



EGYÜTT. VELED

**RULES OF PROCEDURE OF  
THE AUDIT COMMITTEE OF  
MAGYAR TELEKOM TELECOMMUNICATIONS  
PUBLIC LIMITED COMPANY**



## 1. STATUS, PURPOSE AND ROLE

1.1. The Audit Committee (the “Committee”) of Magyar Telekom Telecommunications Public Limited Company (the “Company”) is a permanent committee composed – by selection of the Company’s General Meeting – of independent members of the Company’s Supervisory Board pursuant to the authorization set out in Article 3:291 of Act V of 2013 on the Civil Code (the “Civil Code”) and Article 62 of Act CXX of 2001 on the Capital Market (the “Capital Markets Act”).

1.2. The purpose of the Committee is to support the Supervisory Board (1) in supervising the financial reporting system, (2) in selecting the statutory Auditor and, (3) in cooperating with the statutory Auditor.

1.3. The Committee shall act within its scope of authority provided in the Civil Code, in the Articles of Association and in the Rules of Procedure of the SB.

## 2. MEMBERSHIP/ORGANIZATION

The Committee is composed of at least three (3) but not more than five (5) members who are elected directly by the General Meeting from the independent members of the Supervisory Board by a simple majority of the votes, for the same duration as the members of the Supervisory Board are elected.

Only those persons who comply with requirements for independence applicable to the Company pursuant to the Civil Code and the Capital Markets Act can be elected as members of the Committee.

At least one Committee member must have a qualification in accountancy or be a qualified auditor.

The Committee Chairman (“Chairman”) shall be elected by the Committee members out of themselves.

## 3. OPERATION

### 3.1. General principle

The Committee’s Rules of Procedure shall be determined by the Committee itself, which shall be approved by the Supervisory Board.

### 3.2. Meetings

The Committee shall meet as needed, but at least four (4) times a year and works according to its annual workplan. One meeting shall be held before the year-end audit (conducted according to Hungarian Auditing Standards (“HAS”) and International Standards on Auditing (“ISA”)); the others shall be held as needed, or shortly after completion of the year-end audit.

The Chairman shall convene and chair the Committee’s meetings. The Committee meeting shall be convened upon a request of any Committee member made with a detailed proposal for the agenda. In a justified case the statutory Auditor may request the Chairman to convene the meeting.

Meetings of the Committee shall be conducted in Hungarian and English. If required by any participant of the meeting of the Committee, remarks made in Hungarian shall be translated simultaneously into English, and remarks made in English shall be translated simultaneously into Hungarian.

### 3.3. Secretariat

The Committee’s secretarial tasks shall be performed by its own Secretariat (the “Secretariat”).



The Head of the Secretariat shall support the Chairman for arrangements of the meetings (e.g.: providing a meeting room and, if necessary, interpreters, sending submissions and keeping, preparing and sending the minutes).

### **3.4. Agenda**

The Committee shall approve its meeting schedule for the next year after having reviewed its tasks at its last meeting in a year. The agenda of the Committee meeting shall be prepared by the Head of the Secretariat on the basis of the meeting schedule and the modifications necessary to be made during the year and shall be approved by the Chairman. After the opening of the meeting, the meeting agenda proposed by the Chairman shall also be approved by the Committee with a procedural resolution.

### **3.5. Notice on convening a meeting**

The notice on convening a meeting shall be delivered to the Committee members five (5) days before the date of the meeting, when possible. The notice shall show the meeting agenda, venue and time.

The Committee meeting may also be held through conference call if communications equipment enables all attendees to hear each other simultaneously.

Discussion materials shall be attached to the notice.

### **3.6. Quorum and adoption of resolutions**

The Committee shall have a quorum if at least three (3) members are present at the meeting. The Committee passes its resolutions by simple majority with the condition that in the case of tie votes the vote of the Chairman shall decide.

### **3.7. Adoption of resolution without holding a meeting**

The Committee may pass resolutions without holding a meeting, in writing, through voting by fax.

Voting in writing shall be initiated by the Committee Chairman, or by any Committee member if a Chairman has not yet been elected.

Voting in writing shall be valid and the resolution shall be regarded as adopted if at least three (3) Committee members returned their signed voting sheets (via electronic mail or fax) with unanimous votes to the Head of the Secretariat.

The Head of the Secretariat shall notify in writing the Committee members and when necessary the functional areas whose scope of responsibilities is affected by the resolution, about the adoption of the resolution and the date of its entry into force.

### **3.8. Invitees to the meeting**

In addition to the Committee's members, such other persons may attend the Committee's meetings as invitees as may be determined by the Chairman.

### **3.9. Closed meeting**

Upon request of any of its members, the Committee may decide to hold a closed meeting on any issue. Only the Committee members and the invitees specifically invited to the given meeting may attend such closed meeting.

### **3.10. Minutes**

Minutes shall be taken at all Committee meetings.

Unless the Committee decides otherwise, a voice recording shall be made of the Committee meetings. The Head of the Secretariat shall be responsible for ensuring that such voice recordings are retained in a secure location for not less than one (1) year. Such voice recordings shall be confidential, and shall not be disclosed to any person without the Chairman's consent, other than to current



members of the Committee, to persons who were members of the Committee at the time when a particular recording was made and to persons who attended the meeting of which such recording was made.

The Minutes shall contain the venue and time of the meeting, names of the attendees, agenda, major issues questioned during the discussion of the individual agenda items and responses to the questions, resolutions, number of votes cast on the resolutions, negative votes and abstentions.

Minutes of the meetings shall be prepared in English. The Chairman and the keeper of the Minutes shall sign the Minutes. If necessary, a Hungarian translation of the authentic English Minutes shall be prepared.

The authentic Minutes shall be sent to the Committee members and the parts of the Minutes pertaining to particular agenda items to those invitees who attended the discussion of the given agenda item.

The authentic Minutes of a closed meeting may be sent to individuals other than the Committee members and invitees to the closed meeting only with the approval of the Chairman.

#### 4. SCOPE OF AUTHORITIES AND RESPONSIBILITIES

The Committee shall support the Supervisory Board in supervising the financial reporting system, in selecting the statutory Auditor and in cooperating with the statutory Auditor.

The responsibilities of the Committee, as assigned by the Supervisory Board:

- 4.1. Review and evaluate the operation of the financial reporting system and propose necessary measures to the Supervisory Board;
- 4.2. Review and evaluate (a) the financial reports prepared according to the Accounting Act and (b) proposals regarding the acceptance of such reports and (c) the use of after-tax profits prior to their submission to the Supervisory Board;
- 4.3. Review and evaluate (a) the financial reports prepared according to International Financial Reporting Standards as endorsed by the European Union ("IFRS") and (b) proposals regarding the acceptance of such reports prior to their submission to the Supervisory Board;
- 4.4. Follow up the audit of the reports referred to in Rules 4.2. and 4.3. above;
- 4.5. Meet with the statutory Auditor and the Company's management to discuss and comment upon the reports referred to in Rules 4.2. and 4.3. above;
- 4.6. Meet with the statutory Auditor to review and discuss the Auditor's reports issued on the reports referred to in Rules 4.2. and 4.3. above;
- 4.7. Review and evaluate the Management Letter;
- 4.8. Review and evaluate financial reports pertaining to those of regular information provision as prescribed by the Capital Markets Act;
- 4.9. Review and evaluate the operation of the internal control system and, if necessary, propose measures to be taken by the Supervisory Board regarding the operations, compliance and the preparation of financial reports;
- 4.10. Review and evaluate the internal audit workplan;
- 4.11. Review and evaluate the report on the internal audit activity;
- 4.12. Review and evaluate the decisions related to the establishment and termination of employment of the head of the Internal Audit organization, and the determination of his/her remuneration;
- 4.13. Review and evaluate the decisions related to the establishment and termination of employment of the head of the Compliance organization, and the determination of his/her remuneration;
- 4.14. Oversee the work of the head of the Compliance organization in accordance with the scope described in the Corporate Compliance Program Manual and the related directives and policies;
- 4.15. Review and evaluate the effectiveness of risk management;
- 4.16. Work out procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential submission by employees of the Company of concerns regarding questionable accounting or auditing matters;



- 4.17. At least annually, and every time before making a proposal with respect to the election of the statutory Auditor, obtain and review a written report from the nominated Auditor describing all relationships between the Auditor, any of the individuals appointed to undertake audit work for the Company or any of its affiliates on behalf of the Auditor or any of the partners in the Auditor's firm or any of their close relatives (as defined in the Civil Code) and (i) the Company or any of its affiliates, or (ii) any member of the Board of Directors, the Supervisory Board or the Management Committee of the Company or any of its affiliates;
- 4.18. Make proposal to the Supervisory Board regarding the election, remuneration and removal of the statutory Auditor;
- 4.19. Prepare the agreement to be entered with the statutory Auditor;
- 4.20. Pre-approve the audit and non-audit related services provided by the statutory Auditor to the Company and the related fees, to ensure that the statutory Auditor's independence from the Company is maintained, and with respect to the fees and costs within the exclusive scope of authority of the General Meeting it shall provide a recommendation to the Supervisory Board;
- 4.21. The Supervisory Board, to support the effective fulfillment of the task defined in Section 4.20., with the approval of the Pre-approval Policy (the "Policy"), assigns the scope of authorities to the Committee defined in the Policy, by which it facilitates the effective fulfillment of this task. The Policy is defined by the Committee itself.
- 4.22. Review and evaluate the Working Program of the statutory Auditor and the quality of work performed by the statutory Auditor;
- 4.23. Monitor enforcement of the statutory Auditor's professional requirements and the statutory Auditor's compliance with the rules regarding conflict of interest and independence, and, if necessary, propose measures to be taken by the Supervisory Board regarding the statutory Auditor;
- 4.24. Upon the assignment of the Supervisory Board, conduct an independent internal investigation into matters that relate to questionable accounting, internal accounting controls or auditing matters;
- 4.25. Complete any other tasks that the Supervisory Board assigns to it.

## 5. EXTERNAL ADVISORS

The Committee may, if necessary for the fulfillment of its duties, engage external advisor(s).

## 6. INFORMATION TO THE SUPERVISORY BOARD

The Committee shall report regularly to the Supervisory Board, and at least once a year in writing.

In its reports, the Committee shall provide an overview of its meetings, agenda items and issues discussed, as well as a summary of the essential decisions, actions, recommendations, proposals and findings and possible deficiencies found during its activity.

## ENCLOSURE

These Rules of Procedure were approved by the Supervisory Board at its meeting on April 30, 2014 with its Resolution No. 3/7 (04 30 2014).