



SUSTAINABILITY REPORT

2017



EGYÜTT. VELED

LETTER FROM THE CEO

DEAR READER,

I am proud to present to you Magyar Telekom Group's Sustainability Report 2017, which sums up a dynamic and successful year of our operations.

By 2017, it had become obvious all around the world that asset managers and asset owners do take companies' sustainability activities into account before they make their investment decisions. A research conducted by BNP Paribas among 461 asset managers and asset owners in 2017 found that 79% of the responders adopt their investment decisions and assess the products available on the market based on the sustainability activities pursued by the specific companies¹.

It is especially important for us that based on our sustainability activities we are considered to be among the best in the industry, as it shows we are on the right track. The responsible investment rating agency ISS-oekom, in its report published in April 2018, reviewed the sustainability performance of more than 3,800 companies around the world based on December 2017 data of approximately 100 indicators². In that review, Magyar Telekom was ranked first in the telecommunications sector, ahead of companies many times larger in terms of revenues, size and personnel. According to our understanding this shows that efficient sustainable operation is a matter of commitment, regardless of the size of the enterprise.

Furthermore, in 2017 we continued to be listed in the FTSE4Good Emerging Index, we were rated by Trucost, and we

continue to be part of CEERIUS (Central and Eastern European Responsible Investment Universe) index, too, from its beginning. Due to our commitment to climate protection, we report each year to the CDP (Carbon Disclosure Project) independent rating agency, that is followed by investors representing a total of 100 trillion dollars.

Since last year, our Sustainability Report includes reference to our contribution to the UN Sustainable Development Goals (SDGs), too. We remain committed to the 10 principles laid down by the UN Global Compact in the areas of human rights, the environment and anti-corruption, the progress achieved in the context of which we address in the report.

As a result of our sustainability performance, 32.1% of the company's free floating shares are held by responsible investors³, who establish their portfolios primarily based upon the principle of investing into companies that are leading in terms of sustainability.

Our affiliates also play key roles in Magyar Telekom Group's business and sustainability success. Makedonski Telekom launched the 'Makedonski Telekom Goes Green' program in 2017, in the framework of which a project team representing all functions within the company works on developing innovative ideas and initiatives aimed at protecting the environment and promoting the company's social responsibility.

(1) BNP Paribas ESG Global Survey, 2017: http://securities.bnpparibas.com/files/live/sites/web/files/private/surv_esg_en_2017-07-07.pdf

(2) oekom Corporate Responsibility Review 2018: <http://www.oekom-research.com/homepage/english/2018-04%20oekom%20CR%20Review-EN.pdf>

(3) In our Sustainability Report 2016, we estimated that 8% of our freely floated shares are held by responsible investors. From 2017 on, we apply the IPREO methodology, in alignment with Deutsche Telekom.

The year 2017 was of special significance for our affiliate, T-Systems Hungary, too. Reaching its fifth year of operation it was selected to be the regional center for smart solutions within Deutsche Telekom by the establishment of the European Smart Solutions Center entity, tasked to accelerate the development of smart cities in Europe. ESC provides central functions like marketing, supporting partnerships, controlling pre-sales and post-sales processes, as well as closely cooperates with local smart city sales and implementation experts.

As part of our renewed innovation strategy, from last July on, Kitchen Budapest (KiBu) was transferred to T-Systems to operate as its innovation lab, and from November 2017, the total business customer segment of Magyar Telekom is served by T-Systems.

Magyar Telekom demonstrated strong performance again in 2017: our full-year sales grew by 6%. We further strengthened our market presence as an FMC (fixed-mobile convergence) provider, and prepared ourselves for the expected changes of the Hungarian telecommunications market and customer demand by introducing the new Flip brand, which represents simplicity and no commitment required from customers.

In 2017, in addition to the fact that Magyar Telekom's 4G network was ranked 1st in Hungary and 5th globally on the P3 list, we were the first to introduce a 5G connection in Hungary, reaching download speeds of 22 Gbps.

The central objective of our fourth Sustainability Strategy started in 2016 is to make sustainability part of Telekom's business. In addition to having completed our third 100% carbon-neutral year of operation in a row, we started to take steps to introduce products and services that enable our customers to go green, too. At the end of 2017, we launched our community solar panel project among our employees. Furthermore, as part of the carbon-neutrality effort, in addition to the company's operations, the existing Magenta 1 and Magenta 1 Business services will also be carbon-neutral in 2018.

We continued to create value for the society with the involvement of thousands of colleagues working for causes like eliminating the digital divide, promoting cyber security and conducting educational programs aimed at building a succession pool for the industry. As part of the Telekom Volunteer Day event, attended by close to 1000 people, we installed playground equipment accessible to handicapped children, and made public premises nicer and more livable, among many other activities.

We firmly believe that ICT technologies enable accessibility. That is why we further strengthened our cooperation with the Autistic Art Foundation in 2017, adopted measures to make our company an even more inclusive and diverse workplace, and included an additional discount in the "hello holnap!" tariff package available to handicapped customers.

By means of our network development and educational programs, we contributed to the achievement of the objectives set forth by the Digital Welfare Program, i.e. making the high-speed broadband (at least 30 Mbit/s) network available in every household in Hungary by the end of 2018, as well as to enable users to use the internet and their mobile devices safely and in possession of the necessary skills, aware of the opportunities offered by the internet that can make our lives easier.

It is my pleasure that in my capacity of heading a really responsible successful company, committed to creating value for the community and to sustainability, I am in a position again to recommend to you Magyar Telekom's Sustainability Report and the achievements described therein.



Christopher Mattheisen
Chief Executive Officer

Budapest, May 10, 2018