SUSTAINABILITY REPORT

2018

T

EGYÜTT. VELED

1.

CLIMATE AND ENVIRONMENTAL PROTECTION

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

In 2018 we were the first and only company in Hungary, whose long-term emission reduction targets have been approved by the Science Based Target initiative (SBTi):

- reduce absolute scope 1 and 2 GHG emissions 30% by 2030 from a 2015 base year.

- reduce absolute Scope 3 GHG emissions 30% by 2030 from a 2017 base-year.

WE'VE HAD OUR
SCIENCE-BASED TARGET APPROVED

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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

Strategic Goals

Magyar Telekom's sustainability strategy for the period 2016-2020 points to the focus of climate protection and the reduction of CO_2-emissions. Our highlighted environmental and operational ecoefficiency goals are:

- Reducing our CO_2 emissions

- Reduce energy consumption, increase energy efficiency, using green energy

- Increase the energy efficiency of our buildings

- Decrease fuel consumption of our vehicle fleet promote travel replacement solutions and dematerialization solutions

- Introduction of sustainable and climate friendly products and services

- Measure the climate footprint of our customers and suppliers

In 2018 we continued our carbon offset project. We spent half of the income of our company car policy regulated bonus-malus system to carbon offset. Our aim was to become carbon neutral again in 2018 too. We have reached our goal by using 100% renewable energy for our electricity consumption and we offset the rest of our emissions, by purchasing and retiring CER (Certified Emission Reduction) units. The reduction came from a Chinese project (Dongliuxi Erji hydropower plant), equal with the offset of 30,000 tons of CO_2. In 2018 Magyar Telekom Plc. has purchased 198 GWh of renewable energy that is covering 100% of the total amount of electricity used by the Company.

|	KPI BY 2020
CO_2 emission	**<100 000 tCO_2**
fixed network	min -44% based on 2008
mobile network	max +35% based on 2008
data center	max +3% based on 2008
buildings	min -16% based on 2008
Energy efficiency	**100 Gbit/kWh**
Fleet	
fuel consumption	min -34% based on 2008
average CO_2 emission	<100 gCO_2/km
share of hybrid and electric cars	min 30%
CPE's emission	**general decrease**
Waste reduction	**min -10% based on 2015**
Paper usage in the shops	**min -90% based on 2015**

Risks and opportunities

Based on the Business Continuity Management System (BCM) we have identified the critical climate risks (floods, heat waves) that might affect our operations and we have prepared action plans for possible risk management. According to our annual assessment the rate of climate damage in the network did not reach the level of intervention (HUF 50 million damage/month). In 2018 we have identified 228 ✓ climate related cases (storm damage).

In 2018 during the heatwave we allowed our colleagues to work remotely in order to reduce the energy consumption of our offices, and we increased the core temperature of our data centres and base stations.

We observed that the energy consumption of our base station starts to increase when the temperature is above 20 C°, therefore there is an expected possibility that our climate change and heath wave-related expenses could rise with tens of millions of HUF in the future.

STORM DAMAGE (HUF M)
MAGYAR TELEKOM PLC. ✓

2014	2015	2016	2017	2018
46.7	69.7	25.1	65.3	23.3
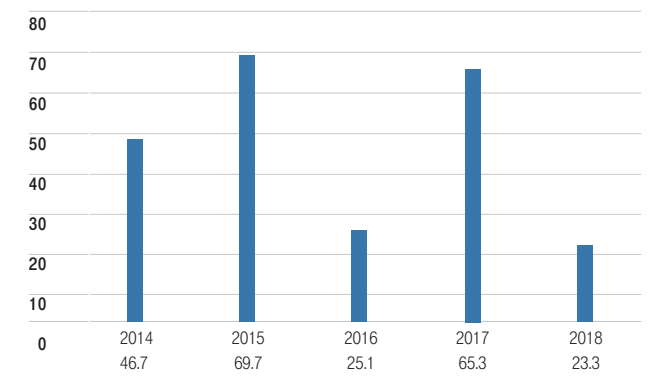
BASE STATION POWER CONSUMPTION
DEPENDING ON TEMPERATURE LEVELS

Daily energy consumption (kWh)
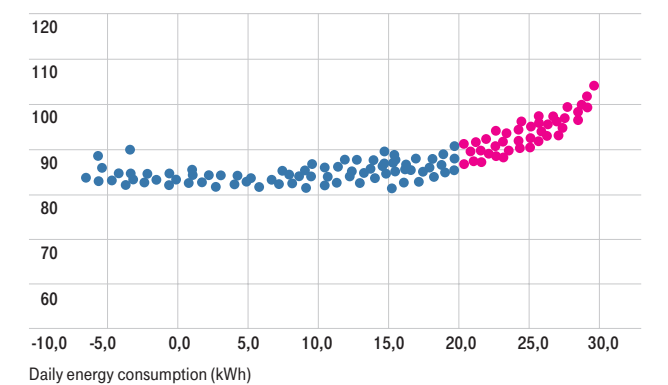
In 2018, based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure) initiative, we identified additional risks and opportunities in our operations.

In setting our emission reduction targets, we have considered the current Paris Climate Agreement and EU standards, as well as the IPCC's 1.5 C ° goals, but we assume that regulators will set more strength emission reduction targets in the future, which may involve financial risks. On the other hand, thanks to our forward-looking climate strategy, we have an advantage over our competitors, along with rigorous regulations.

One of the pillars of our carbon-neutral operation is that we use 100% renewable energy in Hungarian subsidiaries and the uncertainty of future prices poses a risk to this pillar. The more companies switch to green energy, the more the price may rise, which may mean tens of millions of HUF additional expenses for Magyar Telekom. In addition, long-term renewable usage can continue to be a business advantage as there is an increase in customer demand for sustainable products and services powered by green energy. Our surveys have shown that a large proportion of our customers are willing to pay 5-10% more for more sustainable products, so if we power our entire portfolio with renewable energy, we could potentially increase our revenue.

Climate change is a relevant threat to our operations as well as to our supply chain. We can mitigate this risk by evaluating and educating our suppliers. We have a common interest in building a resilient supply chain network. **For more information, see our Suppliers chapter**.

The company pays increased attention on installing energy efficient equipment in our networks and securing that all of our products and services comply with the requirements of environmental sustainability. We aim to provide our customers with solutions they can benefit from, allowing them to use less energy and protect the environment. For more information, please refer to chapter **2.2 ICT for Sustainability**.

We moved to our new Headquarters

At the end of 2018 we moved to our new headquarters, where we tried to implement as many eco-friendly solutions as possible. We have already taken environmental aspects into account when designing, and we consider the effects of the 100-year flood events too. The building has innovative building control that significantly reduces its energy consumption. In addition, the operation of the building is supported by an application tailored to our employees. There are green walls within particular interior spaces and a green roof covers a part of the building-top, which is irrigated with rainwater. We use the waste heat of the server rooms and handle the waste types separated.

1.1
EMISSIONS AND ENERGY EFFICIENCY

To present the quantitative greenhouse gas emissions of Magyar Telekom Group's activities, in accordance with the global warming potential (GWP), we use a CO_2e (carbon dioxide equivalent) as an indicator. (We do not measure greenhouse gases separately and we do not have biogenic CO_2-emissions.)

The details of Magyar Telekom Group's CO_2-emissions are given in the following table. The CO_2-conversion factors were determined by the GHG Protocol, the recommendation of International Energy Agency Data Services (electricity), the UNEP guidelines (heating oil, fuel, natural gas), DEFRA's coefficients and by the data provided by a prominent Hungarian paper factory. We present our real emissions with and without carbon offset.

1.1.1
SCOPE 1 EMISSIONS

Our Scope 1 emissions - including our natural gas and oil use - slightly increased due to the colder winter temperature.

AGGREGATED CO_2 IMPACT MAGYAR TELEKOM (T CO_2) REAL AND ADJUSTED BY GREEN ENERGY AND CARBON OFFSET EMISSIONS ✓

CO_2 EMISSIONS [t CO_2]

	2014	2015	2016	2017	2018
Natural gas	9 824	8 910	8 266	8 252	8 656
Oil	2 004	1 629	1 206	319	384
Fuel (total)	14 949	14 954	13 982	12 974	12 744
Fuel (diesel oil)	8 317	8 364	8 109	7 248	7 316
Fuel (gasoline)	6 631	6 590	5 873	5 726	5 428
Electricity (adjusted with green energy)	75 139	23 673	16 580	10 590	5 996
Electricity	86 655	87 010	84 725	72 911	72 974
Green energy	-11 516	-63 337	-68 145	-62 321	-66 978
District heating	1 863	1 918	1 793	1 791	1 778
CO_2 emission of total energy consumption	**115 294**	**114 421**	**109 972**	**96 246**	**96 536**
CO_2 emission of total energy consumption (adjusted with green energy)	**103 778**	**51 084**	**41 827**	**33 926**	**29 558**
Carbon offset	**-17 135**	**-52 189**	**-50 000**	**-43 971**	**-30 000**
Cumulated CO_2 emission	**87 749**	**0**	**0**	**0**	**0**

MAGYAR TELEKOM GROUP'S SCOPE 1 EMISSIONS ✓

SCOPE1 EMISSIONS [t CO_2]

	2014	2015	2016	2017	2018
by source					
Natural gas	9 824	8 910	8 266	8 252	8 656
Oil	2 004	1 629	1 206	319	384
Fuel (total)	14 949	14 954	13 982	12 974	12 744
by member companies					
Magyar Telekom Plc.	19 923	19 086	17 889	17 349	17 466
T-Systems Hungary	2 904	2 993	2 825	2 991	3 056
Crnogorski Telekom	1 074	1 120	997	0	0
Makedonski Telekom	2 875	2 293	1 744	1 205	1 261
Cumulated Scope1 emission	**26 777**	**25 493**	**23 454**	**21 545**	**21 783**

Gas consumption

The Group's natural gas consumption increased by 5%, it was almost the same as the last year, as we moved to our new headquarters in the end of 2018, and there was a parallel operation between the old and the new sites for, a period of time.

GAS CONSUMPTION (MWH)
MAGYAR TELEKOM GROUP ✔

	2014	2015	2016	2017	2018
	38 657	35 060	32 529	32 470	34 063

■ Magyar Telekom Plc.   ■ Crnogorski Telekom
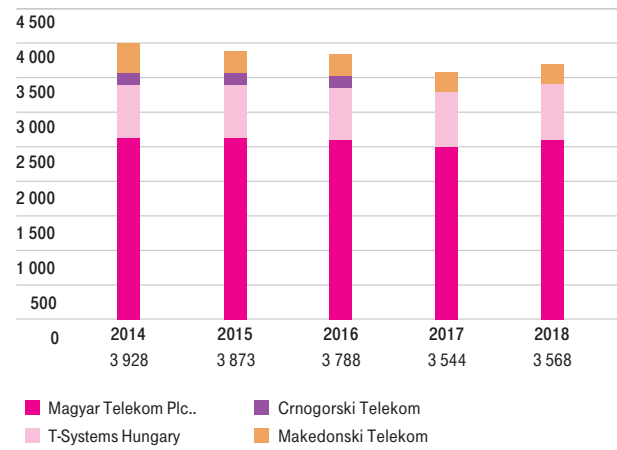■ T-Systems Hungary   ■ Makedonski Telekom
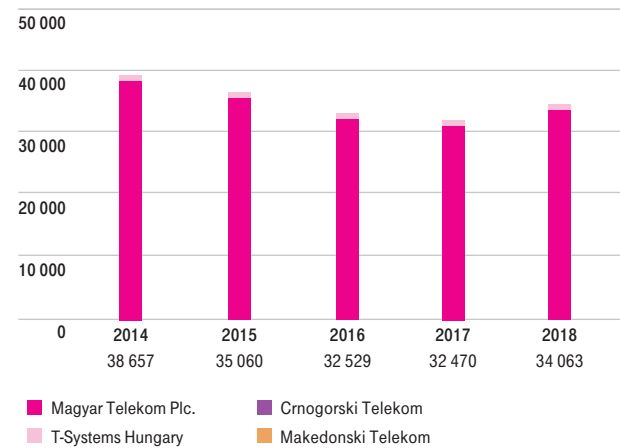
Fleet management, fuel consumption

The number of vehicles in the fleet on a Group level slightly increased, while the types of usage and distribution of fuel has not changed. The number of hybrid cars increased significantly, their share in the benefit cars is 20%,
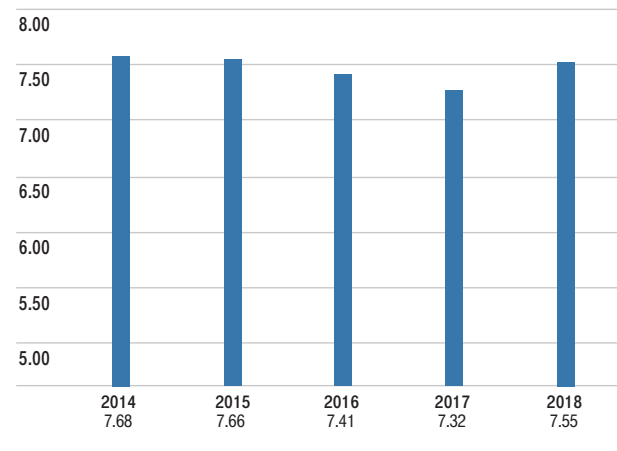
The fuel consumption (-2% ✔) and the mileage (-5% ✔) has decreased, the average fuel consumption of vehicles (3% ✔ has increased at group level as compared to the previous year.

The electric cars' consumption increased from 5.36 MWh to 17.86 MWh ✔ (Personal use is more significant due to the lack of refill-station capacity of the national network.)

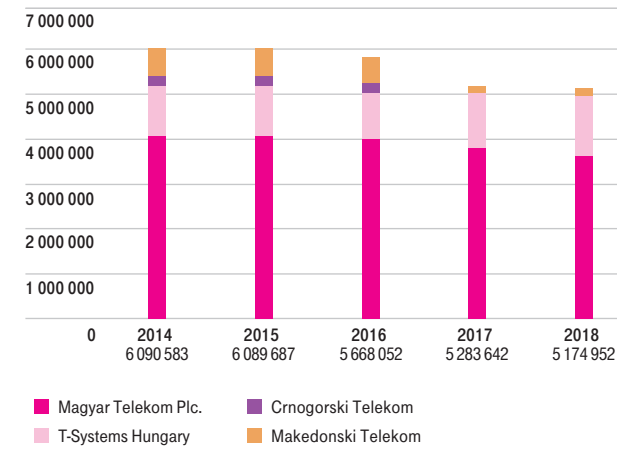**TOTAL NUMBER OF VEHICLES**
MAGYAR TELEKOM GROUP ✔

	2014	2015	2016	2017	2018
	3 928	3 873	3 788	3 544	3 568

■ Magyar Telekom Plc..   ■ Crnogorski Telekom
■ T-Systems Hungary   ■ Makedonski Telekom

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

	2014	2015	2016	2017	2018
	7.68	7.66	7.41	7.32	7.55

FUEL CONSUMPTION (LITRE)
MAGYAR TELEKOM GROUP ✔

	2014	2015	2016	2017	2018
	6 090 583	6 089 687	5 668 052	5 283 642	5 174 952

■ Magyar Telekom Plc.   ■ Crnogorski Telekom
■ T-Systems Hungary   ■ Makedonski Telekom

1.1.2
SCOPE 2 EMISSIONS

Our Scope 2 emissions have decreased significantly. According to GHG Protocol, CO_2 emissions from renewable energy were calculated as 0 tonnes of CO_2.

The surplus of the renewables certificates (GoO – Guarantee of Origin) purchased of Magyar Telekom were accounted for Makedonski Telekom's emissions.

MILEAGE OF VEHICLES (KM)
MAGYAR TELEKOM GROUP ✔

	2014	2015	2016	2017	2018
	79 297 703	79 480 076	76 580 455	72 181 071	68 580 060

■ Magyar Telekom Plc.   ■ Crnogorski Telekom
■ T-Systems Hungary   ■ Makedonski Telekom

Electricity consumption

Magyar Telekom Group in 2018 Magyar Telekom Group continued with its efforts to energy-efficient operations, the electricity consumption increased by only 0.09% ✔. We continue to improve our energy efficiency in accordance with our Sustainability Strategy, and in compliance with the ISO 50001 standard.
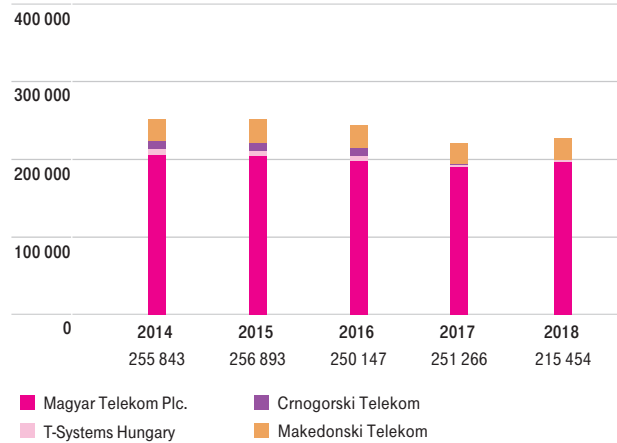
The projects that could yield major savings (PSTN-replacement, data center ventilation, printer consolidation) had been completed by Magyar Telekom, in place of which several minor changes and maintenance projects ensured that energy consumption did not significantly increase. The EMS (Energy management system), thus we could measure the consumption of the most energy-efficient sites and we could correct the energy consumption immediately in case of over-consumption.

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

	2014	2015	2016	2017	2018
Number of vehicles	3928	3873	3788	3544	3568
By fuel type					
Diesel	2261	2244	2181	2005	2027
Gasoline	1572	1541	1490	1371	1336
Hybrid	92	82	112	163	200
Electric	3	3	5	5	5
By usage					
Benefit cars	1428	1423	1359	1399	1450
Service cars	2500	2450	2429	2145	2118

MAGYAR TELEKOM GROUP'S SCOPE 2 EMISSIONS ✔

SCOPE 2 EMISSIONS [t CO_2]

	2014	2015	2016	2017	2018
by source					
Electricity (adjusted with green energy)	75 139	23 673	16 580	10 590	5 996
District heating	1 863	1 918	1 793	1 791	1 778
by member companies					
Magyar Telekom Plc.	61 701	7 886	1 534	1 556	1 493
T-Systems Hungary	1 233	1 276	35	28	145
Crnogorski Telekom	5 559	5 081	5 756	0	0
Makedonski Telekom	8 509	13 348	11 048	10 797	6 136
Cumulated Scope 2 emission	77 002	25 591	18 373	12 381	7 774

ELECTRICITY CONSUMPTION (MWH) MAGYAR TELEKOM GROUP* ✔

	2014	2015	2016	2017	2018
	255 843	256 893	250 147	251 266	215 454

■ Magyar Telekom Plc.   ■ Crnogorski Telekom
■ T-Systems Hungary   ■ Makedonski Telekom

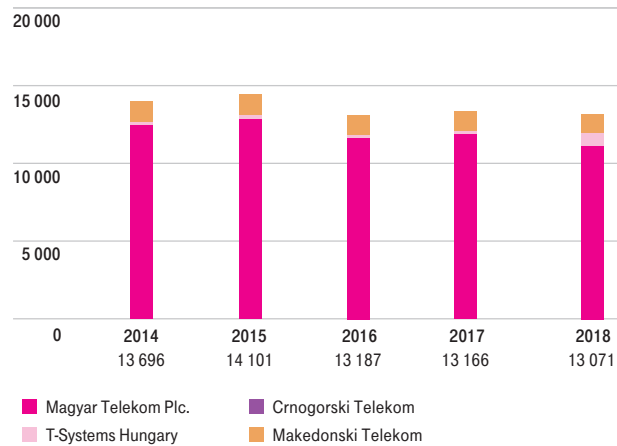* Purchased electricity, the own energy production is not included.

Community Solar Project for employees

In 2017, as the first in Hungary, Magyar Telekom introduced its Community Solar Project, in which 113 Magyar Telekom employees could rent a solar panel from the company for one year. The solar panels are installed on our Kékvirág Street educational building and the generated energy is being used locally. The system provides quarter of the energy consumption of the building. The employee solar panel project was also announced in 2018, all solar cells were sold out in about 18 hours record time. The solar system produced 33.5 MWh of clean energy in 2018. Current production can be followed here.

MAGYAR TELEKOM PLC'S SCOPE 3 EMISSION

CATEGORY [t CO_2]

	2017	2017	2018	2018
1. Purchased goods and services	16 733	9.9%	16 920	12.9%
2. Capital goods	12 311	7.3%	14 929	11.4%
3. Fuel- and energy-related activities	4 132	2.4%	1 327	1.0%
4. Upstream transportation & distribution	10 909	6.4%	12 338	9.4%
5. Waste generated in operations	1 857	1.1%	1 987	1.5%
6. Business travel	688	0.4%	410	0.3%
7. Employee commuting	47 308	28.0%	2 893	2.2%
8. Upstream leased assets			Not relevant, excluded	
9. Downstream transport	380	0.2%	637	0.5%
10. Processing of sold products			Not relevant, excluded	
11. Use of sold products	12 905	7.6%	14 596	11.1%
12. End-of-life treatment of sold products	2 417	1.4%	2 734	2.1%
13. Downstream leased assets	59 594	35.2%	62 153	47.5%
14. Franchises			Not relevant, excluded	
15. Investments			Not relevant, excluded	
SUM	169 233	100%	130 923	100%

District heating

There is a minimal downward trend in district heating at Group level. While Makedonski Telekom's energy consumption has declined, T-Systems's district heating has increased due to a new rented property.

DISTRICT HEATING CONSUMPTION (MWH) MAGYAR TELEKOM GROUP ✔

	2014	2015	2016	2017	2018
	13 696	14 101	13 187	13 166	13 071

■ Magyar Telekom Plc.   ■ Crnogorski Telekom
■ T-Systems Hungary   ■ Makedonski Telekom

1.1.3
SCOPE 3 EMISSIONS

Our Scope 3 emissions were more precisely measured by our commitment to Science Based Target initiative (SBTi). When we determined our emissions, we considered our own operating numbers, indicators of GHG Protocol and our suppliers' CDP disclosures.

Equipment in customers' premises

Our customers generate significant energy consumption by operating our CPEs, but that consumption is essential for using our services. Since 2016 we have conducted a precise calculation on the number and performance of CPEs (set-top-boxes, modems, terminals). Taking the number of subscriptions in 2018 into account, the energy consumption of our CPE's was 183.5 GWh ✔, which is equivalent to 62,153 tons of CO_2 ✔ emission. The average CPE's energy consumption dropped by 3% from 2017.

Business travel

Share of business travels were the following: 91% by plane, 8% by car, 1% by rail or other means of transportation. The emission of business travels (180 g CO_2/km as an average of air travel, and 142.4 g CO_2/km as an average car travel) in 2018 was 735 tons of CO_2 .

Teleworking

Magyar Telekom has been supporting telework for many years as it is beneficial for the employer and the employees alike. In 2017 we started monitoring the commuting habits of our employees (based on a small sample, but for a large office building in a good location in terms of public transport): approximately 1/3 of the employees choose to come to work by car, driving a daily average of 40 kilometres and 2/3 choose community services communing a daily average of 30 kilometres. In 2018 there were 143 396 telework days registered, saving 5 million kms of travel and 25 years of travel time. Considering this result, teleworking has a significant role in replacing travel. For additional information on teleworking see Chapter **5.1 Human rights and equal opportunities**.
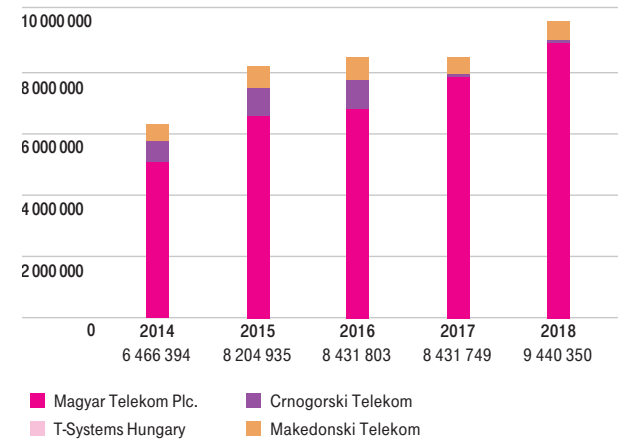
Bicycle courier service

Since 2012 Magyar Telekom has been sending some of its consignments using bicycle courier service. In 2018 we used bike carriers 238 times and saved 1372 km of car travel. When moving to the new headquarters, the need to use bike couriers was kept to a minimum.

Electronic contract and billing

In the last couple of years Magyar Telekom has introduced e-signature and e-Terms of Service in its stores thus renewing personal customer service operations. This innovative solution may considerably reduce the number of printed documents, the working time and costs of printing, filing and stor ing. This will also improve the operational efficiency and reduce the environmental impact as well. Telekom's aim is to set up a full range electronic customer service in the future where legally binding documents with electronically recorded signatures will replace all paper-based contracts. The introduction of e-signature through tablets marks the first step of this process, as a result of which we were able to reduce the number of printed pages by 63%.

Thanks to the campaign Magyar Telekom achieved outstanding growth (12%), electronic invoicing constitutes more than 22.3% of all residential billings.

ELECTRONIC BILLS (PCS) MAGYAR TELEKOM GROUP ✔

	2014	2015	2016	2017	2018
	6 466 394	8 204 935	8 431 803	8 431 749	9 440 350

■ Magyar Telekom Plc.   ■ Crnogorski Telekom
■ T-Systems Hungary   ■ Makedonski Telekom

1.1.4
ENERGY EFFICIENCY

In order to measure our energy efficiency, in our Sustainability Strategy we use a Gbit/kWh indicator. Our goal is to reach the 100 GBit/kWh, in 2018 it was 115.47 GBit/kWh ✔

We apply three kinds of energy intensity indicators in order to show the changes in three factors: the electricity consumption of the network, fuel consumption of the fleet and the ratio of the revenue and the energy consumption. The effectiveness of the energy consumption of Magyar Telekom Plc.'s operation is characterized by the Gbit/kWh (transmitted bits/electricity consumption) energy efficiency indicator. The indicator shows that as the quantity of transmitted information grows the energy consumption proportionally reduces (i.e. we transfer more information with less energy). The fuel consumption efficiency is characterized by car pool average CO_2-emissions in g/km. For the revenue related energy consumption indicator, we use the GJ/HUF M. We would like to increase the first and reduce the second and the third indicator, in 2018 we achieved all of these.

## BITS TRANSMITTED/ENERGY CONSUMPTION (GBIT/KWH) MAGYAR TELEKOM PLC. ✔
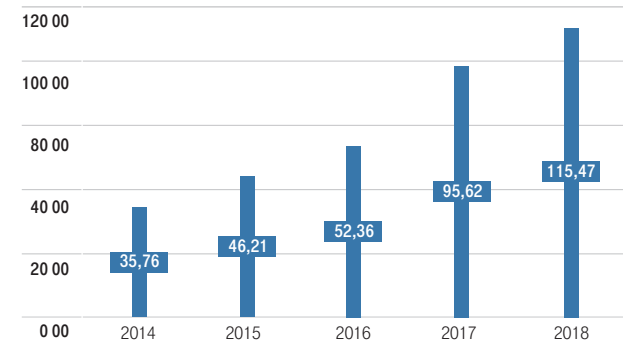
THE AVERAGE CO2 EMISSIONS OF THE FLEET (G CO$_2$/KM) MAGYAR TELEKOM PLC. ✔
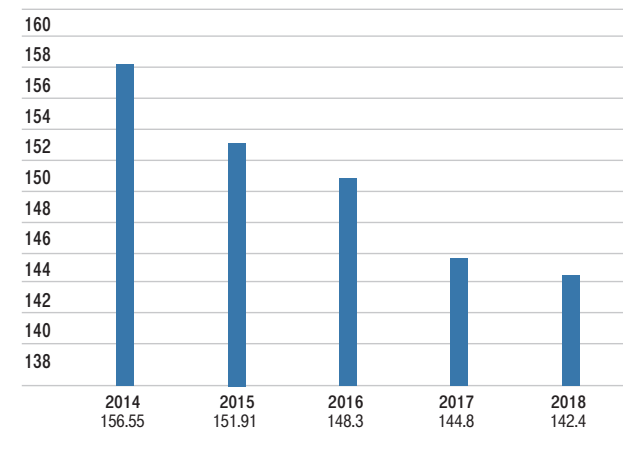
Average carbon dioxide emissions from vehicles have further decreased to 142.4 g CO2/km✔, due to the introduced restriction in our bonus-malus system. We limited the emissions of the employee benefit cars and maximized their power. We introduced new financial incentives to make the hybrid and electric cars more favourable.

The revenue related energy consumption was 1180 GJ/HUF M. ✔

REVENUE RELATED ENERGY CONSUMPTION GJ/HUF M MAGYAR TELEKOM GROUP
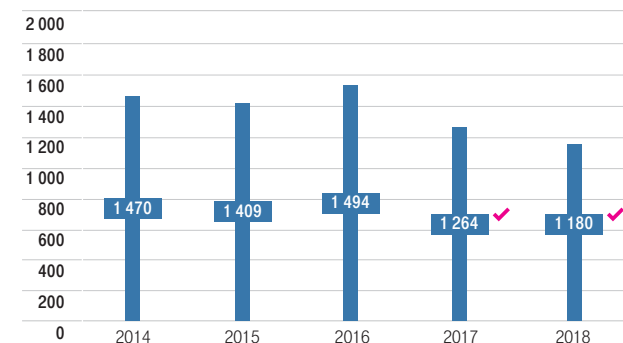
1.2 ENVIRONMENTAL IMPACTS

Magyar Telekom Plc.'s developments are generally not obliged to prepare impact assessment studies (EIA). In 2018 there was no investment that concerned protected areas and/or Natura 2000 areas. Along our operations no damage occurred on the natural habitat and biodiversity of the concerned territories. We continue to pay increased attention to the protection of our shared natural heritage, by planning all our developments in compliance with the relevant rules and regulations.

Land use, landscape impact

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

Solar powered telephone booths

There are already 18 telephone booths with solar system installed all over the country. At locations where the copper network ceases, public terminals need to be operated by GSM terminals, their power supply is provided by the solar panels. Due to the construction of the optical network, nearly 50 systems will have to be installed in 2019.

The is no significant change in the composition of the mobile network. There were 7849 base stations on Group level, the number of towers shared with other operators was 1733.

We contribute to local communities by creating community gardens and taking uncultivated land in use, thereby increasing the diversity of the area: in 2014 Magyar Telekom Plc. started the development of three community gardens, the first of which was opened near the company's site on Csárda Street, where the local gardeners started their work on 28 plots. In 2015 we opened two more community gardens near the company's site in Soroksári Street and Ceglédi Street. The community garden in Soroksári Street is the largest in Budapest, where garden owners can work on almost 100 plots. We continued our cooperation in 2018.

## Noise and vibration protection, electromagnetic fields (EMF)

In Magyar Telekom Group sites, we must pay increased attention to the following potential noise sources: outdoor air-conditioning equipment and emergency diesel generators. Last year, Magyar Telekom received 3 noise-related complaints from residents. In

2 cases noise reduction decrees are in progress, and the circumstances are being clarified in 1 case. As to EMF issues, we carried out measurements in 15 cases, 6 of which prompted by complaints by residents, 6 upon the requests of lessors, and 3 mandated by the relevant authorities.

Water consumption

The water consumption at Magyar Telekom Group is exclusively for social purposes. Group-level water consumption slightly increased by 3.5%.

WATER CONSUMPTION (M³) MAGYAR TELEKOM GROUP ✔

- Magyar Telekom Plc.
- T-Systems Hungary
- Crnogorski Telekom
- Makedonski Telekom
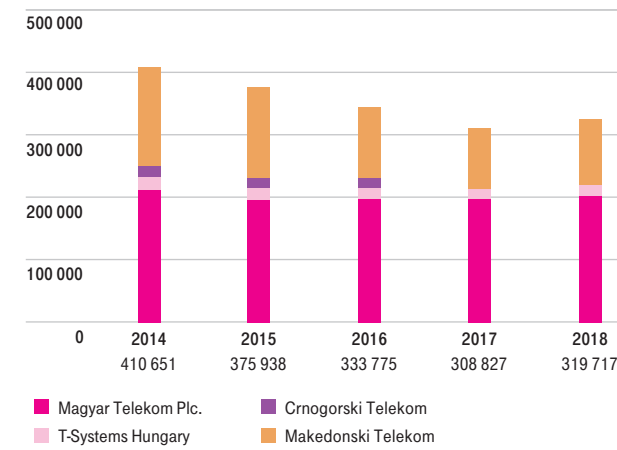
Producer's and distributor's responsibility

In cooperation with equipment manufacturers Magyar Telekom is committed to environment friendly equipment manufacturing and recycling processes. For more details on our procurement requirements, please see chapter **3. Suppliers**. Sustainable products are elaborated in detail in chapter **2.2 ICT for sustainability**.

The major aim of the company is to carry out its operations with the least possible impact to the environment; we pay special attention to the revision, repair and re-use of the equipment in our network. The re-use rate of CPE devices is 27%.

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

- In the case of electronic equipment subject to product fee regulations most companies choose the payment of the product fee payment and the use of the national collection system. Magyar Telekom Plc. paid the mandatory product fee for electric and electronic equipment in 2018. The national collection rate requirement was 45% in the IT sector (the national system does not report company-level data.)

- In the case of batteries, in accordance with the provisions of law, Magyar Telekom Plc. partly transferred the obligation to intermediary organizations. Each year, our contracted partner, ReLem Limited Liability Non-Profit Corporation fulfils its obligation above the law enforced level.

In accordance with the legislations in force we inform our customers on our websites about the various waste disposal options for used equipment and batteries. The amount of devices taken back was 452 kg in 2018.

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

Emissions to Air

Magyar Telekom pays an air pollution fee in accordance with the national legislations. The amount of pollutants emitted by Magyar Telekom Plc: NOx: 224 kg, SOx: 0 kg).

Magyar Telekom takes all necessary measures to treat the risk from operation of the fluorine greenhouse gas containing equipment. Based on the inspections carried out in accordance with the regulations there was no leakage in 2018. There are only 881 equipment with R22 gas, they represent less than 5% of the operating conditioners. The dismantling is in progress. In 2018, 254 units were replaced, nearly the 30% of all controlled substances containing equipment.
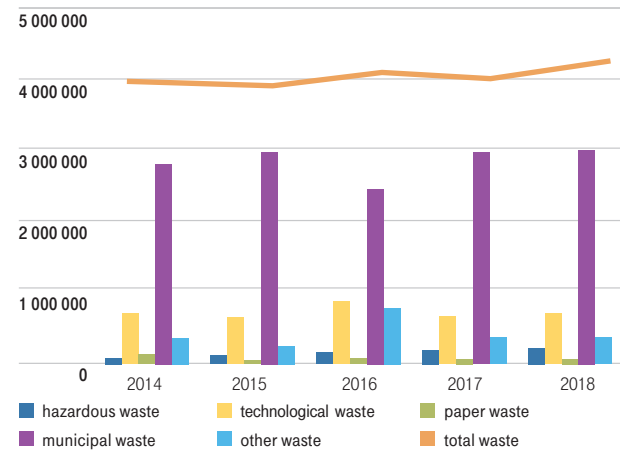
1.3 WASTE

The quantity and quality of waste generated greatly depends on the current telecommunication projects and developments: on Group level in 2018, compared to 2017, the total amount of waste increased by 7%. Due to the finished projects the Group level recycling rate has decreased to 19%.

Within Magyar Telekom Group the largest proportion of generated waste (close to 67%✔) – is still the residual waste. Second by volume is technical waste 14%✔; hazardous waste is 9%✔; the proportion of paper waste is 3%.✔

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

- We make sure that unused equipment gets reused either within the company, or by trading them to employees or external partners, or by renting, leasing or transferring them without compensation (donation).

- We collect waste selectively in more sites

- We improve their effectiveness through the revision of our existing contracts, the regular revision of collection points and through communication

- We continue to operate in accordance with the DT group level policy, released in 2015, for the regulation of the management of cables.
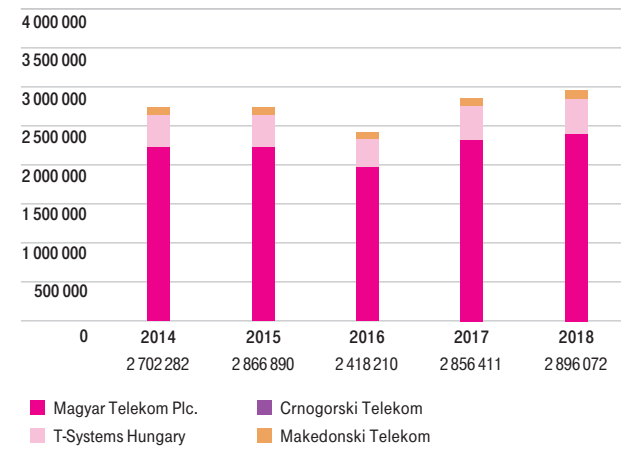
WASTE BY TYPE (KG)
MAGYAR TELEKOM GROUP

- hazardous waste
- technological waste
- paper waste
- municipal waste
- other waste
- total waste

RESIDUAL WASTE (KG)
MAGYAR TELEKOM GROUP ✔

| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | 2 702 282 | 2 866 890 | 2 418 210 | 2 856 411 | 2 896 072 |

- Magyar Telekom Plc.
- Crnogorski Telekom
- T-Systems Hungary
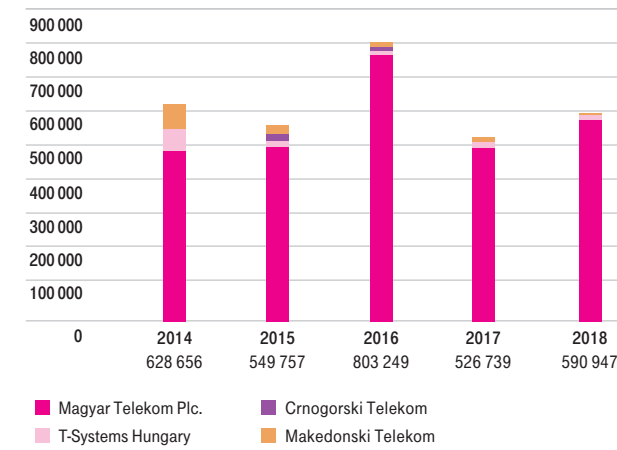- Makedonski Telekom

Technical waste

The amount of technical waste at group level increased by 12% ✔ due to a large-scale battery exchange project in our data centres. The recycling rate of technical waste has increased by 9%.
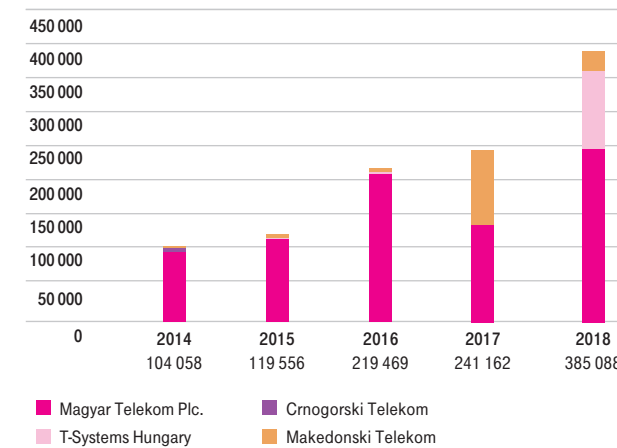
TECHNOLOGICAL WASTE (KG)
MAGYAR TELEKOM GROUP ✔

| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | 628 656 | 549 757 | 803 249 | 526 739 | 590 947 |

- Magyar Telekom Plc.
- Crnogorski Telekom
- T-Systems Hungary
- Makedonski Telekom

Hazardous waste

The amount of hazardous waste increased by 60% ✔ at Group level, due to network upgrade and maintenance (e.g. batteries, replacement of network elements). The amount of recycled hazardous waste increased by 58%.
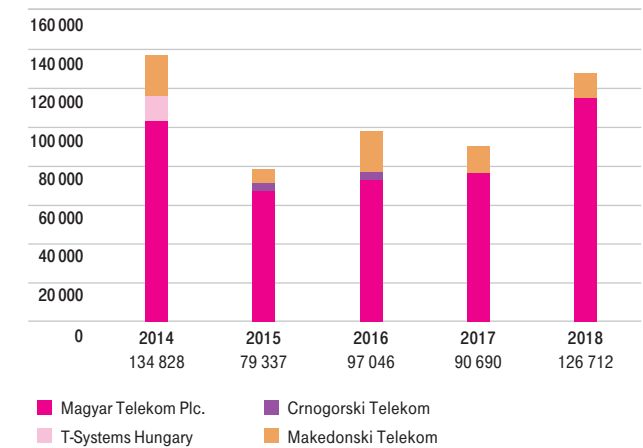
HAZARDOUS WASTE (KG)
MAGYAR TELEKOM GROUP ✔

| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | 104 058 | 119 556 | 219 469 | 241 162 | 385 088 |

- Magyar Telekom Plc.
- Crnogorski Telekom
- T-Systems Hungary
- Makedonski Telekom

Paper waste

The quantity of paper waste increased at Group level by 40% ✔, due we used a significant amount of paper when moving into the new headquarters. 100% of the waste paper is recycled.

PAPER WASTE (KG)
MAGYAR TELEKOM GROUP ✔

| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | 134 828 | 79 337 | 97 046 | 90 690 | 126 712 |

- Magyar Telekom Plc.
- Crnogorski Telekom
- T-Systems Hungary
- Makedonski Telekom

At Magyar Telekom Plc. the recycling rate is nearly 19% ✔. In the case of municipal waste, local public services must be used, so only estimated data is available; the waste is disposed into licensed landfill sites. The company does not transfer waste directly to incineration or composting.

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

ENVIRONMENTAL PROTECTION COSTS IN 2018 (HUF)
MAGYAR TELEKOM GROUP ✔

- Expenses of waste treatment
  92 104 094 Ft
- Operational expenses
  129 615 955 Ft
- Environmental protection projects
  72 550 920 Ft
- Education, training, communication, PR
  53 688 415 Ft
- Expenses of environmental developments
  1 008 000 Ft
- Costs related to environment management systems
  1 377 782 Ft
- Authority fees
  50 909 000 Ft

QUANTITY OF WASTE BY TYPE AND RECYCLING RATE AT MAGYAR TELEKOM GROUP, 2014-2018 ✔

	2014	2015	2016	2017	2018
Hazardous waste [kg]	104 058	119 556	219 469	241 162	385 088
Recycled hazardous waste [kg]	56 303	85 194	164 327	232 430	366 461
Technological waste [kg]	628 656	549 757	803 249	526 739	590 947
Recycled technological waste [kg]	399 285	335 142	778 975	173 793	189 453
Paper waste [kg]	134 828	79 337	97 046	90 690	126 712
Recycled paper waste [kg]	125 248	78 637	96 346	90 690	126 712
Municipal waste [kg]	2 702 282	2 866 890	2 418 210	2 856 411	2 896 072
Recycled municipal waste [kg]	1 140	0	13 317	12 045	1 543
Other waste [kg]	356 145	249 877	636 220	307 574	299 176
Recycled other waste [kg]	28 394	29 334	77 103	0	151 374
Total waste [kg]	3 925 969	3 865 417	4 174 194	4 022 576	4 297 995
Recycled waste total [kg]	610 370	528 307	1 130 068	508 958	835 543
Recycling rate (%)	16%	14%	27%	13%	19%