



SUSTAINABILITY REPORT

2018



EGYÜTT. VELED



LETTER FROM THE CEO

DEAR READER,

It is my privilege that, as the CEO of the company, I can present to you Magyar Telekom Group's Sustainability Report 2018.

Our results show that sustainability based upon the harmonization of economic, environmental and social interests is a profitable operational model, indeed. The measures we have taken for the sake of sustainability in our business are being confirmed by the outstanding ratings we have achieved in terms of international investor assessments and indices. In their report published in April 2018, responsible investor analysts, ISS-oekom ranked Magyar Telekom as the highest performer in its industry considering its dedication to corporate sustainability. We retained our position as member of the London-based FTSE-4Good index family in 2018, too, the assessment relevant to which put the company among the top 10% performers in the sector, while MSCI ESG Research gave us an AA ranking on a scale ranging from CCC to AAA. These results show that we are running a responsible corporate group that is recommended for long-term investment.

In the meantime, our role in the lives of our customers encourages us to renew, transform and innovate. As a major aspect of our evolution, we moved to a new headquarters building, which is the largest office building in Budapest, where we could start the transformation of our operational processes in an even more focused manner. We believe that by working together in the same building, we can increase our innovative potential, while simultaneously decreasing our work-related emissions. We put the key areas of our corporate operations on an agile platform to ensure that we be able to jump to the next level in all aspects. We establish more flexible, more efficient fast-response units, which transgress from hierarchies towards empowered

cooperative communities in order to serve our clients' needs even better. The only way we can achieve this is by working together in teams, where people can be themselves, regardless of their backgrounds, and where our differences are being built upon, because we believe that innovation springs from diversity.

It is our firm belief that by seizing the opportunities offered by digitalization, we can help people to become true winners of their lives. We are convinced that ICT can link the needs and problems of society with the innovative solutions that address them, thus enabling us to build a better-informed, more ready-to-act society, living a better life. Due to its size, Magyar Telekom is a major social and economic player, thus can have a significant impact on social issues. The scope of our responsibility extends to all those whom we enable by ICT solutions, and we build a corporate structure in which responsibility for the society, for the economy and for the environment are integral to our everyday lives, thus promoting sustainable development and creating opportunities for future generations. It is also our goal to make sure that our social measures and actions generate change. Therefore, we continue to put special emphasis, as we have done so from the beginning, on the communication of our social initiatives and the active involvement of our customers and employees. We also remain committed to supporting the 10 principles laid down in the UN Global Compact in the areas of human rights, the environment and anti-corruption. The progress we make in those areas is addressed by this report.

For the first time, this year, we also report how our current operations and sustainability goals contribute to, as well as pose risks or offer opportunities in terms of the achievement of the UN Sustainable Development Goals (SDG).

According to our expectations major changes are about to come. New megatrends and technologies (IoT, Big Data, AI, 5G) are in the process of transforming the whole industry, at the same time, our local market is about to undergo changes, too. It is one of our key objectives to draw on our adaptability use this ability to make Magyar Telekom and its customers winners of the changes to come.

It is our important decision to keep playing a key role in the digitalization of Hungary and promote this cause, because the opportunities inherent in digitalization can take us closer to resolving the most pressing social, economic and environmental challenges. It is our company's firm belief that this is the time to take action to enable everyone to become part of the digital world and to exploit the unlimited potential it offers. It is in that spirit that we work on our integrated services, and take an active role in the areas of digital education and skills development. We continuously develop the Network of Action, set up with the purpose of providing extra-fast internet access, to make it a reliable resource for individuals and communities in achieving their goals.

As a result of the intensive network development of the past years, Telekom's network today provides more than 3.5 million fixed-line access points providing at least 30 Mbps speeds. One million of those lines provide gigabit speeds on fiber. The benefits of fiber-optic networks are available not only within the city limits, but at more than 300 settlements with populations less than 5000, and close to half of those settlements have less than 1000 inhabitants. But it is not only those living in areas covered by fiber-optics that can enjoy the benefits of faster fixed-line access: one out of two Telekom access points offer at least 100 Mbps speeds. It is Magyar Telekom's long-term goal to provide gigabit networks everywhere in the whole territory of the country. Therefore, the company will put extra emphasis on further increasing its fiber coverage in the following years, gradually phasing out its copper network.

We have managed to maintain the excellent quality of our mobile network, which is outstanding in international comparison, too, because we view network excellence as one of our most important assets. Based on the measurements conducted by independent consultants, P3, Magyar Telekom's mobile network has achieved the best overall score ("Best in test" 2018/8) among Hungary's mobile operators for the third time in the area of voice and data services. The outdoor residential coverage of our 4G network exceeds 99%, and indoor residential coverage is close to 89%. Our 4G+ mobile internet network, offering 2-300 Mbps nominal speeds is already available at 190 settlements in Hungary, for approximately 35-40% of the population.

We are conducting advanced tests about the next, 5th generation of mobile technology, too: in July 2018, we were the first in Hungary to demonstrate a real-time 5G network; in January, we launched Hungary's first standard 5G test station at downtown

Zalaegerszeg; at the same time, we started to roll out a 5G test network with T-Systems at Zalaegerszeg, at the vehicle test field implemented there.

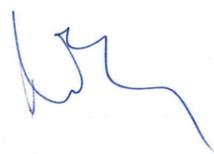
We are at half-time with implementing our Sustainability Strategy launched in 2016. Our services were provided to our customers through carbon-neutral operations in 2018, too. Being a responsible company, we are convinced that climate protection, digital sustainability and education are the foci by which we can make sustainability part of our business. As a result of our network development efforts, we now have a much more reliable platform to help us achieve the ambitious goal of our educational activity. By 2020, we want to have contributed to the education of one million people in order to enable them to become winners in their lives by living in a more conscious, more sustainable and smarter manner. Since the launch of the strategy in 2016, we have put in close to 37 000 hours of volunteer work aimed at supporting digital sustainability, thus generating value for the society equivalent to HUF 157 million.

We firmly believe that sustainability comes from conscious decisions and actions based on them.

We would like to enable our customers who think like us, and consider the fight against climate change important to choose services that contribute to climate protection. That is why in 2019, we developed our globally unique ExtraNet Green 1 GB option, by which we guarantee that we generate the same amount of energy by our own solar panels as the amount used for the respective data transmission.

We also stepped up to the next level in terms of our climate protection commitment, when we announced, being the first large enterprise in Hungary to do so, our long-term emissions decrease undertaking, covering the years through 2030, towards the global Science Based Target Initiative (SBTi).

I became CEO of Magyar Telekom in 2018. I am convinced that by openness, flexibility and readiness to take action, we can pave the way for the changes ahead of us. At the same time, I am also certain that our market excellence and authenticity can best be demonstrated by us taking part in the fight against the greatest global threat posed by this day and age, while also taking a responsible approach in facing local social challenges.



TIBOR RÉKASI
Chief Executive Officer