



**SUSTAINABILITY  
REPORT  
2020**



EGYÜTT. VELED



# LETTER FROM THE CEO

## DEAR READER,

*2020 was an extraordinary year in every meaning of the word. We faced a series of unprecedented challenges socially, economically, but primarily on the front of healthcare. The shock was unexpected and drastic, so most probably the question occurred to everyone: will we be able to remain afloat? Although no one had predicted the breakout of the COVID19 pandemic, it is clearly visible with the benefit of hindsight that the crisis is closely related to how our civilization interacts with nature, thus making our collective responsibility for sustainability much clearer than ever before. For Magyar Telekom, this warning is also a form of confirmation, as we have been committed for years to the fastest possible achievement of the sustainability goals, a fact clearly reflected by our report.*

Magyar Telekom has been adapting its operations to sustainability strategies since 2005, the latest of which has been drawn up to encompass five years. Our Sustainability Report 2020 sums up, and concludes in a sense, the last year of the strategy launched in 2016. "Be smarter than five years ago," was the objective we set ourselves at the start, and now, at the conclusion of the program, I truly feel we have done everything within our power to live up to that motto. Telekom today is more sophisticated, more efficient, in other words smarter, in terms of technologies, operations and educational efforts alike, than at the time the strategy was laid down. The last year of the five-year cycle posed especially many challenges for us, but looking back, I can say, we may have even done a better job under the extreme conditions, than we would have thought ourselves capable of. Last year concluded a period in which we learned a lot and gained much experience that we can confidently build on, when we define a new, ambitious strategy and set of objectives for ourselves in 2021.

2020 was extraordinary not only because of the pandemic: many historic events took place at Telekom, but fortunately, all of them were positive in their nature. All the major innovative initiatives we embark upon are aimed at our social mission, the digitization of Hungary, as we are confident that that is the way to progress, and that is how we can do the most to enable all Hungarian citizens to get somewhat closer to achieving their own goals. We believe with a firm conviction in this effort, and thus considered it a major milestone, when we put into operation the two millionth access point as part of our gigabit network development program in the first half of 2020, thus making gigabit access available on 45% of all points of demand in Hungary.

We also reached another technological milestone last year that constitutes the beginning of a new era without any exaggeration. In incredibly difficult pandemic times, when close to 100 percent of our personnel worked from home, we launched our commercial 5G service according to the original plans and without any problems, and started to roll out its coverage along a strict schedule during the rest of the year. We are convinced that the new technology will bring along a paradigm change not only for telecommunications, but also for the whole economy and for many layers of society – from industrial campuses, through vehicle design to healthcare.

Though I have touched upon the topic several times, I believe the experience we gained with the pandemic are worth to address once more briefly. I am proud that we, as an employer had identified the threat at an early stage and were able to switch almost our entire operations to a home office platform. That is a major achievement in itself, since telecommunication had to cope with workloads higher by orders of magnitude last year than the ones

our systems had been equipped to undertake. We had to carry most of the economy on our shoulders, and we did not only bore that weight, but even proactively helped wherever we could. To name only a couple of initiatives: we were among the first to provide data packages as gifts to our customers, to render the online traffic of all platforms used for distance learning free of charge, and we might still be the only Hungarian employer to establish a fund to support colleagues who fell upon hard times due to the pandemic. I think we managed to demonstrate what the “network of actions”, which we often refer to in our commercial communications, really stands for.

We are aware, of course, that running a high-performance network is an energy-intensive exercise, which we need to keep under control by constant efforts of rationalization. As a result of our climate strategy, our actual carbon-dioxide emission decreased to 85,000 tons, even beyond the original target of 100.000, and let's not forget that we have been operating carbon-neutrally for the sixth year in a row, and 100 per cent of our electric power consumption is from renewing sources. In light of our achievements, we can proudly claim that we do everything within our power to not only support climate protection by the beneficial nature of ICT services, but even to minimize their adverse effects. We invited our customers to adopt the same mentality by offering them our Extranet Green 1 GB product option, which ninety-thousand of them subscribed to by the end of the period covered by the strategy.

The educational objective of our sustainability strategy was to contribute to increasing the awareness of one million people in the five year period in terms of digitization, sustainability or training. I am proud that by the end of 2020, we had managed to reach out to more than two and a half as many people through programs like our “Become a Member of Generation Now!” initiative aimed at developing pensioners' digital skills. We promoted sustainability-consciousness by volunteer work, and have organized our Sustainability Day event, which drew an audience of 31.000 people in total during the strategic period.

Being a telecom service provider, we considered it important that half of our sales revenue should come from sustainable products. Though we could not fully achieve that target, we are quite satisfied with the 35.6 per cent ratio. Magyar Telekom and T-Systems Hungary constantly work on the introduction of new, smart technologies, including ones applicable in areas like city transport and energy supply or agriculture. In that spirit, 94 per cent of our innovative expenditure in 2020 were attached to developments that clearly create value for the society and our environment. One of our earlier developments that demonstrated its value in a major way for the first time last year is the boost we had given to electronic billing, commerce and customer services, as a result of which the paper consumption of our shops decreased by 84 per cent during the five-year period.

In 2018, we included it among our top sustainability objectives to make Telekom a diverse and inclusive workplace – and it was in the framework of that effort that we launched our unconscious bias training. In order to digitally support equal opportunity, we continue to maintain our “Hello holnap!” fleet designed for those living with handicaps, and telework has become common practice among our employees due to the pandemic. As to gender equality, we have achieved it for the first time that half of our top management are women, and the ratio of female managers in total is 27 per cent.

As part of our strive for sustainability, we continue to observe the UN Global Compact objectives and Sustainable Development Goals (SDG) as standards to follow. An important feedback about our efforts is how we are assessed by responsible investor analysts, in which we have done quite well in 2020, too, as we are ranked to be among the leaders of our industry at the FTSE4Good, the ISS and the MSCI assessments alike. Our climate change processes and achievements received a “B” assessment from CDP, we got an “A” in the supply chain category, and continue to be listed in the CECE SRI (formerly known as CEERIUS) index. All the above have surely contributed to the fact that according to our survey, approximately 45 per cent of the company's freely floated shares are held by responsible investors.

Looking back upon our performance of the past five years, I believe we have every right to be satisfied, as we achieved most the objectives we had set for ourselves, and some we even significantly overachieved. Being satisfied, however, does not mean we can afford to make ourselves comfortable. Magyar Telekom has just concluded its latest five-year sustainability strategy, but has immediately started a new chapter, as well, as we have to define a new set of objectives for ourselves effective from 2021. There are still a lot to do for the harmonization of the economic, social and environmental challenges, and seeing the order of magnitude this task represents, I believe we will have to do more and more each year.

Budapest, June 1 2021



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