedonia and the standards existing within the Group. The principles for personal data protection elaborated in the Binding Corporate Rules Privacy of Deutsche Telekom are implemented in the companies belonging to the Group, and in MKT inclusive.

The Binding Corporate Rules Privacy, adopted by MKT with a CEO Directive in May 2015 conforms to the requirements by the Macedonian Law for Protection of Personal Data. On October 2016, a CEO Directive was supplemented with the Appendix which regulates more thoroughly the control of personal data protection level by the DPO's Team.

The main activities of the DPO during 2017 were as follows:

- Supporting the projects with privacy relevance related to new products, services and IT system. It is very important to ensure the early involvement of the DPO in the projects;
- Active participation in defining the rights and obligations regulated by the Commissioned Data Processing Agreements;

- Conducting of the data protection trainings (face to face) for the employees in Point of Sales (the trainings will be recorded in employee's personal files)
- Giving the opinions whether the data which are treated as a confidential communications according to Law on Electronic Communications, could be provided to the state authorities upon their request and interpretation of the relevant legal provisions that refer to the lawful interception

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

- Data Protection Audits conducted by DPO, based on Annual Plan for 2017
- Regular inspection by Directorate for Personal Data Protection (the conducting of this inspection started in 2016 and continued in 2017)
- Certain extraordinary inspections by Directorate for Personal Data Protection based on customers complaints (it should be emphasized that no penalty was imposed)
- Online Group Data Privacy Audit and Self Assessment

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

Republic of Macedonia as a candidate country for EU membership has an obligation to transpose the GDPR into national legislation. The new Law on Personal Data Protection is already drafted (GDPR is transposed in the draft Law) and it is expected the procedure for its adoption to start. MKT will establish the Project Team for implementation of GDPR.

2.6 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 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 Deutsche Telekom EMF Policy Recommendations' adopted by Magyar Telekom is available in English on the [website of Deutsche Telekom](#).

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

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

Mobile network, network development

According to the Company's common practice station antennas are installed in a way that employees normally cannot stay in front of them, they cannot and do not have to work in the relevant zone, and passage ways do not cross the areas in question.

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

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

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

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

Communication

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

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

In addition to internal communication, in 2017 Magyar Telekom continued to respond openly to inquiries about the safe use of mobile phones.

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

Research

Exposure of the world's population to non-ionizing electromagnetic radiation and electromagnetic fields has considerably increased in recent years. Since a civilized society cannot avoid the use of equipment emitting non-ionizing electromagnetic radiation, like mobile telecommunication equipment, satellite and terrestrial television/radio broadcasts,

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

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

The largest research project of this type, the INTERPHONE project of WHO-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.

As a result of the three Hungarian mobile operators' cooperation a new website – **EMF portal** – was created in 2006 and continued its operation throughout 2016 where questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements purchased by the operators from external organizations.



3.

SUPPLIERS

1 NO POVERTY



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



6 CLEAN WATER AND SANITATION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



14 LIFE BELOW WATER



15 LIFE ON LAND



16 PEACE AND JUSTICE STRONG INSTITUTIONS



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

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

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

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

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

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

The company buys services and products from qualified suppliers. After filling out the questionnaire, we inform registered suppliers about their results in the vendor grading system. In 2017 we procure more than 82% ✓ of the value of the orders from prequalified external suppliers, through 977 ✓ partners.

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

It is one of the main pillars of the sustainability strategy 2016-2020 to communicate our commitment to sustainability to the direction of our suppliers who are actively involved in our everyday business. This cannot be achieved without new and ambitious goals, following the best practices and the involvement of all stakeholders. In response, we created the Magyar Telekom Sustainability web audit, which is a series of questions 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 with the weighting of the respective industry of the supplier. 35 companies participated directly in the survey in 2017, which corresponds to 21.07% ✓ of the purchase value (this value was 10.86% in 2015 and 3.83% in 2016). Respondents were informed about their results, where they have received topic-specific feedback on their performance. In addition, we provided more detailed information via email or phone to partners who requested it. The Incident Management process involving the Working Group was not used in 2017. No incident risk has been identified. Throughout its operations Magyar Telekom is proactive and transparent in terms of its commitment to have sustainability become part of its identity and empowers its partners to consciously participate 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 best rated suppliers in 2016 were awarded on June 12 at the 18th Sustainability Roundtable Discussion event. At the event, the „Magyar Telekom's TOP3 sustainable supplier” title was given to: the American Infinera Corporation and the Romanian ROMKATEL SRL, as well as the Hungarian Nokia Solutions and Networks TraffiCOM Ltd. companies

For the purpose of the sustainability evaluation of our active suppliers we use the internationally recognized and operated EcoVadis system, which is also supported by Deutsche Telekom. We invited strategically important and high-risk suppliers to declare their operational practices based on the detailed EcoVadis criteria. As a result 7 suppliers were directly and 15 suppliers were indirectly evaluated on social, environmental, economic and sustainable procurement aspects in 2017. These suppliers accounted for 40.59% ✓ of the overall procurement value, which value was 39.5% in 2014, 37.42% in 2015 and 33.23% in 2016.

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

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



As part of the sustainable supplier chain management process, and in order to support effective operation we created a working group, the members of which are responsible for and take action in the case of incidents as well as environmental working conditions, human rights or social problems arising in connection with suppliers. The permanent members of the working group are the employees of the Corporate sustainability center, the Procurement and logistics directorate, the Corporate governance and General legal affairs department in addition to the employees working for the ordering organization involved in the incident, as well as the experts on the given issue. In order to support these efforts we established an incident management process that defines the relevant actions in such cases. The incident management process analyzes the event that triggers the incident, the strategic importance of the supplier, the severity of the given case, the supplier's reaction and provides guidance on potential remedies. Such process was not launched in 2017 because the analyses have not revealed any negative environmental, working condition, human rights or social non-compliance. Therefore no sanctions were imposed and no contracts have been terminated in 2017.

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

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

	EVOVADIS	MT WEB AUDIT	AUDIT	PRE-QUALIFICATION
Anti-corruption and Bribery	✓	✓	✓	✓
Conflict of interest	✓	✓	✓	✓
Fraud	✓	✓	✓	✓
Money laundering	✓	✓	✓	✓
Anti-competitive practices	✓	✓	-	✓
Respect of intellectual property rights	✓	✓	✓	-
Truthfulness of marketing and advertising messages	✓	✓	✓	-
Consumer/ client data protection and privacy	✓	✓	✓	✓
Access to essential services or products	✓	✓	-	-
Partner/ supplier data protection and privacy	-	✓	-	✓
Associate/ employee data protection and privacy	-	✓	✓	✓
Business Continuity Management	-	✓	-	-

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

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

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

These electronic solutions substantially reduce the processing time of the procurement processes and the e-mail based 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 2017 reached 91.3% of all items ordered (in 2012: 59%, in 2013: 64%, in 2014: 66%, in 2015: 69%, in 2016: 89.9%).

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

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

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

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

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.

Despite the globalization of procurement, we continue to purchase a considerable amount of products and services from local⁽¹³⁾ suppliers. In 2017 nearly 80% of our suppliers belonged to this category. By ordering products and services from local suppliers we significantly contribute to the retention of jobs.

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

In an effort to prevent any damage and minimize transportation time, hazardous materials purchased are transported directly to the internal customer, with the exception of storing a minimum inventory. In an effort to raise cost efficiency and reduce transportation, we increase the percentage of stocks managed by the suppliers (VMI 70.5%). We study the possibility of this jointly with the supplier when entering into the contract.

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

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

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

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

SUBSIDIARIES ¹⁴	2013	2014	2015	2016	2017
Magyar Telekom Plc.	74%	67%	74.5%	78.9%	77.8%
T-Systems Hungary	75%	80%	77.8%	78.46%	84.32%
Makedonski Telekom	79%	64%	65% ¹⁵	67%	65%
T-Mobile Macedonia	56%	46%	-	-	-

(13) Suppliers with headquarters in a given country.

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

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



4.

CUSTOMER RELATIONS

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12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



17 PARTNERSHIPS FOR THE GOALS



4.1 CUSTOMER SATISFACTION

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

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

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

T*RIM - Residential customers

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

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

T*RIM - Small and medium-sized enterprises

Due to the change of methodology of the satisfaction survey findings or conclusions can only be made in respect of the SMB sector solely on the basis of the Y2017 trends.

Similarly to the results of the residential survey the level of satisfaction of mobile customers is higher than that of the fixed line subscribers. At the same time, the positive feedback of fixed line customers increasingly shows how they appreciate the extras that Magyar Telekom provide for loyal subscribers and we also measured significantly higher satisfaction with administrative processes.

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

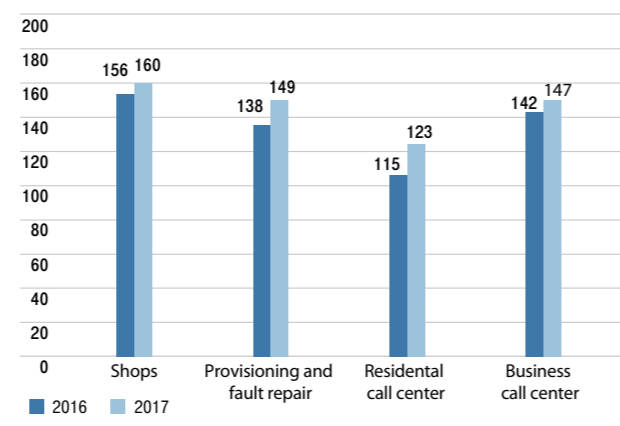
NG ICCA

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

The research is transaction based: we poll our customers within 2–48 hours of their customer care event. The research extends to the residential and business customer base as well.

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

OVERALL SATISFACTION INDICATOR IN 2016 AND IN 2017, BROKEN DOWN TO CHANNELS ✓



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

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

Strategic satisfaction research

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

Within the research we perform personal deep interviews and questionnaire based survey as well. The questionnaire-based survey is conducted on a random sample of the entire customer base where we contact approximately 400 companies. The deep interviews are taken in the top 50 segment of the large enterprise category whereas we measure the top 20 customers of the medium enterprise segment. The questionnaires and deep interviews are performed anonymously, but the respondents also have the opportunity to identify themselves with their names during the interview.

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

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

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

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

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

Contact person satisfaction research

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

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

In 2017 both channels performed at an outstanding level and had a specifically positive impact on T-Systems' perception. Both the administrative processes and the professionalism, competence of the staff as well as the treatment of customers achieved a superior rating. Customers find that the vast majority of administrative processes are easy to follow and are successful. The duration of administrative processes is compliant with the SLAs undertaken by TSM as well as the expectations of customers.

Enterprise customer support unit (VÜK)

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

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

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

ICCA TARGET VALUE IN 2017:	ICCA RESULTS IN 2017
CC: 115	CC: 127.5
Dedicated: 165	Dedicated: 162.6
Field-visit staff: 180	Field-visit staff: 167.6
Aggregated result: 141.3 points	

Measurement of customer satisfaction with the management of fault reports

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

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

At **Makedonski Telekom** we measure customer satisfaction with the TRI*M and the NGICCA methods.

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

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

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

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

Makedonski Telekom remains on leading position among integrated providers, with highest TRI*M index in the market, and among all natcos in the DT group.

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

4.2 CUSTOMER FEEDBACK MANAGEMENT

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

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

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

It is our prime objective to provide customized services through solutions and developments that are based on our customers' feedback and needs and thereby make the "I'm a Telekom customer" experience sustainable in all phases of customer contacts.

4.3 INVOLVEMENT OF OUR CUSTOMERS

Digital Bridge

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



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

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

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

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

Earth Hour

Earth Hour, the largest voluntary initiative to fight climate change joined communities around the globe on March 25, 2017, from 08.30 pm to 09.30 pm. In a record-breaking 178 countries around the world, including Hungary, many people joined the cause with a symbolic switch-off of lights for an hour, shining a



light on climate action. Across Hungary all of the Telekom shops took part in the effort which were open in time of the event. We switched off the lights and projected Earth Hour material on displays in the company's shops.

hello holnap! mobile application

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

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



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

Telekom Vivicittá

In 2017 the Telekom Vivicittá city run was organized for the 32nd time in Budapest - while this year two other cities, Pécs and Szeged, also joined the initiative. There were almost 30,000 runners at the two-day event in Budapest where the 2,5 km charity run was organized to support Magyar Telekom's strategic NGO partner, the Autistic Art Foundation. Members of the charity run team included Olympians and Paralympians, athletes of the Ferencvárosi Sports Club, Balázs Somogyi, ultramarathon runner and members of the Sustainability Media Club, too. The run was started by Dániel Gyurta, László Cseh, word champion swimmers. The objective of the team is to call public attention to autism which has an impact on an increasing number of persons.

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



hashtag. By joining the initiative the participants also raised donations as Telekom donates HUF 100 - a total of 2 million HUF - to the Autistic Art Foundation for each uploaded photo.

The support of autistic persons is shown on the Y2017 official Telekom Viviccittá jersey: the back of the T-shirt features the graphical design of Máté Varga, autistic artist.

hello holnap! points at the Viviccittá

At last year's Viviccittá, in the spirit of sustainability, the athletes could not only support the Autistic Art Foundation but could also collect points through the hello holnap! mobile telephone application by way of reading QR codes available at the run and on racing bibs. The runners could collect 3 hello holnap! points and the cheering spectators could collect 1 hello holnap! point at the event, while participants of the special Suhanj! run could collect extra points if they supported the runners of the NGOs.

By reading one QR code 3 points could be collected that was converted into 300 HUF by Telekom. This amount could be donated by the user to any of the nine NGOs listed in the application.

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.

Sustainability panel discussion and DELFIN Award

The DELFIN Award ceremony took place in June, as part of the 18th Sustainability Roundtable Discussion Day. The professional jury awarded best practices and leading examples in sustainability solutions and sustainable performance of competing companies.

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

Winners of the DELFIN Award in 2017 were:

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



As part of the roundtable discussions the participants could get to know our sustainability strategy, goals and results. Emese Gulyás, president of Association of Conscious Consumers presented the “Conscious Consumer Marketing Report” and we also presented details and results of our research on the sustainable consumer.



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

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

The festival crowd of VOLT, Efort and Campus Festivals got a chance to sense the vibe of the Sustainability Day by the help of Quimby (at VOLT festival) and Irie Maffia (at Efort and Campus festivals). The bands threw the ball to the crowd, who by keeping the ball above their heads throughout the concert, kept “held Earth up!” (The Hungarian word for 'sustain' is 'fenntart', also meaning 'holding something up/above'. Thus the symbolic act of keeping Earth up also stands for keeping Earth sustainable.) The visitors of the 10th Sustainability Day (FN10) could meet and party with the members of Irie Maffia at the afterparty.

Carbon neutrality

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

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

Along the modernization of the network and data centers and the increase of the proportion of hybrid and electric cars in its vehicle

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

E-signature and e-GCC for electronic customer service

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





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POVERTY

5

GENDER
EQUALITY

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DECENT WORK AND
ECONOMIC GROWTH

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REDUCED
INEQUALITIES

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PEACE AND JUSTICE
STRONG INSTITUTIONS

17

PARTNERSHIPS
FOR THE GOALS

5.1 HUMAN RIGHTS AND EQUAL OPPORTUNITIES

Policies and agreements

Code of Conduct

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

Code of Human Rights and Social Principles

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

Diversity Policy

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



Suppliers' Compliance

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

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

Equal Opportunities Plan

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



The Diversity Charter of the European Union

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

UN Guiding Principles on Business and Human Rights

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

UN Human Rights Treaties ratified by Hungary

Magyar Telekom Group as a corporation legally registered in Hungary is carrying out its entire operations and business practices in full accordance with the nationally ratified UN Human Rights Treaties.

Monitoring and auditing practices

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

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

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

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

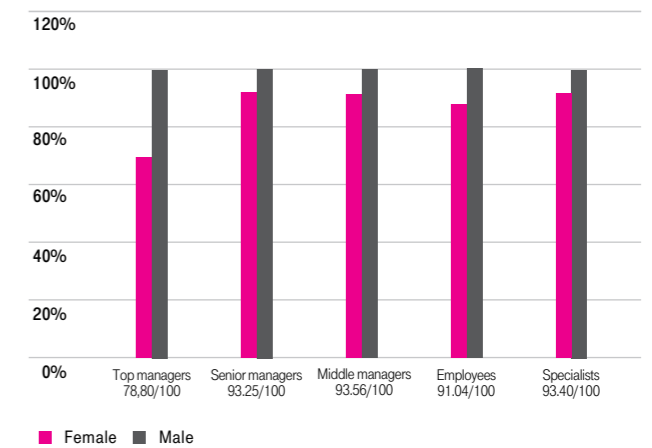
Diversity and Equal Opportunities

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

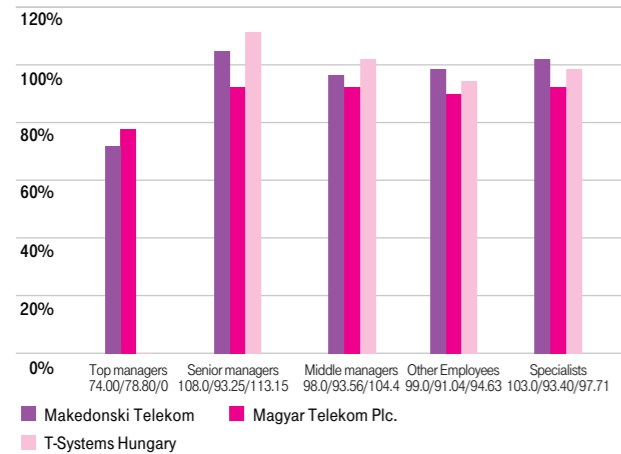
Employee expectations and equal opportunities

The pillars of our People Strategy are based on the aim to meet the needs of our employees, and to live up to the challenges of maintaining our company status as a highly competitive and future oriented employer. Our employees require security, stability, opportunities for advancement and competitive compensations. Magyar Telekom, as a company committed to provide equal opportunities to its employees, finds it especially important to harmonize wages and to terminate unjust wage gaps. Our tiered wage system, built on the Hay methodology, serves the above purpose. Our remuneration system is fully transparent thus our base wage tables and the relevant policies are available for all employees. We pay special attention to avoid gender pay gap and any unjust discrepancies between the wages of colleagues doing similar jobs. We and that potential differences should solely be based on their performance and achievements.

BASE WAGE COMPARISON BY JOB GRADES AND GENDER, MAGYAR TELEKOM PLC., 2017 ✓

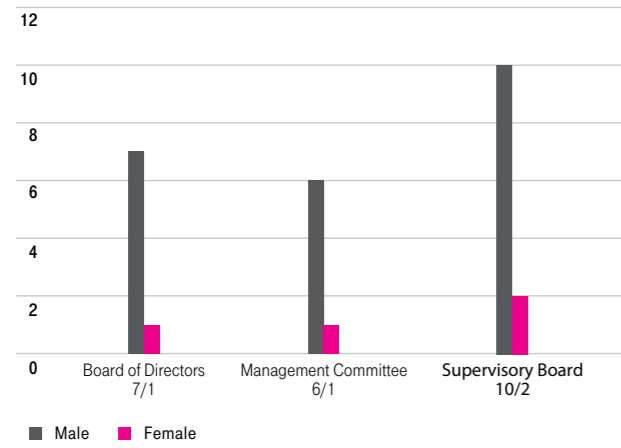


PROPORTION OF BASE WAGES OF FEMALE EMPLOYEES COMPARED TO THE BASE WAGES OF MALE EMPLOYEES (100%) BROKEN DOWN TO JOB CATEGORIES, MAGYAR TELEKOM GROUP, 2017

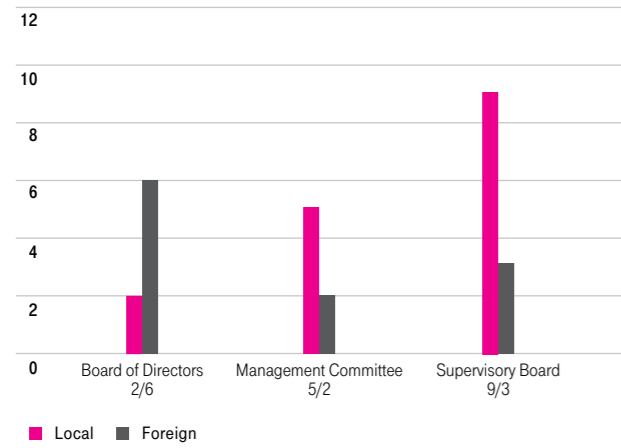


Raise in the amount of women in leadership positions

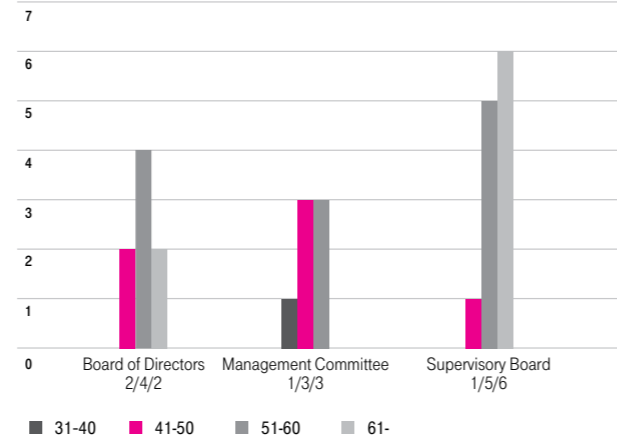
GENDER MIX OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2017



BREAKDOWN OF THE MEMBERS OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2017



AGE BREAKDOWN OF MAGYAR TELEKOM GROUP MANAGEMENT BODIES IN 2017



As an employer dedicated to diversity as a core value, Magyar Telekom finds it important to raise the amount of women in leadership positions. As a member of Deutsche Telekom Group the objective in 2010 was to increase the proportion of female managers to 30% by 2020. Along the aim to contribute to reaching the defined target, the company strives to utilize the actual business benefits inherent to the advancement of corporate diversity culture.

In 2017 the ratio of female employees in the top management was 19,35% whereas the same ratio in the middle and senior management was 27,93%. The overall ratio of female employees in the management is 27.27%. Our objective is to bridge the current gap between managerial levels and to support female talents to reach higher level management positions.

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

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

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

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

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

- (1) Support and respect the protection of internationally proclaimed human rights
- (2) Make sure that they are not complicit in human rights abuses
- (3) Eliminate all forms of forced and compulsory labour
- (4) The elimination of all forms of forced and compulsory labour
- (5) The elimination of discrimination in respect of employment and occupation
- (6) The elimination of discrimination in respect of employment and occupation

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

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

Labor force inclusion of underprivileged groups

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

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

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

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

RATIO OF WOMEN IN MEMBER COMPANIES



Besides these activities – following the tradition of past years – the company organized very successful thematic employee fairs (Christmas Fair, „It Is Good To Give“ cookie event) at various company sites. Magyar Telekom employees could give donations and buy items manufactured by persons with disabilities through the involvement of NGOs that support employment of people with autism.

Disability-friendly Workplace



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

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

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

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

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

Freedom of association and collective bargaining

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

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

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

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

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

Workforce Reduction and Redeployment

Magyar Telekom – in order to ensure the resources related to the Company's strategic objectives – has reached an agreement with the trade unions on headcount reduction and wage increase measures for 2018.

According to the terms of the agreement, the Company plans to make ca. 350 parent company employees redundant. In addition, around a further 160 employees are expected to leave the Company as a result of a number of discontinued corporate projects. The majority of the employees in question have left the Company by the end of 2017. In the framework of the successful Opportunity Program the company provides support by active job search, labor market training and one-on-one counselling to the colleagues laid off. Through these available assistance practices we aim to support these skilled employees to continue their careers as soon as possible.

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

Work-life balance

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

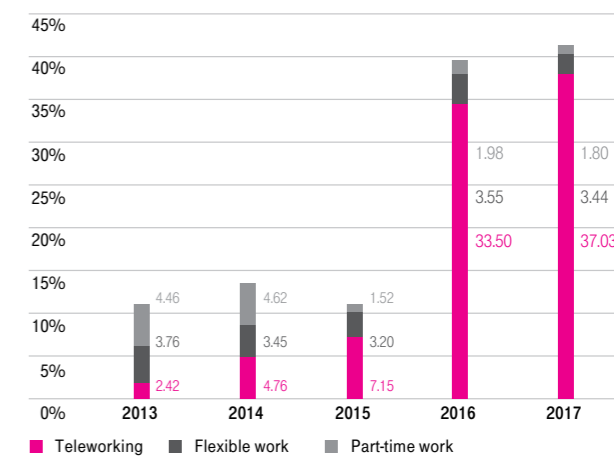
Through the implementation of particular forms of non-regular employment the company aims to provide support to maintain a healthy work-life balance and is also dedicated to reduce the possibilities of working overtime. While offering flexible working hours through part-time, flexible-time and unrestrained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

In 2017 our employees have worked a total of 123 227 days remotely, saving 4 million kilometers or 20 years of travel.

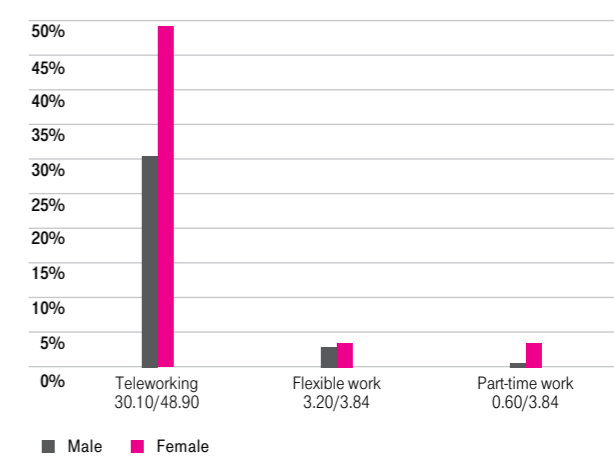
In regards to our employees' private and family circumstances (e.g. necessity of homecare of a permanently ill or elderly close relative) our colleagues may go on a permanent leave without pay. In accordance with Hungarian labor legislations we provide our employees with extra days off after their children, and after participating in blood donation. In cases of more than 40% health damage employees have the right for additional annual

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

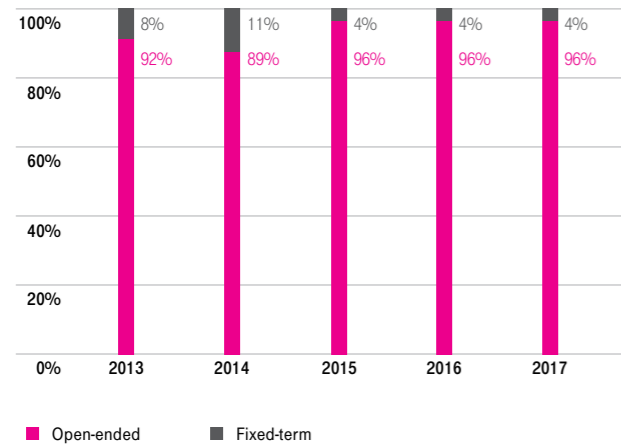
NON-TYPICAL FORMS OF EMPLOYMENT AT MAGYAR TELEKOM PLC. IN PERCENTAGE OF THE TOTAL HEADCOUNT ✓



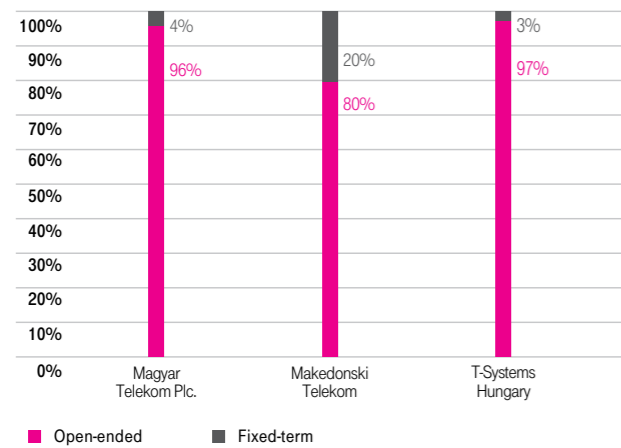
GENDER MIX OF NON-TYPICAL FORMS OF EMPLOYMENT AT MAGYAR TELEKOM PLC. IN 2017 ✓



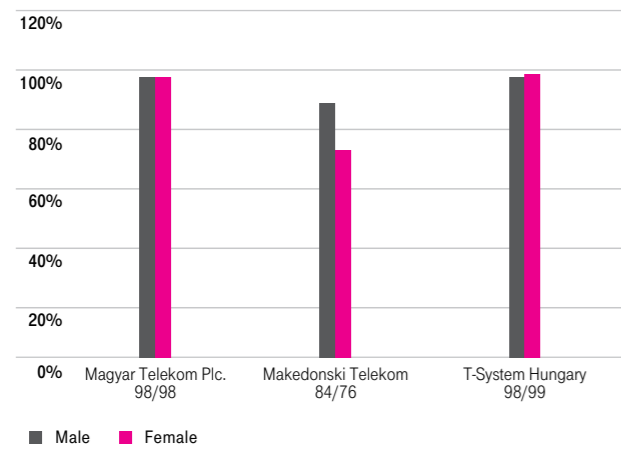
RATIO OF FIXED-TERM TO OPEN-ENDED EMPLOYMENT AT MAGYAR TELEKOM PLC.



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



RATIO OF OPEN-ENDED EMPLOYMENT CONTRACTS BY GENDER AT MAGYAR TELEKOM GROUP



Family friendly Telekom and T-Systems Hungary

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

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

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



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

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

Our four child friendly offices offer solutions to colleagues who need to manage family-situations related to childcare during

LONG-TERM LEAVE AND RETURN TO WORK FROM MATERNITY LEAVE

	MALE	FEMALE	TOTAL
Employees on long-term leave	5	116	121
Employees returning after long-term leave	3	139	142
Employees returning from long-term leave, after having been employed at least for 12 months upon joining the company	3	62	65
Employees returning from long-term leave with continued employment	100%	45%	46%

their office-related duties. These child-friendly workstations and office spaces offer support, when the employee has to take care of a child for a couple of hours or days during one of the short school holidays or when the child recuperates from an illness thus parents can be together with their children.

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

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

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

Generations at Magyar Telekom

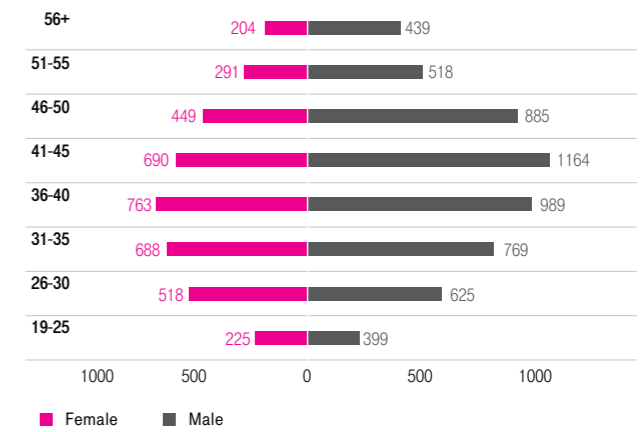
As a next step of the well-designed internship program, the Group offers jobs to many young people starting their career.

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

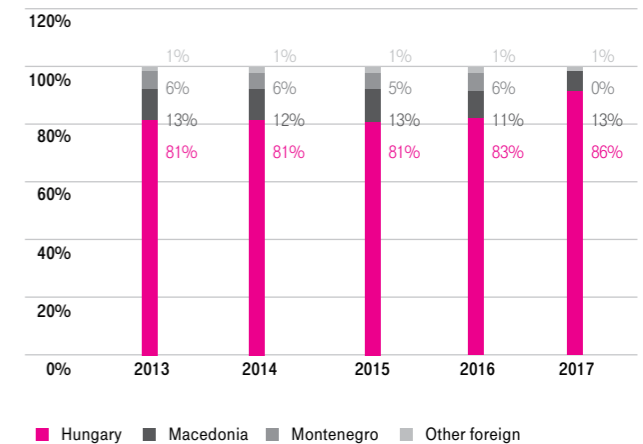


The majority of our employees fall into the mid-aged category of experienced professionals. They experience a slightly narrowing career path, while also having opportunity to obtain marketable experience along various horizontal career tracks. This is supported by the company’s significant resources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

AGE TREE OF MAGYAR TELEKOM GROUP, DECEMBER 31, 2017



DISTRIBUTION OF EMPLOYEES BY REGION



In certain cases those who approach retirement age (50+) may choose to enter the company's standby pool. With this initiative, among others, Telekom would like to take care of its employees and provide an interim solution for the period between work and retirement. Thus the employee could be reactivated from the standby pool if their extended employment is of mutual benefit for both parties.

5.2 INVOLVEMENT OF EMPLOYEES

Mobile Market

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

Earth Hour

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



TeleBike

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

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

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



Move Telekom! Sports and Family Day

Following our traditions we have organized our corporate Sports and Family event 'Move Telekom!' in 2017 as well. A day full of sports and excitement for our colleagues and their family members. The participants could challenge themselves in family sports competitions, and try new ways of exercising their bodies.



In 2017 we had 1600 adults and 1100 children moving together. The children were entertained by amusing and colorful programs at the Gyermekliget-Park, and the playful adults could also hang out and play on a digital playground. We have also paid attention to healthcare and prevention on the event, providing opportunities for melanoma screening and various health condition tests. Colleagues in need of a chill-out could register for a massage. In 2016 we had 1882 adults and 1143 children moving together.

Telekom Volunteer Day

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

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



Sustainability survey among employees

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

It is good to give! charity cookie market

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

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



Volunteer Program in December

Between 4 and 22 December, 2017, 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. 105 Telekom volunteers had thus the chance to engage in customer related services that is at the core of our company activity.

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



6.

SOCIAL ENGAGEMENT

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PEACE AND JUSTICE
STRONG INSTITUTIONS

6.1 COMMUNITY INVESTMENTS

Development of communities, consciousness forming

As a responsible corporation, we believe that we are not only here to provide services to our customers but also to educate them on the safe and responsible use of internet. Along these efforts we aim to close the digital divide in Hungary.



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

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

on topics like data protection, big data, social networks, use of mobile phones or popular applications. Teachtoday helps the work of teachers with ready-made modules that can be immediately incorporated into the digital curriculum as well as best practices and examples.



Become an IT expert! – career guidance program

With Become an IT expert! program, Magyar Telekom and T-Systems Hungary has developed a concept that is in line with the Hungarian government's objectives to advance the digital skills. The program provides career guidance and contributes to the promotion of professional career development within the IT sector with the objective to mitigate the shortage of IT experts in the Hungarian and European labor market.



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

positions. Through the Become an IT expert! Facebook site we continuously provide information on the technological developments of our digital future.

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



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

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



More than 150 students wrote 16,000 lines of program code at the Telekom Challenge - the programming game is publicly available at the **Become an IT expert!** website thus we encourage everyone to try if programming is to his or her taste.

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

The winner of the competition was the team from the Radnóti Miklós high school from Szeged. The main prize included - besides tangible items - that the winning program was built into a game that went public on the day of the award ceremony, as the last challenge within the game. The second place was given to the team from the dual language Széchenyi István vocational education and training school from Békéscsaba and the third to the team from the Neumann János Computer Technology High School from Budapest.

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

Our achievements in 2017:

- 10 400 art in our presentation sessions
- 504 presentations were delivered at schools
- 54 settlements and
- 382 schools were involved

The **Become an IT expert! - Challenge campaign** was awarded with the **European Excellence Award**, the **Silver Effie** in the **Services/telecommunication category** and the **Two Gold Prisms** both in the **“Influencer PR campaign”** and the **“IT/Telecommunication”** categories.

Our worlds are different. But we still understand each other

The strategic partnership cooperation between Magyar Telekom and the Autistic Art Foundation, established in 2016, has grown into a fully-fledged program in 2017 as the jointly realized programs helped to involve a broader audience on behalf of both partners and to launch initiatives that have tangible social impact.



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



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

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

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



Besides the education tale, the BOOKR Kids Mesetár Application was also enriched by two playful applications specifically developed for autistic persons.

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

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

Participants of the 32nd Telekom Vivicitá city run could join the charity run initiative, organized by Telekom and the Sustainability Media Club, whereby they could support Magyar Telekom's non-profit strategic partner, the Autistic Art Foundation, by completing the 2,5 km distance run. Members of the charity run team included Olympians and Paralympians, athletes of the Ferencvárosi Sports Club, Balázs Somogyi, ultramarathon runner and members of the Sustainability Media Club, too. The run was started by Dániel Gyurta, László Cseh, world-class swimmers. The objective of the team is to call public attention to autism which has an impact on an increasing number of persons.

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

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

The support of autistic persons is shown on the Y2017 official Telekom Vivicitá jersey: the back of the T-shirt features the graphical design of Máté Varga, autistic artist.



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



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

It is good to give! cookie campaign

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



Civil and CivilNet Tariff Package

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

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

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

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

6.2 OUR EMPLOYEES AND SOCIAL RESPONSIBILITY

What does volunteering mean to us?

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



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

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

"If you meet children with illness you reevaluate the gravity of your problems. I sincerely thank the company that I could take part."

These and similar feedback from our colleagues justify that our common work for others has a very strong community building effect, it helps to break away from the everyday routine and releases positive energies which can be used both at work and outside the company.

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

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

As a leading ICT company we take part in the digital development of Hungary and the promotion of digital literacy and the use of ICT devices. The long established "Digital Bridge", similarly to our "Become an IT expert!" career orientation program in its third year, is built on the education activities of our company's volunteers. Last year our colleagues delivered presentations to 10,400 students in 54 localities on the benefits of the IT profession as well as the responsible use of the internet. With our program we joined the "Mobidik" pilot program of the Digital Role Model School project initiated by the Hungarian Digital Education Strategy where the objective is to present the digital education methodology of future schools.



Magyar Telekom has been a key supporter of the "Vivicitta" city run since its beginning. In 2017 as many as 900 colleagues worked, helped and completed the run to make the event as popular and successful as in previous years. Besides offering the entry-fee to charities our company's volunteers helped to organize the event, too. Our charity runner team undertook to raise awareness for people living with autism.



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



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



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



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

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

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

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

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

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

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

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

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

Chris Mattheisen, Magyar Telekom's CEO



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

6.3 SPONSORSHIP

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

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

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

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

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



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



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



realized them together with the organizers in order to reduce our energy consumption both in terms of human resources (i.e. traveling and number of hostesses) and assets. As a result we mainly support the events with our info-communication devices and services while observing sustainability considerations. We called all our partners' attention that it is essential to perform their work in accordance with all three pillars of sustainability.



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



Magyar Telekom is also a sponsor of big summer music festivals in Hungary, like the VOLT in Sopron, the Balaton Sound, the Sziget Festival, the Campus and the EFFOTT. In relation to sponsoring festivals we revised some of our BTL activities and

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

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



7.

CORPORATE GOVERNANCE

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7.4 Risk management.....	51



Public companies are increasingly expected to clearly state their corporate governance principles and to what extent those principles are implemented. As a company listed on the Budapest Stock Exchange, Magyar Telekom is highly committed to come up to these expectations and to meet legal and stock exchange requirements.

To increase the transparency of the company's corporate governance practices Magyar Telekom provides several information on [this](#) website.

Information on annual general meetings and the resolutions adopted at them is available on [this](#) website.

7.1 SUSTAINABILITY COORDINATION

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

1. Strategy development and strategy management level operating under the auspices of the GSCC:
 - development of strategic concepts
 - implementation of the strategy
 - relevant communication with national and international organizations
2. Operative implementation level managed by relevant organisations of the governance areas and subsidiaries:
 - actual operative activities
 - task management
 - data provision etc.

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

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

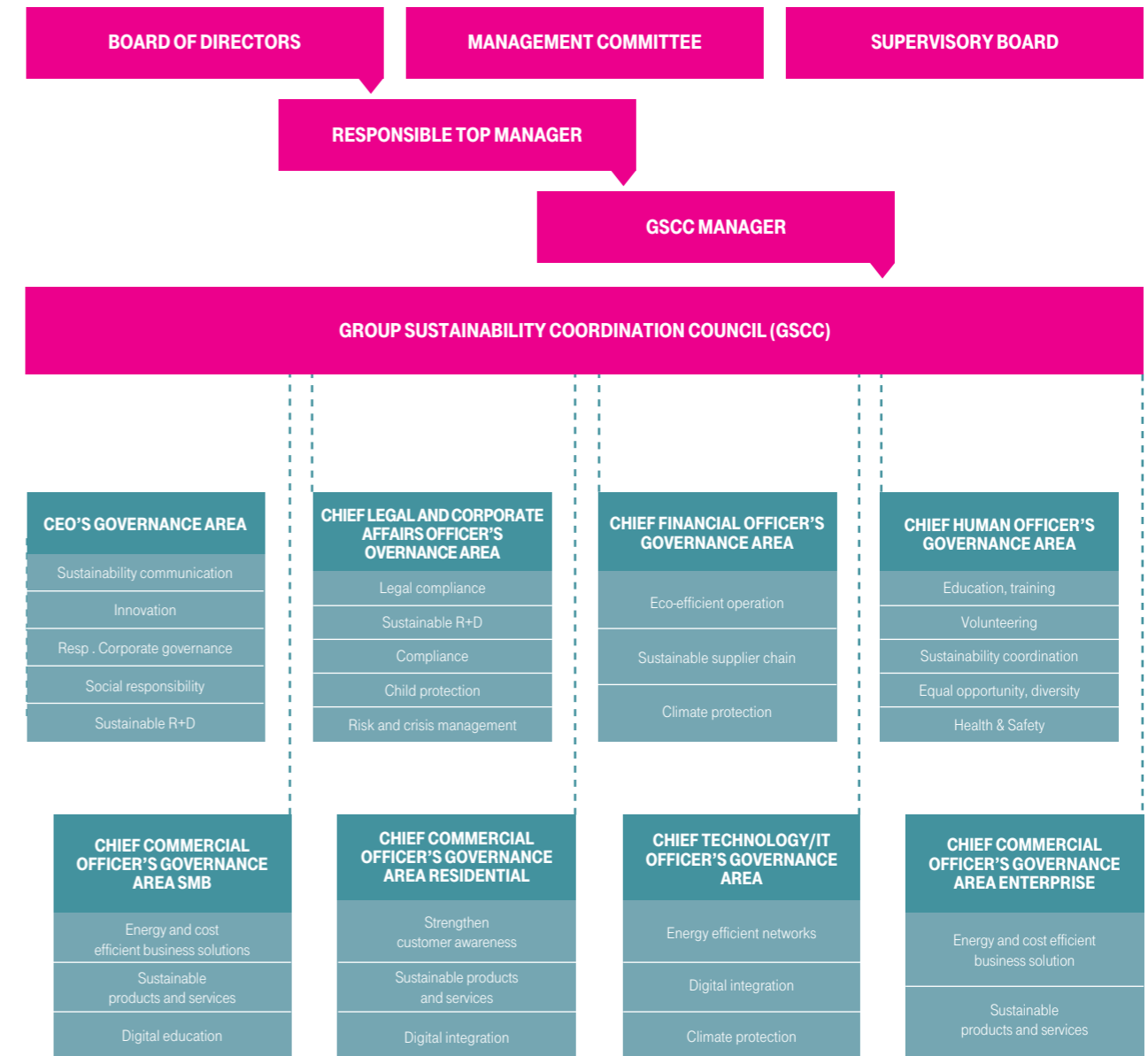
The MC is informed on the latest sustainability trends and may respond to the feedback from stakeholders through the annual report and based on the report may decide on the amendment of the strategy. The MC keeps contact with the stakeholders through the GSCC. Incoming inquiries are received by the respective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

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

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

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

SUSTAINABLE DEVELOPMENT MANAGEMENT OF MAGYAR TELEKOM:

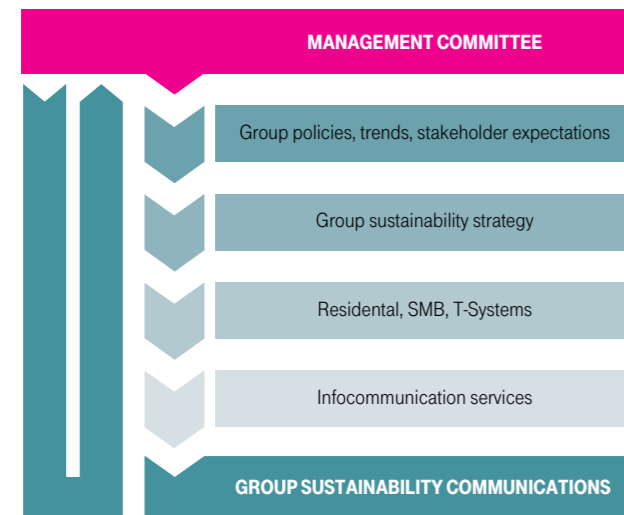


Hierarchy of the sustainability activities

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

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

REGULATION OF THE SUSTAINABILITY ACTIVITIES, GROUP SUSTAINABILITY PROCESS, ENVIRONMENTAL COORDINATION



The sustainability management process covers Magyar Telekom Group's entire sustainability activity (including environment protection).

7.2 REGULATORY COMPLIANCE

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

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

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

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

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

7.3 CORPORATE COMPLIANCE

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

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

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

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

7.4 RISK MANAGEMENT

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

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

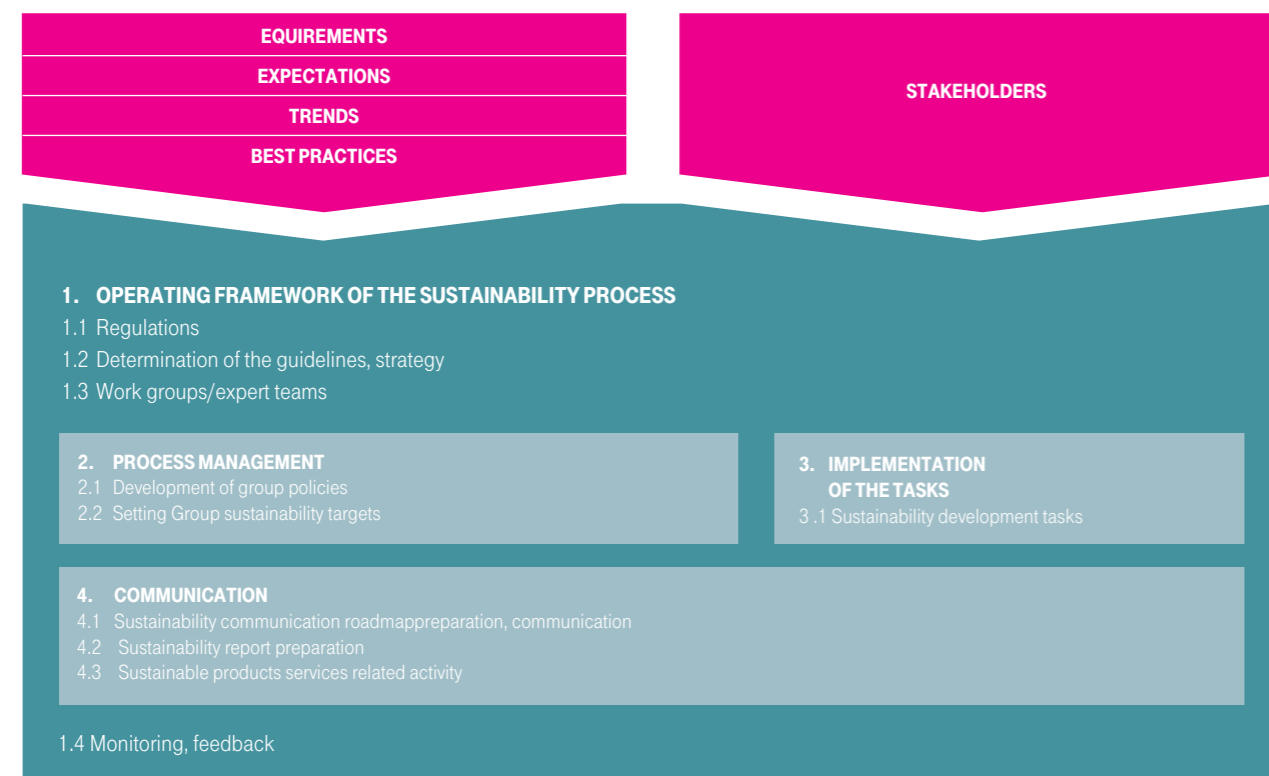
Our risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results. For risk management to be effective, we must ensure that management take business decisions with full understanding of all relevant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

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

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

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

THE CONNECTION OF SUB-PROCESSES AND ACTIVITIES ARE SHOWN IN THE FOLLOWING FIGURE:



KEY OPERATING STATISTICS OF MAGYAR TELEKOM GROUP 2017

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

	2016 31 December	2017 31 December	2017/2016 (% change)
HUNGARY			
Total number of subscribers	5 331 986	5 293 328	(0.7)
Number of mobile broadband subscriptions	2 554 703	2 845 079	11.4
Population-based outdoor 3G coverage (%)	86.2	86.2	n.a.
Population-based outdoor 4G coverage (%)	98.0	99.0	n.a.
MACEDONIA			
Penetration (%) ⁽¹⁶⁾	105.8	106.1	n.a.
Total number of subscribers	1 257 887	1 203 228	(4.3)
SIM market share (%) ^{(16) (17)}	50.2	48.6	n.a.

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT ✓

	2016 31 December	2017 31 December	2017/2016 (% change)
MOBILE SERVICES			
Number of customers (RPC)	5 331 986	5 293 328	(0.7)
Post-paid share in the RPC base (%)	59.2	64.5	n.a.
MOU	191	199	4.1
Post-paid ARPU	4 873	4 833	(0.8)
Pre-paid ARPU	1 119	1 073	(4.1)
ARPU (HUF)	3 302	3 392	2.7
Post-paid (%)	10.1	8.0	n.a.
Pre-paid (%)	30.7	33.5	n.a.
Overall churn rate (%)	18,7	17.8	n.a.

(16) Data published by Macedonian Agency for Electronic Communications (AEC)

(17) Based on active RPC

(18) Calculation methodology has been changed, data based on NMIAH reports

KEY OPERATING STATISTICAL FIGURES OF TELEKOM HUNGARY SEGMENT ✓

	2016 31 December	2017 31 December	2017/2016 (% change)
Ratio of non-voice revenues in ARPU (%)	34.5	39.3	n.a.
Average acquisition cost (SAC) per gross add (HUF)	6 013	4 092	(31.9)
Number of mobile broadband subscriptions	2 554 703	2 845 079	11.4
FIXED-LINE SERVICES			
VOICE SERVICES			
Total voice customers	1 422 589	1 411 972	(0.7)
Total outgoing traffic (thousand minutes)	2 728 548	2 745 232	0.6
Blended MOU (outgoing)	158	161	1.9
Blended ARPU (HUF)	2 569	2 395	(6.8)
INTERNET SERVICES			
Blended retail broadband market share (%) ⁽¹⁸⁾	37.7	37.6	n.a.
Number of retail DSL customers	566 956	549 694	(3.0)
Number of cable broadband customers	346 557	370 061	6.8
Number of fiber optic connections	102 003	153 828	50.8
Total retail broadband customers	1 015 516	1 073 583	5.7
Blended broadband ARPU (HUF)	3 612	3 497	(3.2)
Number of wholesale DSL access	25 802	33 200	28.7
TV SERVICES			
Blended TV market share (%) ⁽¹⁸⁾	27.4	28.9	n.a.
Number of IPTV customers	550 002	628 797	14.3
Number of satellite TV customers	290 012	275 886	(4.9)
Number of cable TV customers	128 999	121 849	(5.5)
Total TV customers	969 013	1 026 532	5.9
Blended TV ARPU (HUF)	3 332	3 480	4.4
ENERGY SERVICES			
Electricity points of delivery	92 486	0	n.a.
Gas points of delivery	0	0	n.a.

	2016 31 December	2017 31 December	2017/2016 (% change)
KEY OPERATING STATISTICAL FIGURES OF MACEDONIA SEGMENT ✓			
MOBILE SERVICES			
Number of customers (RPC)	1 257 887	1 203 228	(4.3)
Postpaid share in the RPC base (%)	41.9	47.2	n.a.
MOU (outgoing)	215	219	1.9
ARPU (HUF)	1 671	1 692	1.3
FIXED-LINE SERVICES			
MARKET DATA			
Fixed-line penetration (%)	10.8	10.5	n.a.
VOICE SERVICES			
Total voice customers	216 832	210 889	(2.7)
Total outgoing traffic (thousand minutes)	176 369	151 862	(13.9)
INTERNET SERVICES			
Number of retail DSL customers	165 770	168 552	1.7
Number of wholesale DSL access	23 678	20 965	(11.5)
Number of total broadband access	189 448	189 517	0.04
TV SERVICES			
Number of IPTV customers	107 672	117 481	9.1

ASSURANCE STATEMENT



INDEPENDENT ASSURANCE REPORT

To the Management of Magyar Telekom Nyrt.

This report is produced in accordance with the terms of our Contract dated 28 February 2018 for the purpose of reporting to Magyar Telekom Nyrt. (the "Company") in connection with the 2017 Sustainability Report.

Management's Responsibility

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

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

Description of the Subject Matter and Identification of the Criteria

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

Our Responsibility

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

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Information" ("ISAE 3000"). This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether the selected information and data included in the 2017 Sustainability Report has been prepared, in all material respects, in accordance with the GRI criteria.

We apply International Standard on Quality Control (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Summary of the work performed

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

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



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

- Examination whether the information and data marked with the check symbol ("✓") are disclosed in line with the GRI criteria, for example:
 - whether the indicators (profile indicators) of the company are fully included in the report;
 - whether the management approach and principles are presented for each major topic;
 - whether all of the material indicators required by GRI criteria are included in the report. If not, proper explanation has been included;
 - whether the supplemental indicators specific to the telecommunications sector are also included in the report.
- Analytical review, which contains inquiry of management about certain changes or fluctuations in the information and data marked with the check symbol ("✓") compared to the previous period;
- Performing sample testing for the accuracy of the information and data marked with the check symbol ("✓"), for example by inspecting statistical reports, accounting records, documents from external service providers, conduction of site visits.

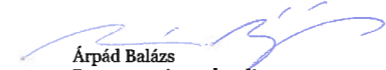
In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

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

Conclusion

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

Budapest, 22 May 2018


 Árpád Balázs
 Partner, registered auditor
 Licence number: 006931
 PricewaterhouseCoopers Könyvvizsgáló Kft.
 1055 Budapest, Bajcsy-Zsilinszky út 78.
 Registration number: 001464

Note:

Our report and the Sustainability Report will be published together with the GRI guidelines – "Comprehensive" option – as set out in Sustainability Reporting Guidelines of Global Reporting Initiative Standards version ("GRI criteria") on the website of Magyar Telekom Nyrt.

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

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

GRI CONTENT INDEX

GRI STANDARDS USED:

GRI 101: FOUNDATION 2016

GRI 102: GENERAL DISCLOSURES 2016

GRI 103: MANAGEMENT APPROACH 2016

GRI 200: ECONOMIC 2016

GRI 300: ENVIRONMENTAL 2016

GRI 400: SOCIAL 2016

GRI TELECOMMUNICATION SECTOR SPECIFIC INDICATORS

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

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance																								
GRI 102: GENERAL DISCLOSURES 2016																															
1. ORGANIZATIONAL PROFILE																															
102-1	Name of the organization				The registered company name of Magyar Telekom is Magyar Telekom Telecommunications Public Limited Company, and its abbreviated name is Magyar Telekom Plc.		✓																								
102-2	Activities, brands, products, and services			http://www.telekom.hu/lakossagi/english/plans http://www.telekom.hu/about_us/about_magyar_telekom http://www.telekom.hu/uzletj/main http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group	<p>The activities of Magyar Telekom Group cover three main business areas:</p> <ul style="list-style-type: none"> - fixed-line and mobile telecommunication services to residential customers (under the Telekom brand), - services to small- and medium-sized businesses (under the T-Systems brand), - and services to large businesses (under the T-Systems brand). <p>Magyar Telekom's employer and HR activities, business and investor relations, legal and corporate affairs, sustainability and corporate social responsibility, non-core business development, technical and network development activities also go under the corporate Telekom brand. The Magyar Telekom Group's member companies operating in Hungary are managing content, media and other, non-access services provided under various brands. The Group's international member companies are operating in the markets of the South-East European region as integrated and alternative telecommunications service providers. Magyar Telekom does not sell debated or prohibited products.</p>		✓																								
102-3	Location of headquarters				The headquarters of the Group are located in Budapest (I., Krisztina krt 55.).		✓																								
102-4	Location of operations				The Group's area of operation: Hungary, Macedonia, Bulgaria and Romania.		✓																								
102-5	Ownership and legal form			http://www.telekom.hu/about_us/investor_relations/magyar_telekom_shares/ownership_structure	<table border="1"> <thead> <tr> <th>Shareholders</th> <th>Ownership %</th> </tr> </thead> <tbody> <tr> <td>Deutsche Telekom Europe B.V.</td> <td>59,21%</td> </tr> <tr> <td>Other foreign institutions</td> <td>21,69%</td> </tr> <tr> <td>Domestic individuals</td> <td>7,17%</td> </tr> <tr> <td>Domestic institutions</td> <td>5,26%</td> </tr> <tr> <td>Nominee</td> <td>2,99%</td> </tr> <tr> <td>Employee share ownership</td> <td>0,14%</td> </tr> <tr> <td>Foreign individuals</td> <td>0,06%</td> </tr> <tr> <td>Treasury shares</td> <td>0,01%</td> </tr> <tr> <td>Government institutions</td> <td>0,01%</td> </tr> <tr> <td>Other</td> <td>3,46%</td> </tr> <tr> <td>Total</td> <td>100,00%</td> </tr> </tbody> </table>	Shareholders	Ownership %	Deutsche Telekom Europe B.V.	59,21%	Other foreign institutions	21,69%	Domestic individuals	7,17%	Domestic institutions	5,26%	Nominee	2,99%	Employee share ownership	0,14%	Foreign individuals	0,06%	Treasury shares	0,01%	Government institutions	0,01%	Other	3,46%	Total	100,00%		✓
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Total	100,00%																														
<p>Magyar Telekom, founded in 1991 (under the name of Matáv) was privatized in 1993. Magyar Telekom's shares were introduced at the Budapest and at the New York Stock Exchange in 1997. Magyar Telekom delisted in 2010 and deregistered in 2012 from the New York Stock Exchange maintaining an American Depositary Receipt program on a Level I basis with American Depositary Shares ("ADSs") traded on OTC markets. The majority shareholder of Magyar Telekom (59.21%) is Deutsche Telekom Europe B.V., which is indirectly owned exclusively by Deutsche Telekom AG. Deutsche Telekom Europe B.V. (formerly called CMobil B.V.) is 100%-os owned by Deutsche Telekom Europe Holding B.V., whose 100%-os owner is Deutsche Telekom Europe Holding GmbH (formerly called T-Mobile Global Holding Nr. 2 GmbH) and Deutsche Telekom Europe Holding GmbH is 100% owned by Deutsche Telekom AG, as a result Deutsche Telekom AG has 59,21% indirect ownership and voting rights in Magyar Telekom Plc. In 2017 Deutsche Telekom AD is the only shareholder of Magyar Telekom Group with ownership of more than 5% of shares. All other shareholders hold shares below 5%.</p>																															

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance																																																												
102-6	Markets served			http://www.telekom.hu/about_us/about_magyar_telekom/magyar_telekom_group http://www.telekom.hu/lakossagi/english/plans http://www.telekom.hu/lakossagi/english http://www.telekom.hu/uzleti/main	The activities of Magyar Telekom Group cover three main business areas: - fixed-line and mobile telecommunication services to residential customers (under the Telekom brand), - services to small- and medium-sized businesses (under the Telekom brand), - and services to large businesses (under the T-Systems brand). Magyar Telekom's employer and HR activities, business and investor relations, legal and corporate affairs, sustainability and corporate social responsibility, non-core business development, technical and network development activities also go under the corporate Telekom brand. The Magyar Telekom Group's member companies operating in Hungary are managing content, media and other, non-access services provided under various brands. The Group's international member companies are operating in the markets of the South-East European region as integrated and alternative telecommunications service providers.		✓																																																												
102-7	Scale of the organization			https://www.telekom.hu/static-tr/sw/file/IFRS_Group_2017_1.0_financial_alair_nyilatkozattal.pdf	Number of employees of Magyar Telekom Group: 9,154 persons (as of December 31, 2017)		✓																																																												
102-8	Information on employees and other workers	5. Employees	37	https://www.telekom.hu/about_us/career/telekom_internship_program	The company uses external workforce in all major areas of its operations. The decisions are made by the relevant directorates. Generally we rely on external workforce in special areas, rare skillsets and qualities contracting them to fill in temporary vacancies in different areas of our operations. The positions as well as the levels of expertise may vary and thus they are hard to specify. In 2017 Magyar Telekom had 253 interns, and T-Systems had 195 interns. Throughout our internship program these 448 interns were provided with opportunities to gain real workforce experience in various areas of our operations. The diverse team of our 2017 interns included students from the fields of IT, business, economy, architecture, horticultural sciences and many other areas. Admission to the internship program of the company is not limited to any scholarly areas, we are eager to find out more about the applicants main drives and personality as well. We believe that thinking together with a diverse set of great people can lead to great solutions.		✓																																																												
102-9	Supply chain	3. Suppliers	29	http://www.telekom.hu/about_us/about_magyar_telekom/procurement https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm	The total number of suppliers that Magyar Telekom Plc. contacted with procurement orders in 2017 was 1636. The GRI 102-10 table lists the types of supplier by procurement areas. If suppliers are involved in the procurement processes of multiple areas than the above table lists them in all areas concerned. Therefore the sum of the above numbers does not reflect to the total number of suppliers engaged in our corporate procurement processes. The proportion of local suppliers is 77.8%. There is a corporate intranet site providing internal information for employees on the Procurement and Logistics Directorate's areas of concern, representatives and the related rules and regulations.		✓																																																												
102-10	Significant changes to the organization and its supply chain	3. Suppliers	29		<p>CHANGE IN THE COMPOSITION OF MAGYAR TELEKOM GROUP OVER THE PAST YEARS ✓</p> <table border="1"> <thead> <tr> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> <td>Magyar Telekom Plc.</td> </tr> <tr> <td>T-Systems Hungary</td> <td>T-Systems Hungary</td> <td>T-Systems Hungary</td> <td>T-Systems Hungary</td> <td>T-Systems Hungary</td> </tr> <tr> <td>Origo</td> <td>Origo</td> <td>Origo</td> <td>Origo¹⁹</td> <td>/</td> </tr> <tr> <td>Budakalász Kábel TV²⁰</td> <td>Kalásznét</td> <td>Kalásznét</td> <td>Kalásznét</td> <td>Kalásznét</td> </tr> <tr> <td>TCG²¹</td> <td>TCG</td> <td>TCG</td> <td>TCG</td> <td>TCG²²</td> </tr> <tr> <td>MakTel²³</td> <td>MakTel</td> <td>MakTel</td> <td>MakTel</td> <td>MakTel²⁴</td> </tr> <tr> <td></td> <td></td> <td>GTS²⁵</td> <td>GTS</td> <td>GTS²⁶</td> </tr> </tbody> </table> <p>NUMBER OF SUPPLIERS AT DIFFERENT PROCUREMENT AREAS</p> <table border="1"> <thead> <tr> <th>Procurement area</th> <th>Description</th> <th>Number of suppliers in 2016</th> <th>Number of suppliers in 2017</th> </tr> </thead> <tbody> <tr> <td>Network</td> <td>wire and wireless network, transmission technology, backbone network</td> <td>347</td> <td>333</td> </tr> <tr> <td>IT</td> <td>hardware, software procurement, IT Consulting & Contracting, IT-operations and desk-top-services, OSS, BSS</td> <td>347</td> <td>346</td> </tr> <tr> <td>CPE & Noncore</td> <td>special projects and terminals, functional area</td> <td>80</td> <td>79</td> </tr> <tr> <td>Indirekt</td> <td>marketing, low cost suppliers, fleet management, real estate management, related services, consultancy, labor force and HR services</td> <td>1035</td> <td>878</td> </tr> </tbody> </table>	2013	2014	2015	2016	2017	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	Magyar Telekom Plc.	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	T-Systems Hungary	Origo	Origo	Origo	Origo ¹⁹	/	Budakalász Kábel TV ²⁰	Kalásznét	Kalásznét	Kalásznét	Kalásznét	TCG ²¹	TCG	TCG	TCG	TCG ²²	MakTel ²³	MakTel	MakTel	MakTel	MakTel ²⁴			GTS ²⁵	GTS	GTS ²⁶	Procurement area	Description	Number of suppliers in 2016	Number of suppliers in 2017	Network	wire and wireless network, transmission technology, backbone network	347	333	IT	hardware, software procurement, IT Consulting & Contracting, IT-operations and desk-top-services, OSS, BSS	347	346	CPE & Noncore	special projects and terminals, functional area	80	79	Indirekt	marketing, low cost suppliers, fleet management, real estate management, related services, consultancy, labor force and HR services	1035	878		✓
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(19) In 2016 100% of Origo shares sold to the New Wave Media Hirdetésszervező és Reklámértékesítő Szolgáltató Korlátolt Felelősségű Társaság.

(20) From 27.03.2013 Budakalász Kábel TV provides its services under the name of Kalásznét.

(21) The data of Cmogorski Telekom is quoted under the name of TCG.

(22) In 2017 the 76.53% shareholding in Cmogorski Telekom AD Podgorica has been transferred to Hrvatski Telekom d.d.

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

(24) T-Mobile Macedonia AD merged into Makedonski Telekom AD (with effect 01.07.2015). Thereafter, only the data of Makedonski Telekom AD is quoted under the name of MakTel.

(25) In 2015 GTS Hungary appeared as new data provider.

(26) GTS merges into T-Systems Magyarország Zrt. (with effect 30.09.2017).

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
102-11	Precautionary Principle or approach	Our Approach (Sustainability strategy) 1. Climate- and environmental protection 3. Suppliers	5 15 29	http://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals https://www.telekom.hu/static-tr/sw/file/20160224_Risk_management_guideline_ENG.pdf	As a result of the corporate environment becoming more risky, in more and more European countries it was made compulsory for listed companies to operate a risk management system and to make risk reports for the information of their investors. Establishing a comprehensive risk management system the Company complies with the relevant requirements such as the recommendations of Budapest Stock Exchange, as well as with international standards. It is Magyar Telekom's policy that all disclosures made by the company to the shareholders and the investment community be accurate and complete, and fairly present Telekom's financial condition and results of operations in all material respects. Such disclosures are made on a timely basis as required by the applicable laws, rules and regulations. To achieve these objectives, Magyar Telekom developed and have continuously enhanced its risk management policies. The Company's risk management includes identification, assessment and evaluation of risks, development of necessary action plans, as well as monitoring of performance and results. For risk management to be effective, Telekom must ensure that the management takes business decisions with full understanding of all relevant risks. In 1999 Telekom established a formal risk management system. This system has been operating in an integrated way with the risk management system of Deutsche Telekom since 2002. All risks related to material internal and external operations, financial and legal compliance and certain other risks are evaluated and managed by a well-defined internal mechanism. A risk management handbook and an internal regulation on risk management were issued. A risk management course was developed for employees responsible for risk management in all organizational areas. Risk items affecting our operations are reviewed quarterly throughout the Company. All of Telekom's subsidiaries, business units, divisions and entities are obliged to identify and report their operational risks on a quarterly basis. After evaluation of these risks, results are reported to the Company's management, to the Board of Directors and to the Audit Committee. For the sake of prompt disclosure of all risk items influencing investors' decisions, Telekom enhanced its risk management procedures with a new element, complemented the quarterly risk reporting system with a continuous reporting procedure which requires all departments and subsidiaries to report on a real-time basis any new material fact, information or risk that comes to their knowledge. Information thus submitted is monitored and evaluated by the risk management area and the CFO is notified when a new material risk or information is identified. An internal regulation has been issued to define responsibilities of each employee in risk monitoring and management.		✓
102-12	External initiatives	Our approach Stakeholders 3. Suppliers 5. Employees	5 10 29 37				✓
102-13	Membership of associations	Stakeholders					✓
2. STRATEGY							
102-14	Statement from senior decision-maker	Letter from the CEO	3				✓
102-15	Key impacts, risks, and opportunities	Our approach (Sustainability strategy)	5	https://www.telekom.hu/about_us/society_and_environment https://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf https://www.telekom.hu/about_us/society_and_environment/approach_strategy_and_goals			✓
3. ETHICS AND INTEGRITY							
102-16	Values, principles, standards, and norms of behavior	Our approach 3. Suppliers 5.1. Human rights, equal opportunities	5 29 38	https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf	Magyar Telekom Group's Code of Conduct is a summary of the corporate compliance requirements; this document sets out the common values of the Group and it is also the token of the strong position, reputation and successful future of Telekom. Everyone at Magyar Telekom Group must comply with the Code of Conduct from staff employees to the Board members. In addition to the employees the contracted partners of Magyar Telekom Group are also required to learn and accept these values when registering on the Company's procurement site.		✓
102-17	Mechanisms for advice and concerns about ethics			http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Magyar Telekom Group takes the Code of Conduct and its detailed regulation seriously and considers its enforcement to be among the highest priorities, but it is also acknowledged that it is sometimes difficult to know right from wrong. That's why the employees are encouraged to initiate open communication through an internally available Ask me! portal. Complaints and concerns about possible non-compliance with ethics are to be issued through the dedicated Tell Me! secure internal employee site.		✓
4. GOVERNANCE							
102-18	Governance structure	7.1. Sustainability coordination	50	http://www.telekom.hu/about_us/investor_relations/corporate_governance	In accordance with the Company's Articles of Association and the rules of procedure of the Board of Directors, in 2000 the Board of Directors established the Management Committee (MC) with powers to pursue its activities in compliance with the annual business plan. The Supervisory Board (SB) supervises the management of the Company in order to protect its interests. In this role it supervises the governance, management of the company, its finances and controls compliance with the regulations and the Company's Articles of Association. The Audit Committee is a permanent committee, established by the General Meeting from the independent members of the Supervisory Board. The objective of the Committee is to assist the Supervisory Board (1) in supervising the financial report regime, (2) in selecting the statutory auditor (3) in working with the statutory auditor. The Committee acts within its competence as defined in the Hungarian Civil Code, the Articles of Association and the Supervisory Board's Rules of Procedure. The Board of Directors established the Remuneration and Nomination Committee to function as supporting body of the Board of Directors of the Company regarding the remuneration and certain nomination related issues of the members of the corporate bodies and the top executives of the Company in accordance with its Rules of Procedure. The reason for combining certain tasks regarding the remuneration and nomination is to make the decision making procedure of the Board of Directors more efficient in personnel matters, and to ensure the complex handling thereof.		✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
102-19	Delegating authority	7.1. Sustainability coordination	50				✓
102-20	Executive-level responsibility for economic, environmental, and social topics	7.1. Sustainability coordination	50				✓
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholders 3. Suppliers 4.3. Involvement of our customers 5. Employees 7.1. Sustainability coordination	10 29 35 37 50				✓
102-22	Composition of the highest governance body and its committees	5.1. Human rights and equal opportunities	38	http://www.telekom.hu/about_us/investor_relations/corporate_governance https://www.telekom.hu/static-tr/sw/file/20180410_Corporate_Governance_Report_2017.pdf https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2017_20180220_eng.pdf https://www.telekom.hu/static-tr/sw/file/IFRS_Group_2017_1.0_final_alairt_nyilatkozattal.pdf	As at December 31, 2017 the Board of Directors had 8 members, with one executive and seven non-executive members. 3 members are considered independent and 5 members are not considered independent. Members of the Board of Directors on December 31, 2017: Dr. Robert Hauber Chairman of the Board of Directors, Senior Vice President Finance & Performance Management Europe, Deutsche Telekom AG; Christopher Mattheisen CEO, Magyar Telekom Plc.; Guido Menzel Senior Vice President Technology Europe, Deutsche Telekom AG; György Mosonyi, Chairman of the Supervisory Board, MOL (independent); Ralf Nejedl, Senior Vice President B2B Europe Deutsche Telekom AG; Mardia Niehaus Senior Vice President International Carrier Sales and Solutions, Deutsche Telekom AG; Frank Odzuck CEO, Zwack Unikum Plc. (independent); Dr. Mihály Patai Chairman-CEO of UniCredit Bank Hungary Zrt. (independent); Members of the Management Committee on December 31, 2017: Christopher Mattheisen Chief Executive Officer; Friedl Zsuzsanna Chief Human Resources Officer; Tibor Rékasi Chief Commercial Officer Residential; Balázs Máthé, Chief Legal and Corporate Affairs Officer; Dr. Kim Kylesbech Larsen Chief Technology and IT Officer; Zoltán Kaszás Chief Commercial Officer Enterprise; János Szabó Chief Financial Officer. Members of the Supervisory Board on December 31, 2017: Dr. László Pap, Chairman of the Supervisory Board, Budapest University of Technology and Economics, Professor emeritus (independent), Dr. János Illéssy, Managing Director, Lebona Kft. (independent), Dr. Sándor Kerekes (independent), Director of Institute of Environmental Sciences, Corvinus University Budapest, Dr. Károly Salamon, General Director, MIS Kft. (independent), Dr. János Bitó, Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty (independent), Konrad Kreuzer, Managing Director, EUTOP Vienna, Budapest, Prague (independent), Martin Meffert, Responsible for Corporate Governance issues of Magyar Telekom, Makedonski Telekom and Slovak Telekom at the Group Headquarters, Deutsche Telekom AG, Sándor Hartai, TU Wholesale Directorate Expert, Member of the Central Workers' Council, Tamás Lichnovszky, Chairman of the Central Workers' Council, Magyar Telekom Plc., Zsoltné Varga, Quality manager, Magyar Telekom, Dr. Konrad Wetzker, Chairman, Corvinus School of Management (independent), Éva Óz, Controlling Manager of Controlling Directorate, Chairwoman of the Workers' Council of Central Functions, Magyar Telekom Plc. Members of the Audit Committee on December 31, 2017: Dr. János Illéssy Chairman of the Audit Committee, Managing Director of Lebona Kft., Dr. László Pap, Budapest University of Technology and Economics, Professor emeritus, Dr. Sándor Kerekes, Director of Institute of Environmental Sciences, Corvinus University, Dr. Károly Salamon, General Director, MIS Kft., Dr. János Bitó, Chairman of the Thesis and Final Examination Board at Pázmány Péter Catholic University, Information Technology Faculty. Members of the Remuneration and Nomination Committee on December 31, 2017: Dr. Robert Hauber Chairman of the Remuneration and Nomination Committee, Senior Vice President Finance & Performance Management Europe, Deutsche Telekom AG; Frank Odzuck Chief Executive Officer of Zwack Unicum Plc., Ralf Nejedl, Senior Vice President B2B Europe Deutsche Telekom AG.		✓
102-23	Chair of the highest governance body			https://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors/_members_of_the_board_of_directors	The Chief Executive Officer does not fill the position of the Chairman of the Board of Directors.		✓
102-24	Nominating and selecting the highest governance body			http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation http://www.telekom.hu/about_us/investor_relations/corporate_governance/corporate_governance_documents https://www.telekom.hu/static-tr/sw/file/20160321_kgy_eloterjesztsek_eng.pdf https://www.telekom.hu/static-tr/sw/file/Resolutions_of_the_AGM_12april2016.pdf https://www.telekom.hu/static-tr/sw/file/AGM_2017_combined_file_EN_v04.pdf https://www.telekom.hu/static-tr/sw/file/20170407_kozgyulesi_hatarozatok_ENG.pdf	The current job grading system is transparent and the structure is reflecting the actual value of the particular positions rather than representing a hierarchical model. Each employee is placed in the respective job category on the basis of the responsibility, professional knowledge required by the given position which is taken by the employee. The individual positions are therefore comparable and the entire system is transparent and clear. The Remuneration and Nomination Committee held its Annual General Meeting on April 21, 2016, where the members have agreed on the acceptance and compliance with the following statement: 'In the nomination process diversity and complementary competencies are taken into consideration.' Representatives of the Annual General Meeting held on April 21, 2016 have voted about the new members of the Board of Directors and shareholders could express their opinions. Representatives of the Annual General Meeting held on April 7, 2017 have elected 3 new members of the Board of Directors and shareholders were invited to express their opinions.		✓
102-25	Conflicts of interest			https://www.telekom.hu/static-tr/sw/file/20171101-mt-bod-rop-eng.pdf https://www.telekom.hu/static-tr/sw/file/BoD_self-evaluation_2017_20180220_eng.pdf https://www.telekom.hu/static-tr/sw/file/20180410_Corporate_Governance_Report_2017.pdf	Members of the Board of Directors shall inform the Board of Directors and the Supervisory Board if he/she (or any other person in a close relationship to him/her) has a significant, personal interest in a transaction of the Company (or of any of the Company's subsidiaries). Transactions between members of the Board of Directors (or persons in a close relationship to them) and the Company (or the Company's subsidiaries) shall be conducted according to the general rules of practice of the Company, but, with stricter transparency rules in place. In the case such a transaction is outside the normal course of the Company's business, the transaction and its terms should be approved by the Supervisory Board. In the event of accepting a new executive office, within fifteen days of accepting such executive office, the member of the Board of Directors shall notify about this fact in writing those companies, where he/she already serves as an executive officer or a supervisory board member. The member of the Board of Directors shall inform the Supervisory Board, if he/she receives an offer of Board of Directors or Supervisory Board membership or an offer of an executive management position in a company which is not part of the Company group and also if he/she accepted the offer.		✓
102-26	Role of highest governance body in setting purpose, values, and strategy	7.1. Sustainability coordination	50				✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
102-27	Collective knowledge of highest governance body	7.1. Sustainability coordination	50				✓
102-28	Evaluating the highest governance body's performance	7.1. Sustainability coordination	50		Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. The performance of the top management (Chief Executive Officer, Chief Officers) is incentivized through the Lead to Win motivation system. The incentive system has a short-term incentive (bonus), a long-term, cash-based incentive (LTI) and a long-term, share-based incentive (share benefit program - SBP) element. The Remuneration and Nomination Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation. The Committee Member, independent from the majority owner, shall provide for the representation of the minority owners' interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives' salary is fixed, while 45% is variable pay (bonus). The annual bonus is payable prorated to the evaluated performance of the partly collective, partly individual targets set at the beginning of the year and derived from Magyar Telekom Group's strategic targets. In the case of the collective targets no bonus is payable, if performance is below a certain minimum limit, defined in advance. In case of over-achieving the targets, additional bonus is paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance. The framework of bonus target setting (bonus amount, structure and maximal amount of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines). In addition to the annual target-setting, evaluation and bonus payment used as short term incentive, the Company also lays emphasis on long-term performance stimulation. The first package of the LTI-program - as part of the Lead to Win system - was introduced in 2015 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4 year term Telekom focuses on the increase of sustainable performance. It is the competence of the General Meeting to approve the "Remuneration Guidelines" that sets forth the remuneration principles and components for the top management and the members of corporate bodies. Besides, as part of the Corporate Governance Report, Telekom each year discloses the previous year's remuneration for the top management and corporate bodies in the Remuneration Statement. The conditions of selecting the members of Magyar Telekom's Board of Directors, Supervisory Board and Audit Committee were amended by the Remuneration and Nomination Committee in April 2016: as new elements diversity and the reciprocal supplementation of competences are also taken into account. In order to fulfill the sustainability objectives the responsible middle managers and experts are incentivized directly through the TM system.		✓
102-29	Identifying and managing economic, environmental, and social impacts	7.1. Sustainability coordination	50				✓
102-30	Effectiveness of risk management processes	7.1. Sustainability coordination	50		The potential risk segments concerning the operations of Magyar Telekom are being revisioned on a quarterly basis. All of our subsidiaries, business segments and other corporate bodies are obliged to identify and report on the potential risks of their operations on a quarterly basis. The results of assessment and evaluation of these threats are being forwarded to the Board of Directors and the Audit Committee. In order to enable the immediate release of threats that might effect shareholder decisions we have introduced a supplementary element to the risk management process. Our quarterly risk reporting system has been supplemented by a continuous risk reporting obligation. Thus all subsidiaries and business segments of the company are obliged to immediately report on all relevant, news, facts, changes and threats. All transmitted information is being evaluated by the Risk management area, and in case of identifying new and relevant information and/or threat, the representative of the area immediately reports them to the Chief Financial Officer. There is an internal regulation in operation that secures and defines the levels of responsibility of employees in relation to risk management.		
102-31	Review of economic, environmental, and social topics	7.1. Sustainability coordination	50				✓
102-32	Highest governance body's role in sustainability reporting	7.1. Sustainability coordination	50				✓
102-33	Communicating critical concerns	7.1. Sustainability coordination	50				✓
102-34	Nature and total number of critical concerns	7.1. Sustainability coordination	50				✓
102-35	Remuneration policies	5.1. Human rights and equal opportunities	38	http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation https://www.telekom.hu/static-tr/sw/file/20180410_Corporate_Governance_Report_2017.pdf https://www.telekom.hu/static-tr/sw/file/IFRS_Group_2017_1.0_fi-nal_alairt_nyilatkozattal.pdf	Top management decisions have a direct impact on the entire Magyar Telekom Group's activity and future priorities. The performance of the top management (Chief Executive Officer, Chief Officers) is incentivized through the Lead to Win motivation system. The incentive system has a short-term incentive (bonus), a long-term, cash-based incentive (LTI) and a long-term, share-based incentive (share benefit program - SBP) element. The Remuneration and Nomination Committee of Magyar Telekom Group's Board of Directors makes proposals both for the annual targets and the evaluation of their implementation. The Committee Member, independent from the majority owner, shall provide for the representation of the minority owners' interests. Upon consideration of the proposals made by the Remuneration Committee, the Board of Directors adopts decisions regarding the targets and evaluation of top executives' performance. The Board of Directors evaluates the performance of the previous year and finalizes the targets of the current year in the first meeting of the year. In general, 55% of top executives' salary is fixed, while 45% is variable pay (bonus). The annual bonus is payable prorated to the evaluated performance of the partly collective, partly individual targets set at the beginning of the year and derived from Magyar Telekom Group's strategic targets. In the case of the collective targets no bonus is payable, if performance is below a certain minimum limit, defined in advance. In case of over-achieving the targets, additional bonus is paid, the extent of which cannot exceed 50% of the bonus payable upon 100% performance. The framework of bonus target setting (bonus amount, structure and maximal amount of additional bonus) is defined by the strategic investor's compensation guidelines (Deutsche Telekom Global Compensation Guidelines). In addition to the annual target-setting, evaluation and bonus payment used as short term incentive, the Company also lays emphasis on long-term performance stimulation. The first package of the LTI-program - as part of the Lead to Win system - was introduced in 2015 so as to stimulate the contribution of the top management to the achievement of the strategic objectives even more effectively. With the 4 year term Telekom focuses on the increase of sustainable performance. It is the competence of the General Meeting to approve the "Remuneration Guidelines" that sets forth the remuneration principles and components for the top management and the members of corporate bodies. Besides, as part of the Corporate Governance Report, Telekom each year discloses the previous year's remuneration for the top management and corporate bodies in the Remuneration Statement. The conditions of selecting the members of Magyar Telekom's Board of Directors, Supervisory Board and Audit Committee were amended by the Remuneration and Nomination Committee in April 2016: as new elements diversity and the reciprocal supplementation of competences are also taken into account. In order to fulfill the sustainability objectives the responsible middle managers and experts are incentivized directly through the TM system.		✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
102-36	Process for determining remuneration			http://www.telekom.hu/static-tr/sw/file/20150324_AGM_submission_Javadalmazasi_iranyelvek_ENG.pdf http://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation https://www.telekom.hu/static-tr/sw/file/Rules_of_Procedure_of_the_Remuneration_and_Nomination_Committee_ENG_20130920.pdf	Members of the Committee may request presence of external invitees (e.g. experts) who can attend parts or the entire meeting related to the agenda item.		✓
102-37	Stakeholders' involvement in remuneration			http://www.telekom.hu/static-tr/sw/file/8_javadalmazas_19March2014_eng.pdf http://www.telekom.hu/static-tr/sw/file/kozgyulesi_hatarozatok_2014AGM_14April2014_eng.pdf http://www.telekom.hu/static-tr/sw/file/20150324_AGM_submission_Javadalmazasi_iranyelvek_ENG.pdf http://www.telekom.hu/static-tr/sw/file/kozgyulesi_hatarozatok_2015AGM_ENG.pdf	The Annual General Meeting, held on April 11, 2014, determined the remuneration of the members of the Board of Directors, the Supervisory Board and the Audit Committee, where stakeholders could express their opinions. The Annual General Meeting, held on April 15, 2015 approved the amendments of the Remuneration Guidelines, where stakeholders could express their opinions. The guidelines of remuneration accepted in 2015 were still in effect in 2017.		✓
102-38	Annual total compensation ratio			https://www.telekom.hu/static-tr/sw/file/20180410_Corporate_Governance_Report_2017.pdf	Information disclosed on remuneration of Board of Directors, Supervisory Board, Audit Committee and Management (the members of the Management Committee of the Company) is available in Corporate Governance and Management Report (prepared on the basis of the provisions of the Civil Code and the Corporate Governance Recommendations of the Budapest Stock Exchange (BSE)).	Partial disclosure	✓
102-39	Percentage increase in annual total compensation ratio			https://www.telekom.hu/static-tr/sw/file/20180410_Corporate_Governance_Report_2017.pdf	Information disclosed on remuneration of Board of Directors, Supervisory Board, Audit Committee and Management (the members of the Management Committee of the Company) is available in Corporate Governance and Management Report (prepared on the basis of the provisions of the Civil Code and the Corporate Governance Recommendations of the Budapest Stock Exchange (BSE)).	Partial disclosure	✓
5. STAKEHOLDER ENGAGEMENT							
102-40	List of stakeholder groups	Stakeholders	10				✓
102-41	Collective bargaining agreements	5.1. Human rights, equal opportunities	38				✓
102-42	Identifying and selecting stakeholders	Stakeholders	10				✓
102-43	Approach to stakeholder engagement	Stakeholders 2.1. Closing the digital divide 2.4. Protection of our children in the digital age 3. Suppliers 4.1. Customer satisfaction 4.3. Involvement of our customers 5.2. Involvement of our employees 6.2. Our employees as corporate citizens	10 23 26 29 34 35 42 46				✓
102-44	Key topics and concerns raised	Stakeholders	10				✓
6. REPORTING PRACTICE							
102-45	Entities included in the consolidated financial statements				The report covers Hungary and Macedonia and all activities of the Group are included. Telekom uses its best efforts to ensure completeness of the report therefore includes all member companies that are of key importance from a sustainability point of view. The data disclosed the report are comparable to the changes of the composition of the Group which is supported by the table in the direct answers to the 102-10 indicator.		✓
102-46	Defining report content and topic Boundaries	Our approach (Materiality)	5				✓
102-47	List of material topics	Our approach (Materiality)	5				✓
102-48	Restatements of information				The report does not contain any restatements.		✓
102-49	Changes in reporting				As of Y2017 Crnogorski Telekom is not part of Magyar Telekom Group sustainability reporting due to the transfer of 76.53% shareholding in Crnogorski Telekom d.d. to Hrvatski Telekom AD Podgorica. Nevertheless, we continue to reference the previous years' data of Crnogorski Telekom included in group level datasections of previous years in order to maintain transparency and historic trackability. The structure and key topics of this report remain unchanged.		✓
102-50	Reporting period				All data and information presented in this current report references the year 2017.		✓
102-51	Date of most recent report			https://www.telekom.hu/static-tr/sw/file/Sustainability_report_2016.pdf	The most recent report was published in 2017 of the year 2016.		✓
102-52	Reporting cycle			https://www.telekom.hu/about_us/society_and_environment/sustainability_reports/?token=1468592762386	Magyar Telekom releases the sustainability report on an annual basis.		✓
102-53	Contact point for questions regarding the report				Should you have any questions or queries on the report, please do not hesitate to write to the following e-mail address: fenntarthatosag@telekom.hu		✓

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102-54	Claims of reporting in accordance with the GRI Standards				This report has been prepared in accordance with the GRI Standards: Comprehensive option		✓																																																																																																																						
102-55	GRI content index	GRI content index	55				✓																																																																																																																						
102-56	External assurance	Assurance statement	54		In order to ensure credibility and transparency, the Company continued to rely upon the support of an experienced and respected, external, independent third party. The purpose of the assurance procedure that they conducted is to determine the compliance, authenticity, comprehensiveness, structural integrity, justifiability and verifiability of the Sustainability Report. The report has been audited by PricewaterhouseCoopers Könyvvizsgáló Kft. and they assure the information contained therein to be reliable. The assurance process has been designed and conducted in accordance with the ISAE3000 standard, defined by the International Federation of Accountants. The respective limited assurance engagement report can be found in the 'Assurance Statement' chapter. Data and information audited are indicated by a ✓ symbol in the report and in the GRI content index. Sources of the data included in the report: - The business data are from the Group's year-2017 Annual Report and Quarterly Reports and data collection conducted within the Group. - The data of social nature are collected within the Group partly with the support of an online reporting tool, while the rest was supplied by the affiliates and organizational units. - The environmental protection data are partly from a process-wise transparent, online data provision system, as well as data collection conducted within the Group.		✓																																																																																																																						
GRI 200 ECONOMIC 2016																																																																																																																													
GRI 201: ECONOMIC PERFORMANCE 2016																																																																																																																													
103-1 2 3	Management approach	Our approach (Corporate strategy)	5				✓																																																																																																																						
201-1	Direct economic value generated and distributed				<p>CREATING VALUE FOR OUR STAKEHOLDERS ✓</p> <table border="1"> <thead> <tr> <th rowspan="2">Stakeholder</th> <th rowspan="2">Produces economic value</th> <th colspan="5">Group</th> <th>Hungary</th> <th>Macedonia</th> <th>Bulgaria</th> <th>Romania</th> <th>Montenegro (finished activity)⁽²⁷⁾</th> </tr> <tr> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2017</th> <th>2017</th> <th>2017</th> <th>2017</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td></td> <td>Revenues (total revenue + share from the after-tax profit of the affiliates)</td> <td>637 521 HUF million</td> <td>626 442 HUF million</td> <td>656 342 HUF million</td> <td>602 729 HUF million</td> <td>611 194 HUF million</td> <td>555 174 millió Ft</td> <td>51 730 HUF million</td> <td>1 983 HUF million</td> <td>2 307 HUF million</td> <td>2 027 HUF million</td> </tr> <tr> <td></td> <td>Distributed economic value:</td> <td></td> <td></td> <td></td> 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201-2	Financial implications and other risks and opportunities due to climate change	Our approach (Corporate strategy) 1. Climate- and environmental protection	5 15									✓																																																																																																																	
201-3	Defined benefit plan obligations and other retirement plans				Next to legal obligations of employer's contributions to the national healthcare system, i.e. pension and unemployment support systems we also contribute to our employees' savings through voluntary pension funds, healthcare and compined funds that supplement the national pension and medical care services while offering private pension and social security services and social benefits. However, we do not guarantee that members of these funds receive payment. On December 31, 2017 approximately 59% of Magyar Telekom Plc.'s employees were members of the private pension fund, 36% of the mutual fund and 65% of the healthcare fund.		✓																																																																																																																						

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201-4	Financial assistance received from government				<table border="1"> <thead> <tr> <th colspan="8">SUBSTANTIAL FINANCIAL SUPPORT FROM STATE</th> </tr> <tr> <th></th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>tax credit utilization</td> <td>1628 HUF million</td> <td>3011 HUF million</td> <td>4946 HUF million</td> <td>3323 HUF million</td> <td>5493 HUF million</td> <td>1914 HUF million</td> <td>3208 HUF million</td> </tr> <tr> <td>film- and sport subsidies</td> <td>285 HUF million</td> <td>723 HUF million</td> <td>409 HUF million</td> <td>584 HUF million</td> <td>664 HUF million</td> <td>395 HUF million</td> <td>546 HUF million</td> </tr> <tr> <td>tax benefit on wage cost of software developers</td> <td>20 HUF million</td> <td>20 HUF million</td> <td>20 HUF million</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>tax impact of tax base decreasing item on donations</td> <td>4 HUF million</td> <td>8 HUF million</td> <td>8 HUF million</td> <td>400 HUF thousand</td> <td>300 HUF thousand</td> <td>114 HUF thousand</td> <td>189 HUF thousand</td> </tr> <tr> <td>tax impact of tax base decreasing item on R&D</td> <td>48 HUF million</td> <td>2 HUF million</td> <td>58 HUF million</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	SUBSTANTIAL FINANCIAL SUPPORT FROM STATE									2011	2012	2013	2014	2015	2016	2017	tax credit utilization	1628 HUF million	3011 HUF million	4946 HUF million	3323 HUF million	5493 HUF million	1914 HUF million	3208 HUF million	film- and sport subsidies	285 HUF million	723 HUF million	409 HUF million	584 HUF million	664 HUF million	395 HUF million	546 HUF million	tax benefit on wage cost of software developers	20 HUF million	20 HUF million	20 HUF million	0	0	0	0	tax impact of tax base decreasing item on donations	4 HUF million	8 HUF million	8 HUF million	400 HUF thousand	300 HUF thousand	114 HUF thousand	189 HUF thousand	tax impact of tax base decreasing item on R&D	48 HUF million	2 HUF million	58 HUF million	0	0	0	0		✓
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GRI 202: MARKET PRESENCE 2016																																																															
103-1 2 3	Management approach	Our approach 5. Employees	5 37				✓																																																								
202-1	Ratios of standard entry level wage by gender compared to local minimum wage				Magyar Telekom Group always pays at least the minimum wage as required in the relevant legislation of its nations of operation. In addition the salary of new entrants is exclusively determined by the value of the advertised position. Magyar Telekom is an equal opportunity employer. The salary brackets are determined on the basis of the actual market benchmark regardless of the gender of the employees. The lowest base wage as stated in the Collective Agreement is 100% of the minimum wage.		✓																																																								
202-2	Proportion of senior management hired from the local community	5. Employees	37				✓																																																								
GRI 203: INDIRECT ECONOMIC IMPACTS 2016																																																															
103-1 2 3	Management Approach	Our approach 2.1. Closing the digital divide	5 23				✓																																																								
203-1	Infrastructure investments and services supported	2.1. Closing the digital divide 6. Social engagement	23 43				✓																																																								
203-2	Significant indirect economic impacts	2.1. Closing the digital divide 2.3. Innovation for sustainability 3. Suppliers 6. Social engagement	23 25 29 43				✓																																																								
GRI 204: PROCUREMENT PRACTICES 2016																																																															
103-1 2 3	Management Approach	Our approach (Sustainability strategy) 3. Suppliers	5 29				✓																																																								
204-1	Proportion of spending on local suppliers	3. Suppliers	29				✓																																																								
GRI 205: ANTI-CORRUPTION 2016																																																															
103-1 2 3	Management Approach			http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf http://www.telekom.hu/static-tr/sw/file/Anti_corruption_clause_en.pdf http://www.telekom.hu/static-tr/sw/file/corporate_governance_declarations_ICCS_eng.pdf	<p>Magyar Telekom does not tolerate intention or transaction on corruption; therefore several internal policies and procedures have been developed to prohibit and prevent bribery (including making facilitation payments).</p> <p>Magyar Telekom intention is to comply with the anti-corruption rules relevant to the Group and it expects its business partners that they will not use money or other consideration paid by Magyar Telekom Group for unlawful purposes, including purposes violating anti-corruption laws, such as make or cause to be made direct or indirect payments to any public official or private person in order to assist Magyar Telekom or anyone acting on its behalf in obtaining or retaining business with, or directing business to, any person, or securing any improper advantage.</p> <p>Telekom prohibits any form of corruption or bribery including but not limited to providing or accepting or promising personal advantage, kick-backs or facilitation payments.</p> <p>The Group also prohibits its employees to make decisions for the employees' benefit or that of the employees' family, friends, associates and acquaintances.</p> <p>No gift or invitation to events can be granted to a third-party where they could affect or be perceived to affect the outcome of a business transaction.</p> <p>The Magyar Telekom Group does not financially or morally support political parties, political organizations or their representatives. Its charitable contribution activities are disclosed on its internet site .</p> <p>Magyar Telekom does not intend to conduct any business with third parties who violate the anti-corruption regulations or the guiding principles of the Compliance Program.</p>		✓																																																								

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
205-1	Operations assessed for risks related to corruption			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Our yearly Compliance Risk Assessment (CRA) addresses active and passive corruption separately. It always includes Magyar Telekom, T-Systems, Makedonski Telekom. Other subsidiaries may be included on an ad-hoc basis based on inputs coming from compliance investigations. The CRA covers the before mentioned companies entirely (100%). During the risk assessment we formulate remedial actions concerning the risks identified. We also monitor the fulfillment of these measures.		✓
205-2	Communication and training about anti-corruption policies and procedures			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	a. number and proportion of the members of management bodies to which the organization's anticorruption policy and processes have been communicated, broken down to regions: 100%, all regions, Magyar Telekom: 7 persons (Management Committee) b. number and proportion of employees to whom the organization's anticorruption policy and processes have been communicated, broken down to employee categories and regions: 100%, all regions c. number and proportion of business partners to which the organization's anticorruption policy and processes have been communicated, broken down to business partner type and region: 100%, Magyar Telekom's current business partners. There was no external communication on this topic. d. number and proportion of management organizations that were trained on anticorruption, broken down to regions: 100%, all regions, Magyar Telekom: 7 persons e. number and proportion of employees who were trained on anticorruption, broken down to employee a category and region: Magyar Telekom Plc.: 201 persons, in 2017 66% of new entrants completed the course successfully.		✓
205-3	Confirmed incidents of corruption and actions taken				Number of confirmed incidents: 0		✓
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016							
103-1 2 3	Management Approach			http://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance	Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strive to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing our processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations. The antitrust policy covers: price fixing, bid rigging, market allocation scheme. The antitrust policy applies to: employees, contractors, suppliers. The company publicly report on breaches of its antitrust policy. Measures are taken to promote and ensure antitrust compliance.		✓
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices				In 2017 no fines were imposed due to anti-competitive conduct or violation of anti-trust or anti-monopoly statutes. The proceeding that has been opened in 2015 is still pending, and another case has been opened by the Hungarian Competition Authority, none of which have been closed in 2017.		✓
GRI 300: ENVIRONMENTAL 2016							
GRI 301: MATERIALS 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	5 15	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf http://www.telekom.hu/about_us/society_and_environment/environment/management_systems			✓
301-1	Materials used by weight or volume	Our approach 1.2.5. Paper consumption 1.3.1. Waste 1.3.2. Producer's responsibility	5 19 20 20	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management http://www.t-systems.hu/a-t-systemsrol/iranyelveink/gyartoi-tajekoztato (only HU)			✓
301-2	Recycled input materials used	1.2.5. Paper consumption 1.3.2. Producer's responsibility 1.3.3. Effects of transport and logistics	19 20 20	http://www.telekom.hu/about_us/society_and_environment https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✓
301-3	Reclaimed products and their packaging materials	1.3.2. Producer's responsibility	20	https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/vendors/information/main.vm http://www.t-systems.hu/a-t-systemsrol/iranyelveink/gyartoi-tajekoztato (only HU) http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✓
GRI 302: ENERGY 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy, Environmental policy, Management systems) 1. Climate and environmental protection	5 15	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✓
302-1	Energy consumption within the organization	1.1. Climate protection and energy efficiency 1.2. Resources management	16 17				✓
302-2	Energy consumption outside of the organization	1.1.3. Equipment in customers' premises 1.2.2. Fleet management, fuel consumption	17 17	http://www.telekom.hu/about_us/society_and_environment/environment/equipment_management			✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
302-3	Energy intensity	1.1.2. Energy efficiency	17				✓
302-4	Reduction of energy consumption	1.1. Climate protection and energy efficiency 1.2. Resources management	16 17	http://www.telekom.hu/about_us/society_and_environment			✓
302-5	Reductions in energy requirements of products and services	1.1.2. Energy efficiency 1.2.1. Electricity consumption	17 17				✓
GRI 303: WATER 2016							
103-1 2 3	Management Approach	Our approach (Environmental policy, Management systems) 1. Climate and environmental protection	5 15	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✓
303-1	Water withdrawal by source	1.2.6. Biodiversity (Water consumption)	19				✓
303-2	Water sources significantly affected by withdrawal of water	1.2.6. Biodiversity (Water consumption)	19		The usage of groundwater is only a minor part of the total water consumption, the wells are not located in protected areas therefore we only report quantitative data.		✓
303-3	Water recycled and reused	1.2.6. Biodiversity (Water consumption)	19		There is no water-recycling or reuse during our operations.		✓
GRI 304: BIODIVERSITY 2016							
103-1 2 3	Management Approach	Our approach (Environmental policy, Management systems) 1.2.6. Biodiversity	5 19	http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/about_us/society_and_environment			✓
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	1.2.6. Biodiversity	19	http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✓
304-2	Significant impacts of activities, products, and services on biodiversity				Our company avoids operations on protected and Natura 2000 areas.		✓
304-3	Habitats protected or restored				We do not conduct operations on protected or restored habitats.		✓
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations				Our operations do not affect habitats of endangered and/or IUCN Red List species.		✓
GRI 305: EMISSIONS 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	5 15	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✓
305-1	Direct (Scope 1) GHG emissions	1.1. Climate protection and energy efficiency 1.2. Resources management	16 17				✓
305-2	Energy indirect (Scope 2) GHG emissions	1.1. Climate protection and energy efficiency 1.2. Resources management	16 17		All emissions are location based.		✓
305-3	Other indirect (Scope 3) GHG emissions	1.1. Climate protection and energy efficiency 1.1.3. Equipment in customers' premises 1.2.5. Paper consumption	16 17 19				✓
305-4	GHG emissions intensity	1.1.2. Energy efficiency 1.1.3. Equipment in customers' premises	17 17		We have conducted the following measurements: Scope 1: g/CO2/km, Scope 2: Gbit/kWh, energy intensity: GJ/HUF M, Scope 3: we measure the emissions related to CPE energy consumption.		✓
305-5	Reduction of GHG emissions	1.1. Climate protection and energy efficiency 1.2. Resources management	16 17		The quoted emission data refer to Scope 1 and Scope 2 emissions.		✓
305-6	Emissions of ozone-depleting substances (ODS)				Magyar Telekom does not produce, export or import substances that damage the ozone layer. No leakage was detected from air-conditioning equipment. Due to the very low number of occurrences Telekom does not report this item.		✓
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	1.3.3. Emissions into the air	21				✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
GRI 306: EFFLUENTS AND WASTE 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy, Environmental policy) 1. Climate and environmental protection	5 15	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf			✓
306-1	Water discharge by quality and destination	1.2.6. Biodiversity (Water consumption)	19		Magyar Telekom Group only uses potable water for social purposes (we do not use water for technology purposes) therefore the quantity of sewage water output is the same as the potable water consumption		✓
306-2	Waste by type and disposal method	1.3.1. Waste 1.3.2. Producer's responsibility	20 20				✓
306-3	Significant spills				There was no significant leakage or unsupervised output.		✓
306-4	Transport of hazardous waste				Magyar Telekom does not import or export or manage hazardous waste.		✓
306-5	Water bodies affected by water discharges and/or runoff				Our operations do not directly affect water bodies, water discharges and/or freshwater habitat.		✓
GRI 307: ENVIRONMENTAL COMPLIANCE 2016							
103-1 2 3	Management Approach	Our approach (Environmental policy, Management systems) 1. Climate and environmental protection	5 15	http://www.telekom.hu/about_us/society_and_environment http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_environmental_policy.pdf http://www.telekom.hu/about_us/society_and_environment/environment/management_systems			✓
307-1	Non-compliance with environmental laws and regulations	1.4. Environmental objectives, costs and compliance	21				✓
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy) 3. Suppliers	5 29				✓
308-1	New suppliers that were screened using environmental criteria	3. Suppliers	29				✓
308-2	Negative environmental impacts in the supply chain and actions taken	3. Suppliers	29				✓
GRI 400: SOCIAL 2016							
GRI 401: EMPLOYMENT 2016							
103-1 2 3	Management Approach	Our approach (People strategy) 3. Suppliers 5. Employees	5 29 37				✓
401-1	New employee hires and employee turnover						✓

FLUCTUATION AT MAGYAR TELEKOM GROUP ✓					
	2013 (Plc./Group)	2014 (Plc./Group)	2015 (Plc./Group)	2016 (Plc./Group)	2017 (Plc./Group)
Total fluctuation	13,4%/13,5%	16,8%/15,4%	14,97%/13,7%	15,85%/15,63%	10,81%/12,26%
Termination initiated by the employee	3,9%/3,4%	4,4%/4,7%	5,5%/6,9%	5,00%/7,75%	4,84%/16,20%

FLUCTUATION AT MAGYAR TELEKOM GROUP IN 2017				
	Magyar Telekom Group	Magyar Telekom Plc.	T-Systems Hungary	Makedonski Telekom
Total fluctuation	12,26%	10,81%	21,00%	8,96%
Termination initiated by the employee	16,20%	4,84%	6,00%	92,15%

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

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance									
401-1	New employee hires and employee turnover				<p>FLUCTUATION AT MAGYAR TELEKOM PLC. IN 2017</p> <table border="1"> <thead> <tr> <th></th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td>Total fluctuation</td> <td>6,00%</td> <td>5,00%</td> </tr> <tr> <td>Termination initiated by the employee</td> <td>2,00%</td> <td>3,00%</td> </tr> </tbody> </table>		Female	Male	Total fluctuation	6,00%	5,00%	Termination initiated by the employee	2,00%	3,00%		✓
	Female	Male														
Total fluctuation	6,00%	5,00%														
Termination initiated by the employee	2,00%	3,00%														
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our approach (Human resources strategy) 5.1. Human rights, equal opportunities	5 38		<p>Magyar Telekom provides a broad range of welfare and social benefits. Some of them are provided automatically whereas others can be obtained upon satisfying certain conditions while there are insurance types of benefits, too. The provision of certain benefits is subject to the employee's own contribution. The provision of social benefits and benefits that are not provided automatically is regulated in the Collective Agreement and the relevant policies.</p> <p>We also provide telecommunication discounts, meal allowances, interest free housing loans (such loans are not offered or provided to the members of the Board of Directors), discount priced holiday opportunities as well as various other benefits. Besides our legally required contributions to the state owned healthcare, pension and unemployment support systems we also contribute to our employees' savings in voluntary pension, healthcare and mutual funds that supplement the pension and medical care services provided by the state while providing entitlement to private pension and social security services and social benefits. However, we do not guarantee that members of these funds receive payment. On December 31, 2017 approximately 59% of Magyar Telekom Plc.'s employees were members of the private pension fund, 36% of the mutual fund and 65% of the healthcare fund.</p>		✓									
401-3	Parental leave	5.1. Human rights, equal opportunities	38				✓									
GRI 402: LABOR/MANAGEMENT RELATIONS 2016																
103-1 2 3	Management Approach				<p>Magyar Telekom has long traditions of negotiation with employee representative bodies. Employee representation bodies are treated as partners in the operation of the company. At present two unions and workers council operate at Magyar Telekom, communication with them runs on two levels. Central decisions concerning the whole Company, when the employee representation bodies need to be consulted, are deliberated with the Central Workers Council and the representatives delegated by the trade unions, either in the frame of joint consultation (Interest Reconciliation Council), or separately, depending on the nature of the matter discussed. Central communication is managed both verbally (negotiation) and in writing. The Chief HR Officer and the HR Strategic Director are responsible for central-level communication with the employee representation bodies. Interest enforcement issues concerning a given governance area are also discussed locally with the representatives of the trade unions and the local workers council. The HR Business Partners of the governance area are responsible for communication with the local employee representation bodies.</p> <p>In line with the provisions of Act V of 2013 on the Hungarian Civil Code one third of Supervisory Board members are employee representatives. The employee representatives of the Supervisory Board are nominated by the Central Works Council, in consideration of the opinion of trade unions operating at the Company. The General Meeting is obliged to elect persons nominated by the Central Works Council to the Supervisory Board unless there are underlying circumstances that serve as grounds for exclusion. On December 31, 2017 the Supervisory Board had four employee representatives: Tamás Lichnovszky, Zsoltné Varga, Éva Óz and Sándor Hartai.</p>		✓									
402-1	Minimum notice periods regarding operational changes				<p>Trade union and the workers council (Central Workers Council) must be consulted and their opinion solicited on significant decisions resulting in organizational changes or changes affecting a large group of employees. In organization restructuring decisions the collective bargaining bodies have 7 days to submit their comments, in other cases 15 days. The measure in question may not be implemented during this 15-day period. Trade unions and workers councils (Central Workers Council) must be consulted with regard to draft resolutions, aiming at organizational changes without regard to the number of employees concerned.</p>		✓									
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016																
103-1 2 3	Management Approach	Our approach (People strategy) 3. Suppliers	5 29	http://www.telekom.hu/about_us/about_magyar_telekom/principles/quality_guarantees	<p>Magyar Telekom looks at health and safety as a precondition of the success of the company that play an important role in the satisfaction of our employees as well as in the quality of work and corporate culture. That is the reason why the company is committed to operate the Workplace Healthcare and Occupational Safety Management System that ensures the successful fulfillment of the objectives. The results justify Telekom's work, i.e. as a result of the year 2016 audit the Company successfully renewed the MEBIR certification. Magyar Telekom together with all of its national and international subsidiaries have the DECRA Certification OHSAS 18001:2007.</p>		✓									
403-1	Workers representation in formal joint management-worker health and safety committees				<p>Workers representation in formal joint management-worker health and safety committees:</p> <p>a. Depending of the risk category of the respective areas the occupational safety risks - and interests - are weighted. In general the technical areas have the highest representation rate in the weighted structure.</p> <p>b. Magyar Telekom Plc. 1.1 % (72 persons), T-Systems: 1.68% (25 persons).</p>		✓									

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance																																																												
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities				<p>ACCIDENT RATIO FOR ONE THOUSAND EMPLOYEE AT MAGYAR TELEKOM GROUP ✓</p> <table border="1"> <caption>Accident Ratio for One Thousand Employee at Magyar Telekom Group</caption> <thead> <tr> <th>Year</th> <th>Magyar Telekom Plc.</th> <th>Makedonski Telekom</th> <th>T-Systems Hungary</th> <th>Crnogorski Telekom</th> </tr> </thead> <tbody> <tr> <td>2013 (4/3/1/7)</td> <td>4.5</td> <td>3.5</td> <td>1.5</td> <td>7.5</td> </tr> <tr> <td>2014 (4/3/2/8)</td> <td>4.5</td> <td>3.5</td> <td>2.5</td> <td>8.5</td> </tr> <tr> <td>2015 (3/2/0/11)</td> <td>3.5</td> <td>2.5</td> <td>2.5</td> <td>10.5</td> </tr> <tr> <td>2016 (3/7/0/6)</td> <td>3.5</td> <td>7.5</td> <td>6.5</td> <td>6.5</td> </tr> <tr> <td>2017 (4/6/2/0)</td> <td>4.5</td> <td>6.5</td> <td>2.5</td> <td>2.5</td> </tr> </tbody> </table> <p>WORKPLACE ACCIDENTS AT MAGYAR TELEKOM GROUP ✓</p> <table border="1"> <caption>Workplace Accidents at Magyar Telekom Group</caption> <thead> <tr> <th>Year</th> <th>Magyar Telekom Plc.</th> <th>Makedonski Telekom</th> <th>T-Systems Hungary</th> <th>Crnogorski Telekom</th> </tr> </thead> <tbody> <tr> <td>2013 (29/5/1/5)</td> <td>30</td> <td>6</td> <td>2</td> <td>6</td> </tr> <tr> <td>2014 (29/4/3/5)</td> <td>30</td> <td>5</td> <td>3</td> <td>6</td> </tr> <tr> <td>2015 (20/3/0/7)</td> <td>21</td> <td>4</td> <td>8</td> <td>8</td> </tr> <tr> <td>2016 (21/8/0/3)</td> <td>22</td> <td>9</td> <td>4</td> <td>4</td> </tr> <tr> <td>2017 (25/7/3/0)</td> <td>26</td> <td>8</td> <td>4</td> <td>4</td> </tr> </tbody> </table> <p>There were no occupational diseases or fatal accidents in 2017. Most frequent injuries are bruises and dislocation of limbs. Magyar Telekom Plc.: 55 injuries (14 female, 41 male): 18 cases involved the loss of more than 3 workdays, 7 cases involving the loss of 1 to 3 workdays, 27 cases that did not involve loss of workdays, 3 unsubstantiated accidents, i.e. a total of 1213 lost workdays. Distribution of injury types: 39 technical and 16 office injuries. T-Systems Hungary: 5 injuries (2 female, 3 male): 0 case involved the loss of more than 3 workdays, 3 cases involving the loss of 1 to 3 workdays, 2 cases that did not involve loss of workdays, 0 unsubstantiated accident, i.e. a total of 12 lost workdays. Distribution of injury types: 1 technical and 4 office injuries. Magyar Telekom does not keep records on injuries of its suppliers.</p>	Year	Magyar Telekom Plc.	Makedonski Telekom	T-Systems Hungary	Crnogorski Telekom	2013 (4/3/1/7)	4.5	3.5	1.5	7.5	2014 (4/3/2/8)	4.5	3.5	2.5	8.5	2015 (3/2/0/11)	3.5	2.5	2.5	10.5	2016 (3/7/0/6)	3.5	7.5	6.5	6.5	2017 (4/6/2/0)	4.5	6.5	2.5	2.5	Year	Magyar Telekom Plc.	Makedonski Telekom	T-Systems Hungary	Crnogorski Telekom	2013 (29/5/1/5)	30	6	2	6	2014 (29/4/3/5)	30	5	3	6	2015 (20/3/0/7)	21	4	8	8	2016 (21/8/0/3)	22	9	4	4	2017 (25/7/3/0)	26	8	4	4		✓
Year	Magyar Telekom Plc.	Makedonski Telekom	T-Systems Hungary	Crnogorski Telekom																																																															
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2017 (25/7/3/0)	26	8	4	4																																																															
403-3	Workers with high incidence or high risk of diseases related to their occupation				<p>Prevention and screening examinations are important part of Magyar Telekom's prevention system. Within the frame of the system the Company requires the vaccination of employees who are exposed to thick bites. It is also important that within aptitude tests Telekom performs hearing and eye examinations. The company pays special attention to locomotor screening examinations too. Independently from the activities performed Telekom provides opportunities for heart and cardiovascular examinations as well. The Company elaborates technological processes to avoid electric shock accidents and to ensure the safety of work performed in heights. In the case of business trips abroad - if necessary - the relevant vaccination is determined.</p> <p>We provide special, extended healthcare examination packages to our managers (77 managers) to help them maintaining their health. We regularly distribute healthcare newsletters to our employees providing information on how to keep a healthy diet, to prevent diseases and avoid harmful environmental impacts. Similarly to other member companies of the Group we provide special trainings to those employees who are exposed to dangers and perform strict examinations of the work tools used by employees working at heights in the entire territory of Macedonia.</p>		✓																																																												

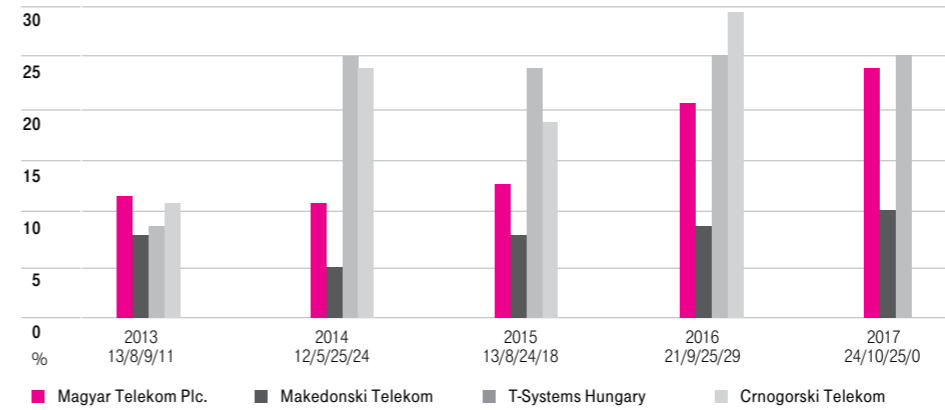
Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
403-4	Health and safety topics covered in formal agreements with trade unions				Besides determining the tasks and responsibilities of occupational safety representatives in the Occupational Safety Rules and Regulations, the competences of the Central Works Council also includes participation in measures to provide healthy and safe workplaces and to avoid accidents and occupational diseases. The regulatory function of the Central Works Council (Occupational Safety Rules and Regulations) guarantees that employees may work in a healthy and safe environment and the Council also has the right to express its opinion in such matters. The Occupational Safety Rules and Regulations determines the scope of personal protective equipment, the environment to provide healthy and safe workplaces that also ensures compliance with the effective legislation as well as the MSZ 280001 MEBIR safety standards.		✓

GRI 404: TRAINING AND EDUCATION 2016

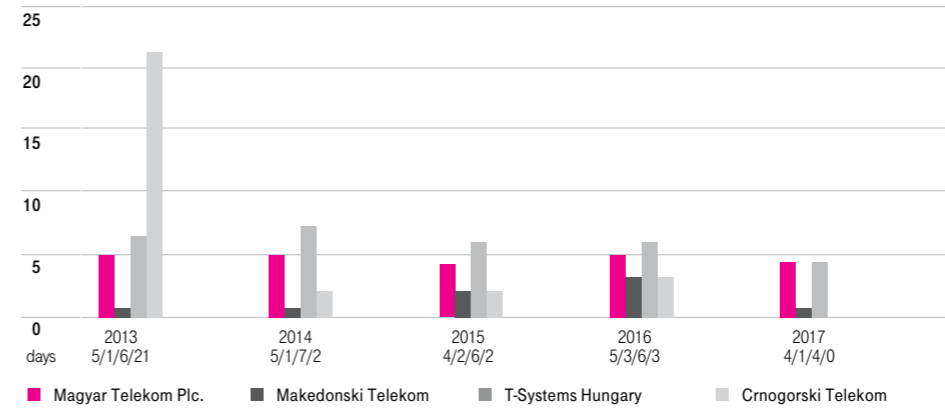
103-1 2 3	Management Approach	Our approach (People strategy)	5		Magyar Telekom Group lays much emphasis on constant training, development of its employees and supports the use of the acquired knowledge. Magyar Telekom Group is a key organization of Hungary's ICT sector. In this industry it is imperative to know and apply new trends, research results both at employee and managerial levels. Our training-development strategy, in line with that of Deutsche Telekom, has been established in accordance with predefined business objectives. Upon definition of the training requirements for our business goals we also specify the most suitable training programs for the employee target groups. The Group Learning Synergies are those joint-focused training areas that are specified and made available at group level. At specific times of the year we monitor the success of these programs with a predefined methodology, and if necessary, we fine-tune them to more effectively fulfill our business and individual development objectives. After this trainings we perform satisfaction measurements and - where possible - we measure the ROI, too. A key effectiveness improvement component of our training strategy is the promotion of e-learning courses thus we strive to increase the overall proportion of digital training material. In order to support effective work we provide various online and classroom trainings in our training portfolio (e.g. time management, assertivity, conflict management, etc.). As a caring company Magyar Telekom offers activities for employees affected by downsizing within the frame of the outplacement program that supports their reintegration into the labor market.		✓
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404-1	Average hours of training per year per employee						✓
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RATIO OF DISTANCE LEARNING AT MAGYAR TELEKOM GROUP ✓



TRAINING DAYS PER CAPITA AT MAGYAR TELEKOM GROUP ✓



Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance																								
404-1	Average hours of training per year per employee				<p>ANNUAL AVERAGE TRAINING HOURS PER CAPITA, BROKEN DOWN TO EMPLOYEE GROUPS, MAGYAR TELEKOM GROUP 2017 ✓</p> <table border="1"> <caption>Annual Average Training Hours per Capita, Broken Down to Employee Groups, Magyar Telekom Group 2017</caption> <thead> <tr> <th>Employee Group</th> <th>Magyar Telekom Plc.</th> <th>Makedonski Telekom</th> <th>T-Systems Hungary</th> </tr> </thead> <tbody> <tr> <td>Top managers (14/33/51)</td> <td>~15</td> <td>~35</td> <td>~55</td> </tr> <tr> <td>Senior Managers (24/13/18)</td> <td>~28</td> <td>~15</td> <td>~20</td> </tr> <tr> <td>Middle Managers (31/0/14)</td> <td>~35</td> <td>0</td> <td>~15</td> </tr> <tr> <td>Other Employees (28/49/6)</td> <td>~30</td> <td>~50</td> <td>~10</td> </tr> <tr> <td>Specialists (34/0/7)</td> <td>~38</td> <td>0</td> <td>~10</td> </tr> </tbody> </table>	Employee Group	Magyar Telekom Plc.	Makedonski Telekom	T-Systems Hungary	Top managers (14/33/51)	~15	~35	~55	Senior Managers (24/13/18)	~28	~15	~20	Middle Managers (31/0/14)	~35	0	~15	Other Employees (28/49/6)	~30	~50	~10	Specialists (34/0/7)	~38	0	~10		✓
Employee Group	Magyar Telekom Plc.	Makedonski Telekom	T-Systems Hungary																												
Top managers (14/33/51)	~15	~35	~55																												
Senior Managers (24/13/18)	~28	~15	~20																												
Middle Managers (31/0/14)	~35	0	~15																												
Other Employees (28/49/6)	~30	~50	~10																												
Specialists (34/0/7)	~38	0	~10																												
404-2	Programs for upgrading employee skills and transition assistance programs				<p>The company's management has been using its best efforts to devote 1.5-2% of the personnel expenses to the training and development of managers and employees. Telekom has strengthened the internal knowledge sharing system (Knowledge Stock Exchange, Employee Academy). Training plans at business unit level define the direction of development activities, professional training courses, skills and cooperation development programs, management development events and conferences of the given year. Coaching is a key management development and culture forming tool at Magyar Telekom both for individuals and groups. Telekom elaborated the corporate mentoring system with the focus on knowledge sharing and self-development. The company also supports its employees in their studies, pursued in the framework of the state education system by concluding study contracts with them, thus providing financial subsidy and some reduction of working hours. In 2016, Magyar Telekom concluded a total of 118 study contracts. Out of them 15 covered school training, the others were related to training courses or agreements containing mutual commitments.</p> <p>Upon registration the employees involved in downsizing could use the following services: two-day labor market training course in groups, support in active job search, financial support to training and retraining activities to meet labor market requirements, personal psychological and labor law consulting, as well as follow-up activities and monitoring participants' potential placement are also granted.</p>		✓																								
404-3	Percentage of employees receiving regular performance and career development reviews				<p>In 2017 almost 100% of Magyar Telekom Plc. employees participated in the centrally operated performance management system (TM). The majority of the member companies apply the same TM-KMR system as the parent company does, or run their own performance assessment system to assess the employees' performance and professional development. In the career management (KMR) system not only the employees' professional performance, but also their personal competences and the performance-potential are assessed and the areas of future development are also planned jointly by the relevant manager and the employee. The system does not store information on the gender of employees therefore it is not possible to assess the male - female ratio of the evaluated staff.</p>		✓																								
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016																															
103-1 2 3	Management Approach	Our approach (People strategy) 5.1. Human rights, equal opportunities	5 38	https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/Diversity_Policy.pdf			✓																								
405-1	Diversity of governance bodies and employees	5.1. Human rights, equal opportunities	38				✓																								
405-2	Ratio of basic salary and remuneration of women to men	5.1. Human rights, equal opportunities	38				✓																								
GRI 406: NON-DISCRIMINATION 2016																															
103-1 2 3	Management Approach	Our approach (People strategy) 5.1. Human rights, equal opportunities	5 38	https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/Diversity_Policy.pdf	<p>Magyar Telekom Group's Code of Conduct and the Code of Human Rights and Social Principles are a summary of the corporate compliance requirements; these documents set out the common values of the Group and it is also the token of the strong position, reputation and successful future of Telekom. Everyone at Magyar Telekom Group must comply with these Codes from staff employees to the Board members. In addition to the employees the contracted partners of Magyar Telekom Group are also required to learn and accept these values when registering on the Company's procurement site.</p> <p>In order to effectively develop Magyar Telekom's Diversity and Equal Opportunities efforts in November and December 2017 we prepared an anonymous, voluntary employee diversity and equal opportunities attitude survey that was completed in January 2018. The results of the survey were used as the basis of the Diversity and Equal Opportunities Plan prepared at the beginning of 2018.</p>		✓																								
406-1	Incidents of discrimination and corrective actions taken				<p>In 2017 there were no complaints issued against the company by the Equal Opportunity Authority for Discriminative Practices (EBH).</p>		✓																								

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GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016							
103-1 2 3	Management Approach	Our approach (People strategy) 3. Suppliers 5.1. Human rights and equal opportunities	5 29 38	https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf			✓
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	3. Suppliers 5.1. Human rights, equal opportunities	29 38				✓
GRI 408: CHILD LABOR 2016							
103-1 2 3	Management Approach	Our approach (People strategy) 3. Suppliers 5.1. Human rights and equal opportunities	5 29 38	https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf			✓
408-1	Operations and suppliers at significant risk for incidents of child labor	3. Suppliers 5.1. Human rights, equal opportunities	29 38				✓
GRI 409: FORCED OR COMPULSORY LABOR 2016							
103-1 2 3	Management Approach	Our approach (People strategy) 3. Suppliers 5.1. Human rights and equal opportunities	5 29 38	https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf			✓
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	3. Suppliers 5.1. Human rights, equal opportunities	29 38				✓
GRI 410: SECURITY PRACTICES 2016							
103-1 2 3	Management Approach			http://www.telekom.hu/static-tr/sw/file/Code_of_Ethics.pdf https://www.telekom.hu/static-tr/sw/file/mt-code-of-conduct.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf			✓
410-1	Security personnel trained in human rights policies or procedures				Security personnel of the company do not receive particular training on human rights procedures, since the thorough knowledge of human rights policies in relation to their professional fields is a mandatory ethical requirement of their partners. As partners of Magyar Telekom they are too obliged to thoroughly comprehend and comply with the contents of Magyar Telekom Group Code of Business Conduct and Ethics and the code of Human Rights and Social Principles.		✓
GRI 411: RIGHTS OF INDIGENOUS PEOPLES 2016							
103-1 2 3	Management Approach				In Hungary there is no adequate denotation of the group 'Indigenous Peoples'.		✓
410-1	Incidents of violations involving rights of indigenous peoples				In Hungary there is no adequate denotation of the group 'Indigenous Peoples'.		✓
GRI 412: HUMAN RIGHTS ASSESSMENT 2016							
103-1 2 3	Management Approach	3. Suppliers 5.1. Human rights, equal opportunities	29 38	http://www.telekom.hu/static-tr/sw/file/Code_of_Ethics.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf http://www.telekom.hu/static-tr/sw/file/Magyar_Telekom_Eselyegyenlo-segi_Terv_2016_2020_en.pdf			✓
412-1	Operations that have been subject to human rights reviews or impact assessments	3. Suppliers 4.3. Involvement of our customers 5.1. Human rights, equal opportunities	29 35 38				✓

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412-2	Employee training on human rights policies or procedures				As the member of Deutsche Telekom Group Magyar Telekom Group uses its best efforts to comply with the requirements contained in the Code of Human Rights & Social Principles, including the requirement that employees may acquire basic knowledge on human rights and the protection of these rights. In order to fulfill this objective in 2017 all members of Deutsche Telekom Group could freely access an English language eLearning material on the group's intranet site.		✓
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	3. Suppliers		https://beszerzes.telekom.hu/beszerzes/portal/objects-beszerzes/doc/mukodesi_kodex_en.pdf https://www.telekom.hu/static-tr/sw/file/code-of-human-rights-social-principles-eng.pdf			✓
GRI 413: LOCAL COMMUNITIES 2016							
103-1 2 3	Management Approach	2.1. Closing the digital divide 4.3. Involvement of our customers 5.2. Involvement of our employees	23 35 42				✓
413-1	Operations with local community engagement, impact assessments, and development programs	2.1. Closing the digital divide 4.3. Involvement of our customers 5.2. Involvement of our employees, 5.1. Human rights, equal opportunities	23 35 42 38	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary https://www.facebook.com/LegyelTeisInformatikus/ https://www.facebook.com/DigitalisHid/?ref=ts			✓
413-2	Operations with significant actual and potential negative impacts on local communities			http://www.telekom.hu/about_us/company/telekom-for-digital-hungary	In some cases of network development processes the physical construction of the network might cause temporary inconvenience to residents.		✓
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016							
103-1 2 3	Management Approach	Our approach (Sustainability strategy) 3. Suppliers	5 29				✓
414-1	New suppliers that were screened using social criteria	3. Suppliers	29				✓
414-2	Negative social impacts in the supply chain and actions taken	3. Suppliers	29				✓
GRI 415: PUBLIC POLICY 2016							
103-1 2 3	Management Approach				Magyar Telekom Group is involved in shaping public politics indirectly, through its representation organizations, in such a way that the representation organizations, in compliance with the effective regulation, are given the opportunity to comment draft laws and industry-specific strategies. The ministries and authorities supervising the industry pass the relevant regulations to the representation organizations, which synthesize the opinions received from the member companies and submit a summary to the relevant ministries. Such regulation commenting procedures are implemented through e.g. the Telecommunication Reconciliation Council, the Joint Venture Association, the American Chamber of Commerce (AmCham), the German-Hungarian Chamber of Industry and Trade, the Association of IT Enterprises, the Communication Interest Conciliation Council and the Hungarian Energy Traders' Association.		✓
415-1	Political contributions			http://www.telekom.hu/static-tr/sw/file/MT_Code_of_Conduct_31March2011.pdf https://www.telekom.hu/about_us/about_magyar_telekom/principles	The Company has no knowledge of any financial support to political parties, politicians or any related entities provided by Magyar Telekom Group affiliates in 2017, which is in full compliance with the detailed stipulations set forth in the Code of Conduct - Paragraph [2.10]. If it would have done so the operation would have been in full compliance with the relevant international bookkeeping regulations.		✓
GRI 416: CUSTOMER HEALTH AND SAFETY 2016							
103-1 2 3	Management Approach	2.4. Protection of our children in the digital age 2.6. Safe mobile use, electromagnetic field	26 28	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety https://www.telekom.hu/about_us/society_and_environment/society/protection_of_our_children			✓

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416-1	Assessment of the health and safety impacts of product and service categories				Magyar Telekom did not identify such impacts.		✓
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services				The number of health and safety incidents regarding products and services, involving disorderly operating equipment or the breach of internal policies were as follows: penalty or fine due to disorderly operation of equipment: 0 warning due to disorderly operation of equipment: 0 internal warning due to disorderly operation of equipment: 0		✓
GRI 417: MARKETING AND LABELING 2016							
103-1 2 3	Management Approach	Our approach (sustainability strategy) 1.3.2. Producer's responsibility 2.2. ICT for sustainability	5 20 25	http://www.telekom.hu/lakossagi/english http://www.telekom.hu/lakossagi/english/plans/mobile https://www.telekom.hu/lakossagi/english/plans/phone https://www.telekom.hu/uzleti/main http://www.t-systems.hu/home-page http://kibu.hu/ http://www.kalasznet.hu/ (only HU) https://www.telekom.mk/prepaid-en.nspk https://www.telekom.me/	Magyar Telekom Group is making ongoing efforts to simplify its propositions as much as possible and to make them available to the widest possible scope of customers. We offer detailed information about the services and tariff packages of Magyar Telekom Plc.'s business units, and information about the services of our most important member companies on the listed websites. Customers can inquire about Telekom tariff packages and services or even request modifications 24 hours a day through the consumer customer service call center, which can be called toll free from Telekom's Hungarian mobile network at 1414 or the 1777 (Domino pre-paid center) number. We have made Telekom website more user-friendly, among others by highlighting search keywords and developing the webshop service to enable quick and simple purchase. The services are available on the following website: http://www.telekom.hu/lakossagi/szolgalatasok/mobil . The integrated servicing of T-Systems customers is provided through the 1400 telephone number and the TS_ugyfelkapcsolat@t-systems.hu e-mail address. Magyar Telekom considers it as high priority to communicate its advertisements to the existing and prospective consumers in compliance with the relevant regulations. We take all measures necessary to ensure that our advertisements deliver our proposals accurately and clearly, excluding any deception. In view of the above, compliance with the consumer protection and GVH (Competition Office) guidelines, and checking regulatory compliance are important requirements of the work processes of producing advertisements is a crucial part of our advertising operations. We convey our proposals to everyone by using the greatest number of communication tools possible and with maximum exploitation of the possibilities offered by the given media. In this way we allow our audience to receive thorough information to be able to make carefully contemplated and responsible decisions.		✓
417-1	Requirements for product and service information and labeling	1.3.1. Waste 1.3.2. Producer's responsibility	20 20		The information related to electromagnetic fields (SAR values) can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.		✓
417-2	Incidents of non-compliance concerning product and service information and labeling				The Company did not identify such incidents.		✓
417-3	Incidents of non-compliance concerning marketing communications				In 2015 one and in 2016 four consumer protection - e.g. marketing communication - proceedings were initiated against Telekom before the Competition Office (GVH) due to the alleged breach of the relevant regulations. The proceedings were closed in 2017. In two cases the Competition Office identified an infringement and imposed a fine of 600m HUF and 35m HUF respectively. Magyar Telekom requested the judicial review of the authority's resolution and the administrative actions are in progress. Two cases were terminated while in one case the Competition Office accepted Telekom's undertaken commitment and closed the case without defining an infringement.		✓
GRI 418: CUSTOMER PRIVACY 2016							
103-1 2 3	Management Approach	2.5. Data Protection	27	http://www.telekom.hu/about_us/data_protection			✓
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.5. Data Protection	27		In 2017, Magyar Telekom received requests and complaints either from the National Authority for Data Protection and Freedom of Information or either directly from customers, which were duly investigated by the Data Protection Group of Magyar Telekom, and the findings were reported to the complaining customer and the authority. In 2017 we received 7 requests, to investigate personal data management complaints and only 4 of these were found to have grounds. Based on the results of the investigation, we review our processes and make the necessary adjustments.		✓
GRI 419: SOCIOECONOMIC COMPLIANCE 2016							
103-1 2 3	Management Approach			https://www.telekom.hu/about_us/about_magyar_telekom/principles/compliance https://beszerzes.telekom.hu/beszerzes/portal_en?appid=beszerzes&page=english/main.vm	The Management and Board of Magyar Telekom Group are unanimous in their commitment that the Magyar Telekom Group (hereinafter 'Magyar Telekom' or 'Group') will conduct all business activities in accordance with the highest legal and ethical standards. In support of this commitment the Magyar Telekom Corporate Compliance Program ('hereinafter 'Compliance Program') has been developed to create an internal culture where 'Respect and Integrity' is one of the most crucial values. The Compliance Program is enacted at all members companies of the Group where Magyar Telekom has effective control. The Compliance Program applies to all bodies, organizations, directors, officers and employees of the Magyar Telekom Group, as well as to consultants, agents, representatives, and all other persons or bodies who carry out work on behalf of any company within the Group. Additionally, we expect our business partners, suppliers and customers to aid us in this effort by acting in a similarly ethical manner. As such, certain aspects of the Compliance Program, apply not just to Magyar Telekom Group employees, but also to third parties with whom we do business. The Compliance Program has been designed to ensure that the Group conducts its business to the highest standards of awareness, transparency, accountability, commitment, and adherence to applicable laws and regulations. To do so requires the implementation of policies and procedures that address potential compliance risk areas together with identifiable mechanisms for reporting, investigating, monitoring, and correcting cases of suspected or actual non-compliance. The elements of Compliance Program is continuously tailored to the changes in the business sector, location of operation, business circumstances, culture and risks, international best practices. The Compliance Program is reflected in the Code of Conduct which is accepted internally by all employees, and by all suppliers through Magyar Telekom Procurement Intranet site. The Group Compliance Officer is responsible for operation and monitoring the Compliance Programme.		✓

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419-1	Non-compliance with laws and regulations in the social and economic area				Magyar Telekom uses its best efforts to fulfill its obligations in accordance with the effective laws. In order to prevent potential authority penalties and sanctions the Company always strives to ensure Magyar Telekom's compliance with the effective laws and manage conflicts - besides harmonizing processes and IT systems with the amendment of laws - with continuous personal consultation, agreements concluded with the authorities and retroactive settlement plans set out in undertakings, made in the form of declarations. In 2017 the National Media and Info-Communications Authority conducted several individual complaint and general/overall market supervision proceedings against the Company. Within the frame of general market supervision proceedings the authority imposed 67 million HUF whereas in the case of subscriber complaints a total of 184,675 million HUF penalty. The Hungarian Consumer Protection Authority completed several investigations against Magyar Telekom, in 2017 the total amount of fines were HUF 16.45 million. Our clients have used the services of alternative dispute resolution fora, in relation to which there were a total of 256 cases handled with the assistance of the Media and Communications Commissioner, and 698 cases in which dispute resolution plenums provided assistance.		✓
GRI G4: TELECOMMUNICATION SECTOR SPECIFIC INDICATORS							
CATEGORY: INTERNAL OPERATIONS							
ASPECT: INVESTMENT							
IO 1.	Capital investment in telecommunication network infrastructure broken down by country/region.	Letter from the CEO Our approach 2.1. Closing the digital divide	3 5 23				✓
IO 2.	Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable. Describe relevant legislative and regulatory mechanisms.			http://www.telekom.hu/about_us/company/telekom-for-digital-hungary , http://www.telekom.hu/lakossagi/szolgalatasok/mobil/domino-dijcsomagok/hello-holnap-dijcsomagok https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello-holnap_dijcsomagok	In accordance with the Partnership for digital Hungary document Telekom's investments are intended to make high-speed broadband internet available for Hungarian consumers as soon as possible. The intensive use of new technologies and info-communication solutions greatly contribute to the improvement of the Hungarian people's quality of life, effectiveness of their businesses and the international competitiveness of the Hungarian economy. Another objective of the company is to spread digital literacy and knowledge on the safe use of the internet throughout the entire country.		✓
ASPECT: HEALTH AND SAFETY							
IO 3.	Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals.	2.6. Safe mobile use, electromagnetic field	28	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)			✓
IO 4.	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency (RF) emissions from handsets.	2.6. Safe mobile use, electromagnetic field	28	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)	The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/EC/519 of the European Commission. As a result of the relevant Hungarian decree adopted in August, 2004 (63/2004./VII. 26. - ESzCsM/) on the basis of ICNIRP guidelines, the regulations in Hungary are compliant with the EU regulation on electromagnetic fields.		✓
IO 5.	Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations.	2.6. Safe mobile use, electromagnetic field	28	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)	The electromagnetic exposure limits in Hungary have been determined in line with the guidelines set by ICNIRP (International Commission on Non-Ionizing Radiation Protection), which are based on the practice applied in most European countries and on Recommendation 1999/EC/519 of the European Commission. As a result of the relevant Hungarian decree adopted in August, 2004 (63/2004./VII. 26. - ESzCsM/) on the basis of ICNIRP guidelines, the regulations in Hungary are compliant with the EU regulation on electromagnetic fields.		✓
IO 6.	Policies and practices with respect to Specific Absorption Rate (SAR) of handsets.	2.6. Safe mobile use, electromagnetic field	28	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety http://www.emf-portal.hu/portal/ (only HU)	Within Deutsche Telekom Group, issues related to electromagnetic fields are regulated as part of DT's EMF objectives, the so-called 'EMF Policy Recommendations', with special emphasis on transparency, information provision, support of and involvement in research. The information related to electromagnetic fields (SAR values) can be found in user manuals supplied in the packaging of devices as well as in the web shop among the detailed information of the respective device.		✓

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ASPECT: INFRASTRUCTURE							
IO 7.	Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts. Describe approach to evaluate consultations and quantify where possible.	1.2.6. Biodiversity	19		The company consults and cooperates with the relevant stakeholders in each and every case when building new base stations. If needed, citizens' forums are held with the participation of all concerned parties in order to reach satisfactory agreement to all concerned parties.		✓
IO 8.	Number and percentage of stand-alone sites, shared sites, and sites on existing structures.	1.2.6. Biodiversity	19				✓
CATEGORY: PROVIDING ACCESS							
ASPECT: ACCESS TO TELECOMMUNICATION PRODUCTS AND SERVICES: BRIDGING THE DIGITAL DIVIDE							
PA 1.	Policies and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas. Include an explanation of business models applied.	2.1. Closing the digital divide	23	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary			✓
PA 2.	Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include an explanation of business models applied.	2.1. Closing the digital divide 2.4. Protection of our children in the digital age	23 26	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary http://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok (only HU)			✓
PA 3.	Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time.			http://www.telekom.hu/rolunk/szolgalatasok/aszf (only HU)	Magyar Telekom Plc. guarantees its customers rights in connection with service availability and troubleshooting on the basis of the General Contract Terms and Conditions (GTC) available at the customer service points and also in the Internet. In this it declares to fulfill the published quality targets during providing services on the entire service territory, to check this via measurements and to publish the measurement methods. Here, the Company also defines the quality targets for the services provided, meeting of which is continuously measured and made available to everyone on an annual basis. The trouble management for customers is handled along a defined process - in accordance with their rights set out in the GTC, inter alia - after having detected the problem and having filed the trouble at the company. Magyar Telekom, by permanently developing technical solutions, security systems and backup tools, seeks to ensure continuity of the availability of the services, with setting the enhancement of customer experience as an objective.		✓
PA 4.	Quantify the level of availability of telecommunications products and services in areas where the organisation operates. Examples include: customer numbers/ market share, addressable market, percentage of population covered, percentage of land covered.	2.1. Closing the digital divide Key operating statistics of Magyar Telekom Group	23 52	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary http://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/hello_holnap_dijcsomagok (only HU)			✓

Disclosure Number	Disclosure Title	Chapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
PA 5.	Number and types of telecommunication products and services provided to and used by low and no income sectors of the population. Provide definitions selected. Include explanation of approach to pricing, illustrated with examples such as price per minute of dialogue/bit of data transfer in various remote, poor or low population density areas.	2.1. Closing the digital divide Key operating statistics of Magyar Telekom Group	23 52	http://www.telekom.hu/about_us/company/telekom-for-digital-hungary			✓
PA 6.	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief.	Our approach 2.2. ICT for sustainability	5 25				✓
ASPECT: ACCESS TO CONTENT							
PA 7.	Policies and practices to manage human rights issues relating to access and use of telecommunication products and services.	2.4. Protection of our children in the digital age	26	http://www.telekom.hu/static-tr/sw/file/etikaikodex_en.pdf	There is an effective service contract and a Code of Ethics in place between the content providers and Magyar Telekom that regulate the terms and conditions of providing services, however, it does not contain provisions on the content.		✓
ASPECT: CUSTOMER RELATIONS							
PA 8.	Policies and practices to publicly communicate on EMF related issues. Include information provided at points of sales material.	2.6. Safe mobile use, electromagnetic field	28	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety	As a result of the three mobile operators' cooperation a new website - EMF portal (http://www.emfportal.hu) - was created in 2006 where questions can be asked regarding EMF issues, news are available about the topic and readers can access the findings of the EMF measurements ordered by the operators from external organizations.		✓
PA 9.	Total amount invested in programmes and activities in electromagnetic field research. Include description of programmes currently contributed to and funded by the reporting organisation.	2.6. Safe mobile use, electromagnetic field	28	http://www.telekom.hu/about_us/society_and_environment/society/health_and_safety			✓
PA 10.	Initiatives to ensure clarity of charges and tariffs.			http://www.telekom.hu/lakossagi/english http://www.telekom.hu/lakossagi/english/plans/mobile https://www.telekom.hu/lakossagi/english/plans/phone https://www.telekom.hu/uzleti/main http://www.t-systems.hu/home-page http://kibu.hu/ http://www.kalasznet.hu/ (only HU) https://www.telekom.mk/prepaid-en.nspk https://www.telekom.me/	Magyar Telekom puts substantial efforts in making its offers be transparent and easily comprehensible and widely accessible. Inquiries about tariffs and services of the company and its subsidiaries, together with detailed information about the operations of all company branches could be received on the listed links. Customer inquiries about the tariff packages and services of Magyar Telekom could be made 24 hours a day through the residential customer service call center. Postpaid service clients can dial 1414 while prepaid service customers can turn to the service by dialing number 1777. Information about our residential services is also available at https://www.telekom.hu/lakossagi/english . Magyar Telekom considers it top priority to communicate its advertisements to the existing and prospective consumers in compliance with the relevant regulations. We do everything to ensure that our advertisements carry our proposals accurately and clearly, excluding any deception. In line with these preferences all processes of our advertisement production are in compliance with the consumer protection and GVH (Competition Office) guidelines and regulatory rules. We convey our proposals to everyone through all possible communication tools by maximizing our visibility through all channels. Thus we allow the most thorough and detailed information availability to ensure our customer's responsible decision making process is supported with all relevant information. Telekom New Media operates a call center since its inception, which runs 24 hours a day. Our customer service professionals act in accordance with the customer relationship management manual. Up to this day, no official charges were filed to the relevant authorities. Our customer service handles 80% of the Hungarian television market, including the interactive services of some television programs, and the hotline! system of freemail.hu service, that is operated by Origo Zrt. Based on the service type (upon request) and in accordance with the relevant national rules and regulations, the management of some customer complaint issues is being supplemented with voice recording and data recording. The operation and responsibility of the customer service is extended to the online moderation service for particular clients, where compliance with ethical rules, relevant laws and regulations and customer requirements secure that only controlled messages are being published online. The integrated customer service hotline available for T-Systems clients could be reached by dialing 1400 or by writing to TS_ugyfelkapcsolat@t-systems.hu . Through these channels we are handling customer complaints and service change demands. These are also platforms for all incoming customer notifications that are being forwarded to the areas in charge for further processing and resolution.		✓

Disclosure Number	Disclosure Title	FChapter in Sustainability Report 2017	Page Number	Website	Direct answer	Omission	External Assurance
PA 11.	Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use.	1.1 Climate protection and energy efficiency 1.3.2 Producer's responsibility 2.2. ICT for sustainability 2.3. Innovation for sustainability	16 20 25 25	https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU) https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek/fenntarhato_keszulekek (only HU) http://www.t-systems.hu/a-t-systemsrol/iranyelveink/gyartoi-tajekoztato (only HU)			✓
CATEGORY: TECHNOLOGY APPLICATIONS							
ASPECT: RESOURCE EFFICIENCY							
TA 1.	Provide examples of the resource efficiency of telecommunication products and services delivered.	1.1. Climate protection and energy efficiency 2.2. ICT for sustainability	16 25				✓
TA 2.	Provide examples of telecommunication products, services and applications that have the potential to replace physical objects (e.g. a telephone book by a database on the web or travel by videoconferencing).	1.1 Climate protection and energy efficiency 1.2.2. Fleet management, fuel consumption 1.2.5. Paper consumption 2.2. ICT for sustainability 2.3. Innovation for sustainability	16 17 19 25 25	https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✓
TA 3.	Disclose any measures of transport and/or resource changes of customer use of the telecommunication products and services listed above. Provide some indication of scale, market size, or potential savings.	1.2.2. Fleet management, fuel consumption 2.2. ICT for sustainability	17 25	https://www.telekom.hu/rolunk/fenntarthatosag/ugyfeleinknek (only HU)			✓
TA 4.	Disclose any estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development. This may include social consequences as well as environmental.	1.2.5. Paper consumption 2.2. ICT for sustainability	19 25				✓
TA 5.	Description of practices relating to intellectual property rights and open source technologies.				Magyar Telekom respects intellectual property and observes the provisions of the relevant law. All software used by Magyar Telekom are procured from lawful sources and are used in accordance with the provisions of law.		✓

COMPLIANCE WITH THE PRINCIPLES OF THE UN GLOBAL COMPACT

On May 6, 2009 the company joined the UN Global Compact initiative and its 10 principles in the areas of human rights, labor, environment and anti-corruption.

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

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



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

GLOBAL COMPACT PRINCIPLES	CHAPTER
1. Support and respect the protection of internationally proclaimed human rights	3, 5.1
2. Make sure that they are not complicit in human rights abuses	3, 5.1
3. The freedom of association and the effective recognition of the right to collective bargaining	5.1
4. The elimination of all forms of forced and compulsory labour	3, 5.1
5. The effective abolition of child labour	3, 5.1
6. The elimination of discrimination in respect of employment and occupation	Our Approach, 3, 5.1
7. Support a precautionary approach to environmental challenges	Our Approach, 1, 3
8. Undertake initiatives to promote greater environmental responsibility	Our Approach, Stakeholders, 1, 2.3, 3, 4.3, 5.2, 6.1, 6.2,
9. Encourage the development and diffusion of environmentally friendly technologies	Our Approach, 1, 2.2
10. Work against corruption in all its forms, including extortion and bribery	3, 7.3

LIST OF ABBREVIATIONS

Abbreviation	Full name
AD	private company limited by shares Macedonia
ADSL	asymmetric digital subscriber line
AG	Aktiengesellschaft (Company limited by shares)
AOSZ	National Association of autism
AR	Augmented Reality
B2B	Business to Business
BCM	Business Continuity Management System
BME	Budapest University of Technology and Economics
BSS	Business Support System
Bt.	Limited Partnership
BTL	Below the line
CDP	Carbon Disclosure Project
CEERIUS	Central and Eastern European Responsible Investment Universe
CEO	chief executive officer
CER	Certified Emission Reduction
CHRO	Chief HR officer
CO ₂	carbon dioxide
CPE	Customer Premise Equipment
CPEx	Customer Profile Exchange
CRM	customer relationship management
CSR	Corporate Social Responsibility
DEFRA	Department for Environment, Food & Rural Affairs
DELFIN Award	Award for a Committed, Sustainable, Innovative Generation
DIY	Do It Yourself activity
DNFP	Digital National Development Program
DPO	Data Protection Officer
DSL	digital subscriber line
DT	Deutsche Telekom
DWP	Digital Welfare Program
EBH	Equal Treatment authority

Abbreviation	Full name
EC	economic performance indicators
EC	European Commission
ÉFOÉSZ	Hungarian Association for Persons with Intellectual Disability
EIT	European Institute of Innovation and Technology
EMF	electromagnetic fields
EN	environmental performance indicators
ESzCsM	Ministry of Health, Welfare and Family Affairs
ETNO	European Telecommunications Network Operators' Association
EU	European Union
FGSM	Fixed Global System for Mobile Communications
FINA	International Swimming Federation
FMS	Fixed Mobile Substitution
FN	Sustainability Day
FTC	Ferencvárosi Torna Club (a Hungariaa football team)
FTSE4GOOD	Financial Times Stock Exchange
Gbit	gigabit (1000 000 000 bits)
GDPR	General Data Protection Regulation
GHG	Green House Gases (üvegházhatású gázok)
GJ	giga Joule
GPON	gigabit passive optical network
GRI	Global Reporting Initiative
GSCC	Group Sustainability Coordination council
GSM	Global System for Mobile Communication
GSMA	GSM Association
GVH	Hungarian Competition Authority
GWh	gigawatt-hour
HBLF	Hungarian Business Leaders Forum
hh!	hello holnap!
HR	Human Resources
HSE	Health, Safety and Environment (Egészség, biztonság és környezetvédelem)

Abbreviation	Full name
HUF M	million forints
ICCA	International Customer Contact Analysis
ICNIRP	International Commission on Non-Ionising Radiation Protection
ICT	information and communication technology
ICS	Internal Control System
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
iOS	mobile operating system developed and distributed by Apple Inc.
IoT	internet of things
IP	internet protocol
IPTV	internet protocol TV
ISO	International Organization for Standardization
IT	Information technology
IUCN	International Union of Conservation of Nature
IVR	interactive voice response
IVSZ	ICT Association of Hungary
JAC	Joint Audit Cooperation
Kft.	limited liability company
kg	kilogramm
KIBU	Kitchen Budapest
KKV	SMB - small and medium-sized business
km	kilometer
KPI	key performance indicators
kW	kilowatt
kWh	kilowatt-hour
L	litre
LTE	long term evolution
LTi	Legyél Te is Informatikus!
M3	cubic metre
MakTel	Makedonski Telekomunikacii

Abbreviation	Full name
Mbps	mega bit per second
MEOSZ	National Federation of Disabled Persons' Associations
MIMO	Multiple Input Multiple Output
MKT	Makedonski Telekomunikacii
MOB	Hungarian Olympic Committee Magyar Olimpiai Bizottság
MT	Magyar Telekom
MVGYOSZ	Hungarian Federation of the Blind and Partially Sighted
MWh	megawatt-hour
NAV	hungarian Tax Office
NG	next generation
NMHH	(NMIA) National Media and Infocommunication Authority
NOx	nitrogen-oxide
Nyrt.	(Plc.) public limited company
OHSAS	Occupational Health and Safety Management System
OSS	open source software
OSSKI	Frédéric Joliot-Curie National Research Institute for Radiobiology and Radiohygiene
PR	public relations
PSTN	public switched telephone network
PwC	PricewaterhouseCoopers Könyvvizsgáló Kft.
QR	2 dimensional barcode
SatTV	satellite TV
SIM	subscriber identity module
SLA	Service Level Agreement
SO x	Sulfur oxide
T	ton
TCG	Telekom Crne Gore/Crnogorski Telekom/Telekom Montenegro
TM	Performance Evaluation System
TRI*M Index	a standardized indicator system to explore customer satisfaction and customer loyalty
TSM	T-Systems Hungary
UN	United Nations

Abbreviation	Full name
UN	United Nations
UNEP	United Nations Environmental Programme
VDSL	Very high bit-rate Digital Subscriber Line
VFK (CSC)	Corporate Sustaibnability Centre
VMI	Vendor-managed Inventory
VoCa	voice over cable TV
VoIP	voice over internet protocol
VR	Virtual Reality
WHO	World Health Organization
WWF	World Wide Fund for Nature
Zrt.	cPLC

IMPRESSUM

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