



EGYÜTT. VELED

# CORPORATE GOVERNANCE AND MANAGEMENT REPORT OF MAGYAR TELEKOM PLC. FOR THE 2018 BUSINESS YEAR

Approved by the Board of Directors of Magyar Telekom Plc. on February 20, 2019 with Resolution No. 1/11 (02.20.2019).  
**The Corporate Governance and Management Report was approved with Resolution No. 10/2019 (IV.9.) by the Annual General Meeting of the Company held on April 9, 2019.**



## INTRODUCTION

The Board of Directors of Magyar Telekom Telecommunications Public Limited Company (hereinafter “Magyar Telekom” or “Company”) based on the Corporate Governance Recommendations of the Budapest Stock Exchange Zrt. (“BSE”), and the provisions of Act V of 2013 on the Civil Code (“Civil Code”), approves and submits to the Annual General Meeting the below Corporate Governance and Management Report for the 2018 business year.

### 1. A BRIEF PRESENTATION OF THE OPERATION OF THE BOARD OF DIRECTORS, AND A DESCRIPTION OF THE DIVISION OF RESPONSIBILITY AND DUTIES BETWEEN THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

Magyar Telekom's Board of Directors (“Board” or “Board of Directors”) shall be the management body of the Company and shall represent the Company with regard to third parties, in court and before other authorities. The Board of Directors exercises its rights and performs its obligations as an independent body.

The members of the Board of Directors shall conduct the management of the Company by giving primacy of the interests of the Company. The members of the Board of Directors shall be held liable for damages caused to the Company resulting from his/her management activities in accordance with the rules pertaining to damages for loss caused by breach of contract. The Company shall be held liable for damages caused to a third party by the members of the Board of Directors in connection with their office. The Board of Directors and the Company shall be held jointly and severally liable, if the damage was caused intentionally by the members of the Board of Directors.

The Board of Directors is not an operative management body, in other words, the Board of Directors is not involved in the Company's daily business. The Board of Directors is responsible for all matters relating to the Company's management and course of business not otherwise reserved to the General Meeting (“General Meeting”) or to other corporate bodies by the Articles of Association of the Company (“Articles of Association”) or by the law. Among other responsibilities, it approves the Company's strategy, business plan, major organizational changes and key transactions, concludes employment agreements with and removes the Chief Executive Officer (“CEO”) and the Chief Officers, and determines the remuneration and target tasks on the basis of which it evaluates their performance.

For the purpose of the operative control and effective day-to-day management of the Company the Board of Directors established the Management Committee the members of which are the CEO and the Chief Officers. The Management Committee acts within the scope of competences assigned to it by the Board of Directors. The Management Committee reports to the Board of Directors on the operation and status of Magyar Telekom Group at each meeting of the Board of Directors.

The detailed rules on the tasks, competences and operation of the Management Committee are contained in its Rules of Procedure approved by the Board of Directors:

[https://www.telekom.hu/static-tr/sw/file/20170421\\_MT\\_MC\\_RoP\\_ENG.pdf](https://www.telekom.hu/static-tr/sw/file/20170421_MT_MC_RoP_ENG.pdf)

### 2. THE INTRODUCTION OF THE MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND THE EXECUTIVE MANAGEMENT (IN THE CASE OF BOARD MEMBERS, INCLUDING THE STATUS OF INDEPENDENCE OF THE DIFFERENT MEMBERS), A DESCRIPTION OF THE STRUCTURE OF COMMITTEES.

Introduction of the members of the Board of Directors, the Supervisory board of Magyar Telekom (“Supervisory Board”) and the Management Committee is available at the web site of Magyar Telekom:

[http://www.telekom.hu/about\\_us/investor\\_relations/corporate\\_governance/board\\_of\\_directors](http://www.telekom.hu/about_us/investor_relations/corporate_governance/board_of_directors)

[http://www.telekom.hu/about\\_us/investor\\_relations/corporate\\_governance/supervisory\\_board](http://www.telekom.hu/about_us/investor_relations/corporate_governance/supervisory_board)

[http://www.telekom.hu/about\\_us/investor\\_relations/corporate\\_governance/management\\_committee](http://www.telekom.hu/about_us/investor_relations/corporate_governance/management_committee)

The Board of Directors shall be comprised of a minimum of six (6), and a maximum of eleven (11) members. The members of the Board of Directors shall be elected by the General Meeting. The Board of Directors has seven members. The assignment of the members of the Board of Directors, unless otherwise provided by the General Meeting, lasts for a term of three years until May, 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 than their assignment lasts until the date thereof. The members of the Board of Directors can be removed or re-elected at any time by the General Meeting. Unless otherwise provided by a separate arrangement, the removal of, or failure to re-elect, a member of the Board of Directors shall not affect the employment rights of such person in respect of the Company where such member of the Board of Directors is also an employee of the Company.

The Board of Directors operates in compliance with the laws, the Articles of Association and its Rules of Procedure.

The Civil Code does not include requirements with regard to the independency of the members of the Board of Directors if besides the Board of Directors there is also a supervisory board operating at the company. Independent members of the Board of Directors: Frank Odzuck and Dr. Mihály Patai.

According to the Articles of Association the Supervisory Board shall be comprised of 3-15 members. The members shall be elected by the General Meeting. The assignment of the members of the Supervisory Board, unless otherwise provided by the General Meeting, lasts for a term of three years until May, 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 then their assignment lasts until the date thereof. The Supervisory Board has twelve members. The Supervisory Board acts as a body. The Supervisory Board elects a Chairman (if necessary, a deputy chairman) from among its members. The Supervisory Board carries out its activities pursuant to the Civil Code, the Articles of Association and its Rules of Procedure that is established by the Supervisory Board and approved by the General Meeting.

Independent members of the Supervisory Board according to the Civil Code: Dr. László Pap, Dr. János Illéssy, Dr. Sándor Kerekes, Dr. Károly Salamon, Dr. János Bitó, Konrad Kreuzer and Dr. Konrad Wetzker.

The detailed rules on the tasks, competences and operation of the Board of Directors and the Supervisory Board are contained in their Rules of Procedures:

<https://www.telekom.hu/static-tr/sw/file/20171101-mt-bod-rop-eng.pdf>

[https://www.telekom.hu/static-tr/sw/file/SB\\_Rules\\_of\\_Procedure\\_04\\_07\\_2017.pdf](https://www.telekom.hu/static-tr/sw/file/SB_Rules_of_Procedure_04_07_2017.pdf)

### 3. THE NUMBER OF MEETINGS HELD IN THE RELEVANT PERIOD BY THE BOARD OF DIRECTORS, SUPERVISORY BOARD AND COMMITTEES, INCLUDING THE NUMBER OF MEMBERS ATTENDING

Section 5 discusses the work of the individual committees in detail, therefore, we analyzed here the above parameters with regard to the Board of Directors and the Supervisory Board.

In business year 2018 the Board of Directors held five meetings in accordance with its Preliminary Meeting Schedule at which the overall rate of attendance of the members (either personally or by telephone conference) was 87%. The Board of Directors adopted resolutions without holding a meeting in writing in eight cases.

The most important issues discussed by the Board of Directors in year 2018 were as follows:

- monitoring financial and non-financial KPIs;
- decisions on the bonus achievement for the members of the Management Committee in year 2017, based on recommendation of the Remuneration and Nomination Committee;
- decisions on the fine tuning of bonus targets for the members of the Management Committee for the year 2018, based on recommendation of the Remuneration and Nomination Committee;
- proposal to the General Meeting on the approval of the year 2017 financial statements, the use of the profit after tax and the dividend;
- business planning for years 2019-2022;
- cooperation with Deutsche Telekom AG and its consolidated legal entities (DT Group);

- decision on the termination, modification and establishment of the employment contract of certain Management Committee members;
- organizational restructuring;
- M&A decisions;
- risk management of Magyar Telekom Group;
- review of the compliance program.

The Supervisory Board held 6 meetings in business year 2018 at which the average rate of participation was 90%. The Supervisory Board adopted resolutions without holding a meeting in writing in one case.

The most important issues discussed by the Supervisory Board in 2018 were as follows:

- reports, submissions on the agenda of the General Meeting;
- strategy of the Magyar Telekom Group 2018-2022;
- Business Plan of the Magyar Telekom Group 2018-2021;
- reports of the Board of Directors on its key business policy decisions;
- Magyar Telekom Group's Executive Financial Reports;
- reports on the decisions of the Management Committee;
- reports on the activity of the Internal Audit and the Audit Plan of the Internal Audit;
- progress of the Compliance program;
- reports on the acquisition activities of Magyar Telekom Group;
- reports on the activities of the Audit Committee.

#### 4. THE PRESENTATION OF VIEWPOINTS CONSIDERED WHEN EVALUATING THE WORK OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD, THE EXECUTIVE MANAGEMENT, AS WELL AS OF THE DIFFERENT MEMBERS. REFERENCE TO WHETHER EVALUATION CARRIED OUT IN THE RELEVANT PERIOD HAS RESULTED IN ANY CHANGES

The year 2018 self assessment of the Board of Directors is published on the web site of the Company. The self assessment primarily focused on:

- the performance of tasks belonging to the scope of authority according to the Articles of Association and the Rules of Procedure of the Board of Directors;
- the shareholder relations;
- the enforcement of the strategic and business plans of the Company;
- compliance; and
- the assessment of the legal and ethical requirements.

The following aspects were considered in assessing the Board of Directors members:

- Dr. Robert Hauber: Master and doctoral degree in business administration. Over ten years of experience as a senior finance executive.
- Tibor Rékasi: Graduated from the Budapest Foreign Trade College. Over 20 years of sales experience in the corporate sector in various managerial positions. Directed Magyar Telekom's Enterprise and Residential businesses as a Chief Officer.
- Guido Menzel: Degree in Computer Science. Senior management experience in sales and network management in the last three decades.
- Ralf Nejedl: University degree in business administration. Over fifteen years of experience in telecommunications in various management positions.
- Mardia Niehaus: Master degree in clinical psychology and bachelor degrees in social science and clinical psychology. Over fifteen years of experience in various management positions and different fields.
- Frank Odzuck: Degree in economics. Professional experience in the position of managing director of the Hungarian subsidiaries of international corporations. Independent member of the Board of Directors.

- Dr. Mihály Patai: PhD in economics. Over two decades of senior management experience in the financial sector. Independent member of the Board of Directors.

Within the framework of the year 2018 performance evaluation of the Supervisory Board the following viewpoints – among others - were taken into account:

- whether the organization and members of the Supervisory Board, the operation of the Supervisory Board was ensured in business year 2018 as prescribed in the Rules of Procedure of the Supervisory Board;
- whether the Supervisory Board, based on its legal status, scope of authorities and responsibilities as included in its Rules of Procedure, properly fulfilled its tasks in business year 2018;
- whether the Supervisory Board deems it necessary to take further actions or follow-up steps in the individually assessed cases.

Within the framework of the evaluation of the Y2018 performance of the Supervisory Board the following viewpoints were taken into account at the assessment of the individual members and also whether based on these viewpoints their relevant competence was ensured:

- Dr. László Pap: Independence, expertise in technical – telecommunications technology – field, experience as member of the Audit Committee and as member of the Board of Directors of an international company.
- Dr. János Illéssy: Independence, expertise in technical field and economy, experience as chief financial officer of quoted companies, as member and chairman of the Audit Committee.
- Dr. Sándor Kerekes: Independence, expertise in economy and business management, experience as member of the Audit Committee, as member of the Board of Directors and Supervisory Board of various mid-size companies.
- Dr. Károly Salamon: Independence, expertise in technical field and economy, experience as chief financial officer or chairman-chief executive officer of many companies and banks, as member of the Audit Committee, as member of the Board of Directors, Presidency or Supervisory Board of many banks and companies.
- Dr. János Bitó: Independence, expertise in technical field, experience as member of the Audit Committee and as member of the Supervisory Board and Board of Directors of many companies.
- Konrad Kreuzer: Independence, expertise in law and business area, experience as chairman of the Board of Directors and Supervisory Board of many companies.
- Dr. Konrad Wetzker: Independence, expertise in economy, experience in applied research, as senior advisor of Corvinus University of Budapest and chairman of the Corvinus School of Management of Budapest.
- Martin Meffert: Expertise in telecommunications and economics, experience in technical field, as country manager of Hungary and as responsible person for Corporate Governance issues of Magyar Telekom, Makedonski Telekom, Slovak Telekom.
- Sándor Hartai: Expertise in economy, experience in product marketing and price analyst, wholesale field, as delegate of the Central Workers' Council.
- Tamás Lichnovszky: Expertise in technical and legal field, experience in customer care area, as representative in Workers' Council, as member and chairman of the Central Workers' Council.
- Zsoltné Varga: Expertise in technical field, experience in sales and customer care, as employees' representative, as official of the Workers' Council, as member of the Central Workers' Council and as deputy chairwoman of European Workers' Council of Deutsche Telekom.
- Bujdosó Attila: Expertise in technical field, experience as member of the Workers' Council, as president of the Telecommunications Trade Union, as member of the Presidency of MSZOSZ (National Confederation of Hungarian Trade Unions), as member of the Presidium of the Hungarian Trade Union Confederation and as member of the One Telekom Union Steering Committee, operating within the UNI Global Union ICTS.

**5. REPORT ON THE OPERATION OF DIFFERENT COMMITTEES, INCLUDING THE INTRODUCTION OF THE MEMBERS OF THE COMMITTEES (PROFESSIONAL BACKGROUND), THE NUMBER OF MEETINGS HELD, THE NUMBER OF MEMBERS ATTENDING THE MEETINGS, AS WELL AS THE MOST IMPORTANT ISSUES DISCUSSED AT THE MEETINGS AND THE GENERAL OPERATION OF THE COMMITTEE. IF THE BOARD OF DIRECTORS HAS PASSED A RESOLUTION ON AN ISSUE CONTRARY TO THE RECOMMENDATIONS OF THE AUDIT COMMITTEE, THE PRESENTATION OF THE**

OPERATIONS OF THE AUDIT COMMITTEE SHALL INCLUDE THAT FACT (AS WELL AS THE REASONS OF THE BOARD OF DIRECTORS FOR DOING SO). IT IS RECOMMENDED THAT REFERENCE BE MADE TO THE COMPANY'S WEBSITE, WHERE THE TASKS DELEGATED TO THE COMMITTEES, THE RULES OF PROCEDURE OF THE COMMITTEES AND THE DATE OF APPOINTING THE MEMBERS SHOULD BE DISCLOSED.

#### **Audit committee of Magyar Telekom ("Audit Committee")**

Members of the Audit Committee:

- Dr. János Illéssy
- Dr. László Pap
- Dr. Sándor Kerekes
- Dr. Károly Salamon
- Dr. János Bitó

Introduction of the members of the Audit Committee is available at the web site of Magyar Telekom:  
[http://www.telekom.hu/about\\_us/investor\\_relations/corporate\\_governance/audit\\_committee](http://www.telekom.hu/about_us/investor_relations/corporate_governance/audit_committee)

The General Meeting elects a 3-5 member Audit Committee from the independent members of the Supervisory Board for the same period as the membership of the relevant members in the Supervisory Board. At least one Audit Committee member must have a qualification in accountancy or be a qualified auditor. The Audit Committee members as a whole shall have competence relevant to the sector in which the Company is operating.

The purpose of the Audit Committee is to support the Supervisory Board in supervising the financial reporting system, in selecting the statutory Auditor and in cooperating with the statutory Auditor.

The Audit Committee acts within its scope of authority provided in the Civil Code, in Act no CXX of 2001 on Capital Markets, in the Articles of Association and in its Rules of Procedure approved by the Supervisory Board.

The Audit Committee held 7 meetings in the previous business year of 2018, with 100% average participation rate. The Audit Committee made further written resolutions without holding a meeting on 5 occasions.

The Chief Financial Officer, the Chief Legal and Corporate Affairs Officer of the Company, the Group Auditing Director, the Group Compliance Officer and the representatives of the statutory Auditor, PricewaterhouseCoopers Könyvvizsgáló Kft. ("PwC") participated at the meetings of the Audit Committee – except for the discussion of agenda items discussed within the framework of closed meetings by the decision of the Audit Committee.

The Audit Committee, during the cooperation with the statutory Auditor - inter alia - discussed the below subject matters with the statutory Auditor:

- formal written statement of PwC specifying its relationship with the Company in accordance with the respective law;
- Y2017 audit;
- independent auditor opinions on the Y2017 Consolidated Financial Statements of the Company prepared according to the International Financial Reporting Standards ("IFRS") and the Y2017 Standalone Financial Statements of the Company prepared according to the IFRS;
- proposal on the election of the Auditor and the determination of its remuneration;
- enforcement of the professional requirements and conflict of interest stipulations towards the Auditor;
- Y2017 Management Letter and the response of the management of the Company;
- Y2018 audit.

The Audit Committee – inter alia – discussed the below important issues at its meetings:

- the services of the statutory Auditor and their fees;
- reports on the activities of the Internal Audit, Audit Plan of the Internal Audit;
- reports on the activities of the Group Compliance Officer;

- Y2017 Consolidated Financial Statements of the Company prepared according to the IFRS and the Y2017 Standalone Financial Statements of the Company prepared according to the IFRS, and the proposals for the acceptance of these financial statements;
- the proposal for the use of the profit after tax;
- Internal Control System (“ICS”) compliance;
- the risk management system of Magyar Telekom Group, quarterly risk management reports;
- reports on the acquisition activities of Magyar Telekom Group.

The detailed rules on the tasks, competences and operation of the Audit Committee are contained in its Rules of Procedure: [https://www.telekom.hu/static-tr/sw/file/AC\\_Rules\\_of\\_Procedure\\_04\\_24\\_2017.pdf](https://www.telekom.hu/static-tr/sw/file/AC_Rules_of_Procedure_04_24_2017.pdf)

### **Remuneration and Nomination Committee of Magyar Telekom (“Remuneration and Nomination Committee”)**

Members of the Remuneration and Nomination Committee:

- Dr. Robert Hauber
- Frank Odzuck
- Ralf Nejedl

Introduction of the members of the Remuneration and Nomination Committee is available at the web site of Magyar Telekom: [https://www.telekom.hu/about\\_us/investor\\_relations/corporate\\_governance/compensation](https://www.telekom.hu/about_us/investor_relations/corporate_governance/compensation)

The Remuneration and Nomination Committee is comprised of three members elected by the Board of Directors from among its members. The assignment of the members is the same period as their assignment as members of the Board of Directors.

The purpose of 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.

In 2018 the Remuneration and Nomination Committee held three meetings with 89% average participation rate and adopted resolutions in writing without holding a meeting in four cases.

The issues discussed were as follows:

- Proposal on the evaluation of the year 2017 bonus targets of Magyar Telekom Group’s Top Executives
- Target Setting of the year 2018 for Magyar Telekom Group’s Top Executives
- Amendment of the Terms & Conditions of Long-term Incentive program and Share Matching Plan in the framework of Lead to Win motivation concept
- Topics in accordance with the Corporate Governance Recommendations
  - Report to the Board of Directors of Magyar Telekom Plc. on the operation of the Remuneration and Nomination Committee in 2017
  - Preparation of Remuneration statement
- Reviewing and opining a nomination proposal to the Supervisory Board
- Personnel topics (Personnel changes of Magyar Telekom Plc.’s top executives)
- Reviewing and opining on a nomination proposal to the Board of Directors
- Final evaluation of Variable II 2014
- Finalization of the Target Setting of the year 2018 for Magyar Telekom Group’s Top Executives

The detailed rules on the tasks, competences and operation of the Remuneration and Nomination Committee are contained in its Rules of Procedure:

[https://www.telekom.hu/static-tr/sw/file/Rules\\_of\\_Procedure\\_of\\_the\\_Remuneration\\_and\\_Nomination\\_Committee\\_ENG\\_20130920.pdf](https://www.telekom.hu/static-tr/sw/file/Rules_of_Procedure_of_the_Remuneration_and_Nomination_Committee_ENG_20130920.pdf)

## **6. THE PRESENTATION OF THE SYSTEM OF INTERNAL CONTROLS AND THE EVALUATION OF THE ACTIVITY IN THE RELEVANT PERIOD. REPORT ON THE EFFICIENCY AND EFFECTIVENESS OF RISK MANAGEMENT PROCEDURES. (INFORMATION ON WHERE THE**

## REPORT ON INTERNAL CONTROLS BY THE BOARD OF DIRECTORS MAY BE VIEWED BY SHAREHOLDERS.)

The presentation of the system of **internal controls**, evaluation of the activity in the relevant period.

Magyar Telekom's management is committed to establish and maintain an adequate internal control system to ensure the reliability of the financial reports, and minimize operating and compliance risks. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.

For the business year 2018 we accomplished control documentation and evaluation in the IT supported ICS system. Transaction Level Controls describe the controls built into our business processes that have been designed and operated to ensure that material misstatements in each significant financial account and disclosure within the financial statements are prevented or detected in a timely manner.

Complete evaluation of our internal control system is based on the method established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The operation of the internal control system is supported also by the independent internal audit function. Beyond tasks regarding the risk based internal audit work plan, contributes to the enhancement of the internal control processes and to the reduction of existing risks through ad-hoc audits. The Internal Audit area follows up the implementation of the measures defined on the basis of the audits. The Supervisory Board and the Audit Committee receive regular reports on the findings of the audits; measures, based on the findings and fulfilment of tasks.

In line with the criteria of the adopted internal control framework, management evaluates the effectiveness of internal control system within each financial year. Management's assessment for 2018 is finished, and based on the collected information internal control system has been operating effectively to prevent potential material misstatements in the financial statements, and minimize operating and compliance risks.

The Company's shareholders are being informed about the operation of our internal control system through our public reports.

The management and Board of Directors of Magyar Telekom are committed to conduct all business activities of Magyar Telekom Group according to the highest legal and ethical standards. Based on this commitment the Board of Directors established the Corporate compliance program of Magyar Telekom.

The Corporate compliance program is applicable to all bodies, organizations, employees of Magyar Telekom Group, and advisors, agents, representatives as well as to all persons and organizations that work on behalf of the Company or its subsidiary.

The Corporate compliance program of Magyar Telekom ensures that the business activities of the Group are conducted with observing and in compliance with the relevant laws to the outmost extent, according to the highest standards of training and commitment. It requires the realization of guidelines and processes that manage potential compliance risks and implement specific processes in order to report, investigate, monitor and correct suspected or actual lack of compliance.

### **Risk management policy**

It is our policy that all disclosures made by us to our security holders 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 applicable laws, rules and regulations. To achieve these objectives, we developed and have continuously enhanced our 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 enhanced our risk management procedures with a new element, 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.

## 7. INFORMATION ON WHETHER THE AUDITOR HAS CARRIED OUT ANY ACTIVITIES NOT RELATED TO AUDITING

Based on the effective Pre-approval Policy of the Audit Committee the statutory Auditor – upon the general pre-approval or the specific pre-approval of the Audit Committee – provided the below services for the Company in business year 2018 besides the audit of the financial statements type of services:

- other audit related services,
- other services.

## 8. A DETAILED PRESENTATION OF THE COMPANY'S DISCLOSURE POLICY, AND ITS POLICY ON TRADING BY INSIDERS

### **Disclosure policy of the Company**

The Company is committed that the financial statements disclosed by the Company to its shareholders or the investors should be accurate and complete, and provide a true and fair view of the Company's assets, financial position and results of operations in all important aspects, and such disclosures should be made in time to meet the requirements of the applicable laws and requirements of BSE.

The controls and procedures currently used by the Company are designed to ensure that: regular information required by the laws to be disclosed by the Company as well as any and all other written information that the Company discloses from time to time to the investment community and to the public is recorded, processed, summarized, and reported accurately and on a timely basis as well as that the information is collected and transferred to the management to ensure that timely decisions are made on the disclosure.

Within the framework of an internal audit the Company reviews its disclosure processes each year.

Material information to the investors and to the public is available at the web site of Magyar Telekom:  
[www.telekom.hu/about\\_us/investor\\_relations](http://www.telekom.hu/about_us/investor_relations)

### **Policy in connection with the prohibition of insider trading**

With the aim of ensuring enforcement of all relevant regulations Magyar Telekom created its internal regulation which applies to all organizations of Magyar Telekom, to persons having access to inside information, as well as to persons discharging managerial



responsibilities at Magyar Telekom and persons closely associated with them. The regulation prohibits: insider dealing, and the unlawful disclosure of inside information.

The internal regulation of Magyar Telekom defines the scope of inside information, the definition of insider dealing. It also draws up general principles of classification of inside information, handling the information in accordance with the respective security level, the disclosure / delaying of the inside information, as well as specific limitations for trading in securities. It gives advice on the announcement of transactions concluded by persons discharging managerial responsibilities or persons closely associated with them, and determines the fundamental rules of keeping the registry of persons with access to inside information (insider list).

Magyar Telekom basically encourages investment in Magyar Telekom shares by members of the Board of Directors, members of the Supervisory Board and its employees. However, in addition to the aforementioned trading guidelines, in accordance with the provisions of relevant regulations, Magyar Telekom's internal regulation defines certain limitations for the timing of transactions of persons discharging managerial responsibilities (30 days closed periods before the announcement of annual and quarterly financial reports).

Persons whose names are listed in the insider list may not trade in Magyar Telekom shares from the date of their entry into the list until their deletion from the list or until the list is closed due to any other reason.

In certain cases transactions must be announced to the authority and to the public by the person discharging managerial responsibilities, by persons closely associated with them and by Magyar Telekom in accordance with the relevant laws. In order to support compliance with the announcement obligations persons discharging managerial responsibilities and persons closely associated with them shall, without delay, fill in and send the form specified in the internal regulation to Magyar Telekom, if they concluded a transaction with Magyar Telekom shares and Magyar Telekom shall file the necessary announcements and disclosures required to be made by it. In addition to the above, persons discharging managerial responsibilities and persons closely associated with them shall, without delay, directly inform the authority on transactions concluded by them.

Every person having access to inside information has the individual responsibility to comply with the internal regulation of Magyar Telekom. A person having access to inside information may, from time to time, have to forego a proposed transaction in Magyar Telekom securities even if he or she planned to make the transaction before learning of the inside information and even though the insider person believes he or she may suffer an economic loss or forego anticipated profit by waiting.

## **9. A DETAILED DEMONSTRATION OF THE METHODS OF EXERCISING SHAREHOLDERS' RIGHTS**

Shareholders shall be entitled to exercise shareholders' rights in dealing with the Company based on a certificate of ownership, following their entry into the Share Register. Shareholders whose names have not been entered into the Share Register and shareholders who acquired their shares in violation of the restrictions to the transfer and the acquisition of shares shall not be allowed to exercise their rights attached to such shares vis-à-vis the Company.

The keeper of the Share Register is the Board of Directors of the Company or its agent appointed to be the keeper of the Share Register. The keeper of the Share Register maintains the Share Register of the shareholders, including holders of interim shares, and the nominees, in which the name and the address or registered seat of shareholders, and the nominees, or in the case of jointly owned shares the joint representative, the number of shares or interim shares, and the ownership ratio of shareholders for each series of shares.

Shareholders shall have the right to participate at the General Meeting, and if holding shares with voting rights, to vote. The holder of each Series "A" ordinary share shall be entitled to one vote at the General Meeting of the Company. The names of shareholders and nominees who intend to participate at the General Meeting shall be registered in the Share Register on the second working day prior to the starting date of the General Meeting. Shareholders' rights may be exercised at the General Meeting only by the persons whose names are contained in the Share Register at the time it was closed. Transfer of shares prior to the starting date of the General Meeting does not affect the right of persons registered in the Share Register to participate at the General Meeting and to exercise their shareholders' rights thereat.



Shareholders shall have the right to request information, make remarks and motions at the General Meeting. The Board of Directors shall provide the necessary information, at the latest three days before the date of the General Meeting, to all shareholders with respect to the agenda items of the General Meeting, upon written request submitted at least eight days prior to the date of the General Meeting. If shareholders together controlling at least one per cent of the votes in the Company notify the Board of Directors - in accordance with the provisions on setting the items of the agenda - of the supplementation of the agenda, or the resolution proposal with respect to the items on or to be added to the agenda within eight days following the publication of the notice for the convocation of the General Meeting, the Board of Directors publishes a notice on the supplemented agenda and the resolution proposals submitted by shareholders following the receipt of such proposal. The matter published in the notice shall be construed to have been placed on the agenda.

Shareholders shall be entitled to receive a share from the Company's taxed profit that is available and has been ordered for distribution by the General Meeting in proportion with the nominal value of their shares. Shareholders shall be entitled to dividend who are registered in the Share Register at the record date of the dividend payment identification process ordered by the Company.

A group of shareholders together controlling at least one per cent of the votes in the Company shall have entitlement to exercise minority rights.

The detailed rules of exercising shareholder's rights are contained in the Articles of Association:  
[https://www.telekom.hu/static-tr/sw/file/20190101\\_Alapszabaly\\_honlapra\\_ENG.PDF](https://www.telekom.hu/static-tr/sw/file/20190101_Alapszabaly_honlapra_ENG.PDF)

## 10. A BRIEF PRESENTATION OF RULES ON THE CONDUCTING OF THE GENERAL MEETING

The General Meeting is the highest decision-making body of the Company. The decisions of the General Meeting, which are referred to as resolutions, are binding upon the shareholders, the other organs and the officers of the Company.

The Company shall hold a General Meeting at least once each year (the Annual General Meeting) where the financial statements prepared according to the Accounting Act of the Company are approved. The Annual General Meeting shall occur no later than April 30 of the year immediately subsequent to the business year in question. In addition to the Annual General Meeting, the Company may hold extraordinary General Meetings at any time, if necessary.

Notice of the General Meeting of the Company shall be published in the manner stipulated by the applicable law and these Articles of Association for the publication of the Company's notices and advertisements thirty days prior to the date of the General Meeting, unless otherwise provided by law. The public notice of the General Meeting of the Company shall be published by the body responsible for or entitled to the convocation of the General Meeting either by law or by these Articles of Association.

The General Meeting shall be properly constituted with a quorum if shareholders representing more than half of the shares carrying voting rights are present in person or by proxy at the time stipulated in the public notice convening the General Meeting.

If the General Meeting fails to have a quorum, the reconvened General Meeting shall have a quorum for the issues of the original agenda irrespective of the voting rights represented by those present, if called for a date following the original time by not less than ten days and not more than twenty-one days.

The General Meeting shall adopt its resolutions by a simple majority vote except for resolutions on issues listed in Sections 5.2. (a), (c)-(f), (l), (m) of the Articles of Association which shall require at least a three-quarters majority of the votes of the shareholders present.

The detailed rules of conducting the General Meeting are contained in the Articles of Association:  
[https://www.telekom.hu/static-tr/sw/file/20190101\\_Alapszabaly\\_honlapra\\_ENG.PDF](https://www.telekom.hu/static-tr/sw/file/20190101_Alapszabaly_honlapra_ENG.PDF)

## 11. REMUNERATION STATEMENT

### Compensation of Members of the Board of Directors, Supervisory Board Members and Audit Committee Members

#### 1. Board of Directors

- The members of the Board of Directors receive a fee.
- The amount of the fee is determined by the General Meeting.
- The fee is specified on the basis of domestic benchmark data.
- The fee can be revised upon the initiative of the Remuneration and Nomination Committee.
- Members, elected from the management of the strategic investor, waive their entitlement to the fee whereas members, elected from the management of the Company, offer their fee for charity purposes.
- The Board of Directors annually assesses its own activity according to predefined criteria (strategy, business performance, compliance, efficiency, dividend policy, information flow). Within the framework of the assessment the individual members' self assessment is also reviewed according to predefined criteria.

#### 2. Supervisory Board

- The members of the Supervisory Board receive a fee.
- The amount of the fee is determined by the General Meeting.
- The fee is specified on the basis of domestic benchmark data.
- The fee can be revised upon the initiative of the Remuneration and Nomination Committee.
- Members, elected from the management of the strategic investor, waive their entitlement to the fee.
- The Supervisory Board, based on the itemized review of the tasks specified in its Rules of Procedure, concretely assesses the work of the respective year that was carried out to fulfill the tasks contained in the Rules of Procedure and defines those activities that need to be improved. Within the framework of this activity the Supervisory Board assesses the abilities, experience of the individual members that are necessary to perform their respective duties.

#### 3. Audit Committee

- The members of the Audit Committee receive a fee.
- The amount of the fee is determined by the General Meeting.
- The fee is specified on the basis of domestic benchmark data.
- The fee can be revised upon the initiative of the Remuneration and Nomination Committee.
- The Audit Committee, based on the itemized review of the tasks specified in its Rules of Procedure, concretely assesses the work of the respective year that was carried out to fulfill the tasks contained in the Rules of Procedure and defines those activities that need to be improved.

According to the resolution passed on the General Meeting of the Company in April 2014 the remuneration of Members of the Board of Directors, Supervisory Board Members and Audit Committee Members are as follows:

The Chairman of the Board of Directors:	HUF 600 000 per month
The Members of the Board of Directors:	HUF 450 000 per month
The Chairman of the Supervisory Board:	HUF 500 000 per month
The Members of the Supervisory Board:	HUF 325 000 per month
The Chairman of the Audit Committee:	HUF 475 000 per month
The Members of the Audit Committee:	HUF 250 000 per month

#### 4. Management (the term of "management" in this Section means the members of the Management Committee of the Company)

- With respect to the size of each element of the compensation package the Remuneration and Nomination Committee submits its proposals in consideration of domestic benchmark surveys.



- Final decision is taken by Magyar Telekom's Board of Directors.
- The compensation package is reviewed once each year.

The compensation package consists of the following elements:

#### **Annual target salary**

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

The annual base wage is a fixed amount of compensation determined for individuals varying according to the individual's position, which is paid in equal monthly instalments. .

The annual bonus is defined as a certain percentage of the basic salary payable in the ratio of the achievement of the collective and individual bonus targets cascaded from strategic targets and defined before the start of the business year. Annual targets and the evaluation of their achievement are to be approved by the Board of Directors based on the submission by the Remuneration and Nomination Committee.

#### **Mid- and long-term incentives**

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.

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.

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, having started 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)

The Company introduced a modified and renewable Share Matching Plan as of July 1, 2015. 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.

#### **Other benefits and perks**

Other compensation elements have been designed in consideration of domestic benchmark data with a view to cost efficiency (e.g. cars for personal use, mobile phone, managers' insurance, etc.).

Other benefits and perks have been guided by Magyar Telekom's Collective Agreement and regulations.

The performance and potential of the members of the management are individually assessed each year, on the basis of predefined criteria and processes.

For the year ended December 31, 2018, the aggregate compensation of the members of the management - without employer's taxes - was HUF 969 million.



## CORPORATE GOVERNANCE DECLARATION ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

### Level of compliance with the Recommendations

1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

**Yes**

No

Explanation:

1.1.2. Are the Company's Articles of Association available on the Company's website?

**Yes**

No

Explanation:

1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

**Yes**

No

Explanation: **The Articles of Association currently does not allow shareholders to exercise their rights in their absence (per mail or electronically). If the Articles of Association was amended in a way that it would allow shareholders to exercise their rights in their absence, then the Company will act in accordance with the recommendation.**

1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

**Yes**

No

Explanation:

1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

**Yes**

No

Explanation:

1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

**Yes**

No

Explanation:

1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

**Yes**

No

Explanation:

1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

**Yes**

No

Explanation:

1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended. (Answer Yes, if not)

**Yes**

No

Explanation:



1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

Yes No

Explanation:

1.3.5. Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

Yes No

Explanation:

1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

Yes No

Explanation:

1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members. (Answer Yes, if not)

Yes No

Explanation:

1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

Yes No

Explanation: **The relevant submission did not refer to supporting shareholder(s).**

1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

Yes No

Explanation: **There was only one amendment to the Articles of Association at the General Meeting in 2018, therefore the recommendation does not apply. In the future, the Company will handle amendments in accordance with the revised recommendation.**

1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

Yes No

Explanation:

1.5.1.1. Did the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members establish guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management?

Yes No

Explanation:

1.5.1.2. Were the tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its economic/financial position taken into consideration for establishing performance-based remuneration for the members of the management?

Yes No

Explanation:

1.5.1.3. Were the remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members assessed by the Supervisory Board?

Yes No





Explanation:

1.5.1.4. Were the guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members approved by the General Meeting?

Yes No

Explanation:

1.5.2.1. Does controlling the performance of and establishment of the remuneration for the executive management fall within the competence of the Board of Directors/Governing Board?

Yes No

Explanation:

1.5.2.2. Were the terms for extraordinary benefits provided to management members (and any major changes thereto) approved by the General Meeting in a separate agenda item?

Yes No

Explanation:

1.5.3.1. Did the General Meeting approve the principles of the stock-based remuneration schemes?

Yes No

Explanation:

1.5.3.2. Did shareholders receive detailed information before the General Meeting decided about the stock-based remuneration schemes (at least as specified in Section 1.5.3)?

Yes No

Explanation:

1.5.4. Does the Company have a remuneration scheme in place which does not incentivize the staff to focus only on short-term maximisation of the share price?

Yes No

Explanation:

1.5.5. Does Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price?

Yes No

Explanation:

1.5.6. Did the Company prepare a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and did the Company present it to the General Meeting? Did the Remuneration Statement present the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration? Did this information include the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year?

Yes No

Explanation: **The Remuneration Statement did not include the major changes compared to the previous financial year.**

1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

Yes No

Explanation:

1.6.1.2. Does the Company design its by considering the aspects of disclosure and the information of investors?

Yes No

Explanation:



1.6.2.1. Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations document?

**Yes** No  
Explanation:

1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

**Yes** No  
Explanation:

1.6.2.3. Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

**Yes** No  
Explanation:

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

**Yes** No  
Explanation:

1.6.3. Did the Company publish its annual company event calendar?

**Yes** No  
Explanation:

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

**Yes** No  
Explanation:

1.6.5. Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

**Yes** No  
Explanation:

1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

**Yes** No  
Explanation:

1.6.7.1. Did the Company publish its remuneration guidelines in line with the recommendations set out in Section 1.5?

**Yes** No  
Explanation:

1.6.7.2. Did the Company publish its remuneration statement in line with the recommendations set out in Section 1.5?

**Yes** No  
Explanation:

1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

**Yes** No  
Explanation:

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

**Yes** No  
Explanation:



1.6.9.2. Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the equity-based incentive system in the annual report or in some other way?

Yes No

Explanation:

1.6.10. Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

Yes No

Explanation:

2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

Yes No

Explanation:

2.2.1. Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

Yes No

Explanation:

2.2.2. Does the Company publish the procedure used for nominating Board of Directors / Governing Board members and the principles for determining their remuneration?

Yes No

Explanation:

2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

Yes No

Explanation:

2.4.1.1. Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

Yes No

Explanation:

2.4.1.2. Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

Yes No

Explanation:

2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

Yes No

Explanation: **Pursuant to the rules of procedures of corporate bodies, members have access to the submissions five days and not five working days prior to the meeting.**

2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

Yes No

Explanation:

2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?



Yes No  
Explanation:

2.5.1. Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

Yes No  
Explanation:

2.5.2. Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

Yes No  
Explanation:

2.5.3. Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

Yes No  
Explanation:

2.6.1. Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

Yes No  
Explanation:

2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

Yes No  
Explanation:

2.6.3. Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

Yes No  
Explanation:

2.6.4. Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

Yes No  
Explanation:

2.7.1. Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

Yes No  
Explanation:

2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

Yes No  
Explanation:

2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

Yes No  
Explanation:



2.7.4. Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

Yes No

Explanation:

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

Yes No

Explanation:

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

Yes No

Explanation:

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

Yes No

Explanation:

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

Yes No

Explanation:

2.8.5.1. Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

Yes No

Explanation:

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

Yes No

Explanation: **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. However, the General Meeting did not receive explicit information about the efficiency of the risk management procedures.**

2.8.6. With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

Yes No

Explanation:

2.8.7. Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

Yes No

Explanation:

2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

Yes No

Explanation:

2.9.2. Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports?

Yes No

Explanation:



### Level of compliance with the Proposals

1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

Yes No  
(Explanation:)

1.2.4. Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

Yes No  
(Explanation:)

1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

Yes No  
(Explanation:)

1.3.1.1. Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

Yes No  
(Explanation:)

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

Yes No  
(Explanation:)

1.3.2.1. The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions. (Answer Yes, if not)

Yes No  
(Explanation:)

1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

Yes No  
(Explanation:)

1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

Yes No  
(Explanation:)

1.4.1. In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

Yes No  
(Explanation:)

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

Yes No  
(Explanation:)



1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

Yes

No

(Explanation:)

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

Yes

No

(Explanation:)