



# SUSTAINABILITY REPORT

# 2018



EGYÜTT. VELED

## SUSTAINABILITY APPROACH

Since Magyar Telekom Group has recognized the overall importance of sustainable development, as well as the fact that it is specifically critical for future business operations, it remains committed and continues to accept responsibility for pursuing its operations, corporate governance and other activities in the above spirit in Hungary and in all countries where the Group is present through its operations or partnerships, which is not only a token of our future business success, but one of our major assets in light of the Group's role in the region and its social, environmental and economic influence.

Sustainable development is not a challenge for one. It affects everyone across the whole corporate Group. Therefore, it cannot be approached as a task dedicated to one organizational unit. The different entities of the Group learn about and then apply the sustainable practices applicable in their respective areas through the policies governing internal operating procedures.

Our newly hired employees familiarize with and start to apply the sustainable operating principles that govern the whole Group and are present as an organic part of our corporate culture. The specific tasks often involve totally different entities within the Group, and require the cooperation of organizations far from each other. Magyar Telekom's sustainable corporate governance practice is described in **Chapter 7. on Responsible Corporate Governance**.

Values identified by our sustainability approach in the environmental, economic and social dimensions:

### Economic dimension

- Business venture, integrity, transparency
- Vision, innovation
- Employees, team, dynamism
- Client

### Social dimension

- Democracy, information society
- The future generations, sustainable society
- Diversity, social solidarity, quality of life
- Partnership, talent, creativity

### Environmental dimension

- The Earth
- A viable and wholesome environment
- Nature, biological diversity
- Natural resource

## CORPORATE STRATEGY

As a result of our focused strategic efforts, Magyar Telekom maintained its leading position in its Hungarian fixed voice, broadband, pay TV, mobile and ICT businesses in 2018, we successfully improved customer retention and delivered strong volume figures. We built a world class 4G mobile network and preparing to roll out 5G while massively improving our fixed line optical coverage in the coming years.

Based on our improved network capabilities we aim to provide services to all segment and customer on voice, TV broadband and IT markets. The strategic objective in the mid-term is to become more agile, enhance efficiency, simplify the product and services portfolio, increase process automation and online customer servicing. As an integrated provider, we continue to deliver a unique customer experience supported by our leading brand and best technology.

While anticipating new competencies required by the changing customer behaviour, technological advances, and new business models, we aim to exploit our abilities to become a leader in all digital services around the home for both customers and third parties.

Following our strategy enables us to exploit and develop our extended customer base, improve efficiency and capture growth opportunities in an extended market of information and communications technology and related industries, which secures stable cash generation in the long run.

## SUSTAINABILITY STRATEGY 2016–2020 ALIGNED WITH UN SUSTAINABLE DEVELOPMENT GOALS

We are convinced that our services and digitalization improve the quality of life and increase economic efficiency. By providing the required level of broadband access, we help the progress of the entire society and individuals alike. We firmly believe that by bridging the digital divide, we can contribute to new, significant innovations that can provide simple and tangible answers to the most urgent social and environmental problems of our times. By digital education, we make everyone a member of Generation NOW, regardless of one's age, from the youth already safely navigating cyberspace to the digital immigrant elderly. Being a responsible player of the industry, we can envision our operations only along a sustainable social, economic and environmental framework. Therefore, we work in a way and with the aim to exploit our business and sustainability potential simultaneously.

The slogan of Magyar Telekom Group's 5-year Sustainability Strategy from 2016 through 2020 is "Be Smarter", i.e. be more sustainable, more conscious, more responsible and better qualified through exploiting the opportunities offered by digitalization. In line with our responsibilities to society, in 2018, we included a Corporate Diversity and Inclusion Concept in our Sustainability Strategy, thus promoting the achievement of the complex sustainability priorities set forth by the UN Sustainable Development Goals (SDG) by seizing the opportunity to create an open and inclusive workplace for every employee.

As early as in 2016, we already elaborated our strategy in the spirit of promoting the achievement of the SDGs, and we have monitored our progress on an annual basis since then. We explored, in the framework of an impact analysis, which key

goals we can promote to the greatest extent in light of our activities that also create business opportunities for us.

Due to the nature of our core business, our main focus is on **SDG 9: Industry, innovation, infrastructure**. By striving to be an active player and enabler in Hungary's digitalization, we exploit the opportunities offered by digitalization that bring us closer to finding the answers to the most urgent social, economic and environmental challenges.

The main objective of our Sustainability Strategy is to make sustainability a part of business. The foci identified by the strategy encompassing the years through 2020 are as follows:

### Climate protection

In addition to generating revenue from our climate protection activities, our goal is to bring Magyar Telekom Group's actual CO<sub>2</sub> emissions down to below 100 000 tons. During the three years of carbon-neutral operations since the launch of the Strategy in 2016, we have neutralized more than 300 000 tons of CO<sub>2</sub> emissions, which is approximately the equivalent of the emissions generated by the city of Szolnok.

Therefore, we identified **SDG 13: Climate action** and **SDG 7: Affordable and clean energy** as high-priority goals.

We have significantly decreased our climate change effect by having completed our fourth carbon-neutral year in 2018, and by having carbon-neutralized not only our own operations, but also our Magenta 1 and Magenta 1 Business services in the whole service chain, thus involving our customers in our climate protection efforts, too. Our success in that was partly due to the fact that we provided 100% of the electric power supply for all of our affiliates in Hungary from renewing sources.



We also involved our employees in our climate protection efforts: as part of our community solar panel project, we invited colleagues to adopt 100 solar panels, all of which were taken for 2018 within only 2 workdays at the end of 2017, and for 2019 in only 18 hours at the end of 2018. The solar panels thus adopted generated 33.3 MWhs of clean energy in 2018.

We also track the CO<sub>2</sub> emissions of our suppliers, which is a necessary factor in laying down our CO<sub>2</sub> emissions decrease plan for the period through 2030, which is also the first such corporate plan to be endorsed by the Science Based Targets initiative (SBTi) in Hungary.

### Education

Our goal is to make people better educated, more digital, more conscious and more responsible. We increased our target set for 2020 from 100 000 to 1 million people reached, which we already exceeded in 2018.

The respective goal is **SDG 4: Quality education**.

We organized our Sustainability Day festival conference, which addresses the most urgent sustainability issues each year, for the 11<sup>th</sup> time in 2018. The theme was to be ELEVEN (also meaning “lively” in Hungarian). The event was attended by more than 6000 visitors last year, and by a total of twenty thousand since 2016.

Escalating the “Choose an IT career!” Program, in 2018, Telekom and T-Systems launched a game called “Be a creative mind!” aimed at high-school students, which popularizes not only IT specifically, but the educational potential of digital devices in general. The volunteers of the company have reached more than 28 000 students through the “Choose an IT career!” Program since its launch in 2016.

In the framework of the volunteer day event organized at various locations across the country, the volunteers held interactive presentations, relying upon the company’s collective knowledge, as well as the employees’ expertise and experience, for 2000 pupils aged 10-14 at 13 schools about four topics: social media and personal brand, internet security, IT career orientation and future jobs.

We are also committed to supporting kids’ and their parents’ safe internet content use. We strive to help children and parents alike to get prepared for the threats posed by the use of digital interfaces through providing verified content, advice and education aimed at kids, as well as smart watches designed specifically to protect kids.

### Digitally enabled digitalization

We set the goal to achieve 50% awareness of Telekom as a sustainable brand. It is our objective to ensure that our customers, too, use our sustainable digital services. For that, we strive to demonstrate and pursue activities that enable and inspire others, as well as rely upon sharing.

By that, we promote the achievement of **SDG12: Responsible consumption and production**.

Our “hello holnap!” mobile app has exceeded 20 000 downloads. Its purpose is to inspire people to get involved in sustainability activities, to give tips that promote a conscious mindset, and not only to generate value through the activities themselves, but also to credit points to those completing the activities that Telekom converts into money to be donated to the NGOs of the participants’ choice. Users of the app collected thousands of points, and thus donated 3.5 million in 2018, and a total of close to 5 million.

As part of the volunteer day organized at several locations across the country, besides delivering digital courses, our colleagues also undertook traditional types of volunteer work. In course of the year, Magyar Telekom’s 1059 volunteers put in a total of 11 988 volunteer hours. That is the equivalent of one person doing 24 hours of volunteer work a day for close to 1.5 years. By that, we generated a theoretical donation value of HUF 42 million for the society in 2018, and a total of 157 million since the launch of the Strategy.

We incorporated the analysis of sustainability aspects into our product development processes, thus achieved that by 2018, 35% of our sales came from products and services deemed promoting sustainability.

### Diversity

Our goal is to create a diverse and inclusive corporate culture. We consider the innovative potential of our teams consisting of different people representing different skills as an asset, and it is an important objective of ours to be an inspiring, safe and open workplace for everyone.

We consider **SDG5: Gender equality** as a top priority.

We conducted an anonymous survey regarding the diversity and equal opportunity status of the company. The feedback and recommendations received served as one of the main pillars of our Diversity Concept, which puts emphasis on establishing

an anti-discriminatory, safe space, ensuring equal opportunity for vulnerable groups of employees and on the importance of assuming joint responsibility for maintaining the above. It was also in course of this process that we realized that in order to create a corporate culture free of discrimination, first we need to become aware of our unconscious biases. Therefore, we became the first in Hungary to develop our own training material aimed at increasing awareness about unconscious bias in Hungarian and adapted to local cultural conditions, which we made available for our employees in the spring of 2019.

We also consider the increase of the ratio of women in executive positions important. Therefore, we work, as part of Deutsche Telekom Group, to achieve a ratio of at least 30% by 2020.

We are aware that one way to do so is to develop an equal opportunity-based nomination process, parallel to which we

must also ensure that life events specific to women (child birth or times when they have to care for someone else) do not undermine their career opportunities.

In 2018, we launched a human rights course, in the spirit of compliance with the Code of Human Rights and Social Principles, aimed at our employees and partners working closely with us, which close to ten thousand of them completed by September 2018. The human rights course became mandatory from October 2018 at Magyar Telekom.

In each chapter of the Sustainability Report, we indicate which SDG the specific chapter is relevant to, and for the first time this year, we also compiled a **separate report** that includes which goals we consider as priorities along our activities, and how we contribute to the achievement of specific targets.



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## MATERIALITY

When preparing this report – in compliance with the “Comprehensive” level of the Global Reporting Initiative Standard (GRI Standard) – we put the emphasis on materiality, stakeholder inclusiveness, completeness, accuracy, comparability, timeliness, reliability, balance and sustainability.

The scope and the content of the report was defined on the basis of Magyar Telekom’s materiality analysis and as an external resource we also used the questions of responsible investor analysts (Oekom Research, FTSE Russell, Sustainalytics, Robeco SAM) as well as the materiality analysis and manual of the Global e-Sustainability Initiative (GeSI) prepared for the ICT sector.

Magyar Telekom’s materiality analysis helps to define all sustainability topics that are important and actual for the company and its stakeholders and supports the implementation of the stakeholders’ interests into business processes and strategic objectives.

The topics were defined, prioritized and grouped during the preparation of Magyar Telekom Group’s Sustainability Strategy in the first place, then the topics were verified - and if necessary revised and amended - upon their annual submission to the Management Committee. The development of the materiality process is also supported by continuous harmonization with other strategies of the company.

When defining the scope, content and structure of the year 2018 report we took into account the results of the stakeholder survey presented in details in the Stakeholders chapter. Based on the comparison of the sustainability strategy priorities for the period between 2016 and 2020 and the priorities of the stakeholders the ranking and groups of the materiality of sustainability topics are as follows:

### MATERIALITY OF SUSTAINABILITY TOPICS OF MAGYAR TELEKOM IN 2018

High priority topics	Medium priority topics	Low priority topics
Climate protection and energy efficiency	Environmental targets, costs and compliance	Corporate governance
Protection of minors in the Digital Age	Management of customer complaints	Cooperation in environmental and social issues
Customer satisfaction	Data protection	Occupational health and safety
Resource-consumption	Informing our customers	Corporate compliance
Human rights, equal opportunities	Award for suppliers	Supplier relations
Emissions	Safe use of mobile phones, electromagnetic fields	Local procurement
Sustainability in the supplier chain	Sponsorship	Service availability
Innovation for sustainability		Addressing legal and ethical aspects of content service providing
Involvement of our employees		Regulatory compliance
Initiatives to eliminate the digital divide		Risk management
ICT products for sustainability		Managing changes
Our employees as corporate citizens		Talent management
Involvement of our customers		Professional cooperation
Community investments		Investor relations
		Political presence

Based on the analysis and the materiality ranking we believe that all topics have significance both inside and outside the company.

The structure of the report follows the priorities of the materiality analysis: high priority topics are presented in details, information on medium priority topics are provided partly in the chapters,

partly in the GRI table of contents whereas low priority topics are primarily provided in the GRI table of contents to provide as transparent information to all stakeholders as possible on the company’s corporate governance, environmental and social impact as well as the underlying risks and opportunities.

### PROCESS FOR DETERMINING THE CONTENT OF THE REPORT

#### OBJECTIVE AND USE OF THE REPORT

The objective is to give a full-scope picture, as the report is an information source for all stakeholders; however the entirety of the report is primarily prepared for our shareholders and investors, and among them chiefly our responsible investors and sustainability analysis.

#### SPECIFICATION OF THE TOPICS

The topics of the report were determined on the basis of the information required by responsible investor analysts, investors and regulators.

#### INVOLVEMENT, TESTING VALIDATION

Continuous collection information, analysis of trends, harmonization with the company’s organizational units, involvement of stakeholders, incorporation of feedback into the material .

#### PRIORITIZATION OF THE TOPICS

Prioritization is provided in the strategy however, the Sustainability report is a reporting tool, therefore it covers all specific topics .