



**EGYÜTT. VELED**

SUBMISSION  
TO THE GENERAL MEETING OF MAGYAR TELEKOM PLC.

# **AMENDMENT OF THE REMUNERATION GUIDELINES**

BUDAPEST, APRIL 15, 2015



The Remuneration Guidelines of Magyar Telekom Plc. approved by resolution no. 17/2012 (IV.16.) of the General Meeting shall be amended due to the following reasons:

- Changes affect the guidelines of the long term salary and incentive programs of the management.
  - in the incentive programs launched by the Company may be elements that are offered, sold or provided by the affiliate of the Company (i.e. Deutsche Telekom AG);
  - the Company will introduce modified Share Matching Plan program expectedly starting from July 1, 2015.
- New layout.
- Pursuant to Section 3:268(2) of the Civil Code and Section 5.2.(r) of the Articles of Association, decision concerning the guidelines for a long term salary and incentive scheme for the members of the Board of Directors, Supervisory Board and executive employees (that is Remuneration Guidelines) belongs to the exclusive scope of authority of the General Meeting.
- In order to comply with the Corporate Governance Recommendations of the Budapest Stock Exchange, it is recommended that the principles of the share-based incentive schemes are approved by the general meeting (Recommendation no. 2.7.4.).

Annex:

- Remuneration Guidelines of Magyar Telekom Plc.

**Resolution proposal:**

**The General Meeting amends the Remuneration Guidelines of Magyar Telekom Plc. as stated in the submission.**

Relevant part of the Report of the Supervisory Board related to this agenda item:

The Supervisory Board examined the amendment of the Remuneration Guidelines, and acknowledged it.

# REMUNERATION GUIDELINES

The General Meeting of Magyar Telekom Plc. ([Magyar Telekom or Company](#)) approved the following guidelines regarding the remuneration and evaluation of the work performed by the Board of Directors (BoD), the Supervisory Board (SB), the Audit Committee (AC) and the management (Management Committee).

## 1. BOARD OF DIRECTORS

- Members of the BoD are compensated by fee.
- The amount of the fee is determined by the [GM General Meeting](#).
- The amount of the fee is determined upon consideration of domestic market benchmark data.
- The fee may be revised upon initiative by the Remuneration [and Nomination](#) Committee.
- Members elected from the management of the strategic investor waive their fees, and the members elected from the [company's Company's](#) management donate their fees to charitable purposes.
- The BoD evaluates its activities along predefined aspects (strategy, business performance, compliance, efficiency, dividend policy, information flow...) annually. As part of this evaluation, the BoD also reviews the self evaluation performed by individual BoD members along predefined aspects.

## 2. SUPERVISORY BOARD

- Members of the SB are compensated by fee.
- The amount of the fee is determined by the [GM General Meeting](#).
- The amount of the fee is determined upon consideration of domestic market benchmark data.
- The fee may be revised upon initiative by the Remuneration [and Nomination](#) Committee.
- Members elected from the management of the strategic investor waive their fees.
- On the basis of reviewing each tasks defined by its Rules of Procedures, the SB evaluates the work done in order to accomplish the specific tasks in course of the given year, and determines which activity (activities) need(s) to be improved. As part of this evaluation, the SB evaluates the skills and experience of each SB member, which are relevant to performing their SB tasks.

## 3. AUDIT COMMITTEE

- Members of the AC are compensated by fee.
- The amount of the fee is determined by the [GM General Meeting](#).
- The amount of the fee is determined upon consideration of domestic market benchmark data.
- The fee may be revised upon initiative by the Remuneration [and Nomination](#) Committee.
- On the basis of reviewing each tasks defined by its Rules of Procedures, the AC evaluates the work done in order to accomplish the specific tasks in course of the given year, and determines which activity (activities) need(s) to be improved.

#### 4. MANAGEMENT

- The Remuneration [and Nomination](#) Committee makes recommendations, upon consideration of domestic remuneration benchmark data, as to the size of specific elements in remuneration packages. Decision is made by Magyar Telekom's Board of Directors.
- Remuneration packages are reviewed once a year.
- Remuneration packages consist of the following elements:

##### Annual target salary

The components of the annual target salary are the annual base salary and the ~~management~~ bonus.

The annual base ~~salary/wage~~ is a fixed amount of compensation determined for individuals ~~and~~-varying according to the individual's position ~~and annual evaluation of performance~~, ~~which is~~ paid in equal monthly ~~instalments~~ amounts.

The annual ~~management~~ bonus is defined as a certain percentage of the basic salary payable ~~pro~~ ~~rated to~~ in the ~~ratio of the~~ achievement of the ~~personalized collective and individual~~ bonus targets ~~defined with respect to the business year, derived~~ ~~cascaded~~ from strategic targets ~~and~~ defined, ~~before~~ the ~~start~~ of ~~the business year~~. ~~For each target, specific ranges from underachievement to overachievement are along with curve payment on performance within the range.~~

Annual targets and the evaluation of their achievement are to be approved by the ~~BoD~~ [Board of Directors based](#) on the ~~basis~~ of the submission by the Remuneration [and Nomination](#) Committee.

##### Mid – and long term incentives

~~The positive development of the Company depends on its management that aims at the long term and sustained increase of the corporate value, and closer harmonization of the interest of the management and the shareholders.~~

Magyar Telekom have launched / may have launch mid – and long term incentives programs, ~~to motivate the management to sustainably increase the value of the Company in long term, thus harmonizing the interests of the owners and the management, which items thereof, supplemented,~~ [The elements of the program](#) provided / [granted](#) by the Company, [among others](#) may be

- depending on / not depending on the share price index, and/or
- monetary / in shares, and/or
- one-time / periodically, and/or
- fixed to / free from a lock-out period, and/or
- certain percentage of the bonus shall be invested, or
- share purchase (call in) at a share price / from time determined in advance.

~~The terms and conditions of participation are set forth in the respective description of the programs.~~

[Program elements may also be incentives that have been offered, sold or provided by the affiliate of Magyar Telekom \(i.e. Deutsche Telekom AG\):](#)

##### [a\) Mid-term incentive program.](#)

[Currently there is no mid-term incentive program at the Company.](#)

##### [b\) Long-term incentive program \(LTI\)](#)

[LTI is a long-term incentive program payable in cash tied to the achievement of four key strategic indicators. Participation in the program depends on the evaluation of the previous year's performance of the affected manager. In the framework of the program, starting in 2015, in each year a new four-year tranche is to be launched. Payment is following the end of the program and the evaluation of the achievement of the targets having been set forth in advance, in the scale of 0-to 150%.](#)

[Detailed rules of the program, the amount rendered available for incentives as well as the extent to which the targets have been achieved by the end of the tenor are determined by the Board of Directors of the Company.](#)

c) Share matching plan (SMP)

Expectedly, as of July 1, 2015, the Company introduces a modified and renewable Share Matching Plan. Participation in the program is mandatory for the Company's Chief Executive Officer, and voluntary for the rest of the members of the management. The program stipulates that the participant is required to invest a minimum of 10% of his/her gross annual bonus in Deutsche Telekom shares, with an option to voluntarily increase this amount to a maximum of 33.3% (personal investment). These shares shall be kept for at least for 4 years (the lock-up period), the participant is granted matching shares upon expiry of the lock-up period and shall have the right to use it freely. The share allocation ratio of the program (1:1, 1:2 or 1:3) depends on the evaluation of the participant's performance in the previous year the program is launched. Deutsche Telekom grants a certain amount of additional shares to the participant based on the acquired Deutsche Telekom shares by the participant within the framework of the program. The program is launched annually for the Chief Executive Officer, whereas it starts annually for others if the free cash flow target of Deutsche Telekom Group was met in the previous year. Detailed rules of the program are determined by the Board of Directors of the Company.

Rules of participation in the programs are set forth in the applicable program rules.

**Fringe and social benefits**

Fringe benefits (e.g.: company car, mobile phone, ~~managerial~~ insurance etc.) are determined upon consideration of domestic benchmark data and the principles of cost efficiency. Fringe and social benefits are granted in compliance with the relevant stipulations of Magyar Telekom's Collective Agreement and policies.

- The performance and potential of individual management members are evaluated annually along predefined aspects and procedures.

~~Approved~~ These Remuneration Guidelines were approved by resolution no. ~~17/2012~~[...]/2015 (IV.~~16~~15.) of the General Meeting.