



HEADING NEW WAYS

Pannon Annual
Sustainability Report for 2008

2008



3 CEO statement

6 2. Company profile

- 2.1 Profile
- 2.2 Products and services
- 2.3 Awards and recognition

12 3. Economic performance

- 3.1 Business results
- 3.2 Our customers
- 3.3 Suppliers

18 4. Employees

- 4.1 Employment
- 4.2 Training, career, performance evaluation
- 4.3 Internal value creation - IVC
- 4.4 Healthy working environment and work safety

30 5. Community partnerships

- 5.1 Our stakeholders
- 5.2 Cooperation for safe mobil use
- 5.3 Social investments and donations
- 5.4 Sponsorship

46 6. Corporate governance

- 6.1 Strategy
- 6.2 Governing bodies, organisational structure
- 6.3 Internal regulations and policies
- 6.4 Product liability
- 6.5 Cooperation with the authorities
- 6.6 Responsible marketing

54 7. Enviromental protection

- 7.1 Climate change
- 7.2 Energy consumption
- 7.3 Waste management
- 7.4 Paper consumption
- 7.5 Transport
- 7.6 Boosting enviromental consciousness
- 7.7 Monitoring and tracking

59 8. Technical information about the report

60 9. GRI content index



Firm foundations, clear vision

Welcome

Looking back to 2008 we could present a lengthy list of the factors that have had a major impact on the lives of people all over the world in the sphere of politics and the economy. The mobile industry was by no means exempt from the frequency of such events, but it was able to continue the progress started a few years ago and bring lasting changes to the lives of people despite the unexpected factors that changed our lives from overnight, such as the financial crisis.

In our view, over time the mobile telephone has become an essential public utility of our business and private lives. This creates a foundation upon which we can build our activity with confidence, facilitating communication between people and thereby contributing to the overall welfare and development of society and the economy as a whole.

We at Pannon believe in the importance of our role and do our best to fulfil our mission. We are here to help, and we plan to keep on helping in the long term, too. Therefore, the sustainability of our business, of the society with which we maintain a good and mutually reinforcing relationship and of the natural environment embracing and nurturing us forms the solid base for Pannon's existence.

The number of mobile phones sold had increased by nearly 120% by the end of 2008, which means that most Hungarians own not one but two mobile handsets. Thus, we could easily ask whether the industry has any potential for further development in such circumstances. What more could mobile telecommunications offer to customers in addition to the services that have been provided for almost one and a half decades?

My answer is that there is vast untapped potential in our industry. In 2008, we transcended the traditional compass of mobile telecommunications and expanded the sphere of non-voice telecommunications services: mobile internet and machine-to-machine communication, in-

There is vast untapped potential in our industry. In 2008, we transcended the traditional compass of mobile telecommunications and expanded the sphere of non-voice telecommunications services.

creasingly widespread all over the world, have also started to conquer the Hungarian market. I am proud to say that Pannon is at the forefront of this process, and will do all it can in the future, too, to discover and utilise new areas where the resources available to the company can be used to provide people with effective assistance.

Anders Jensen - CEO



In the foreground: Eszter Varga (Marketing Communication Specialist),
Kálmán Hatala (Segment Manager - Non-voice), In the background:
Balázs Michélsz (Media manager & Activity coordinator)

Company profile

- What environment does Pannon operate in?

- With our 35% market share based on number of customers, we are the second largest mobile operator in Hungary and one of Hungary's leading enterprises. In line with the requirements of our parent company, Telenor, Pannon has a long-term vision. We think for the long term, and make our invest-

ment decisions accordingly. We are not driven by immediate profit considerations.

- Hungary has a SIM card penetration corresponding to the European average, but its usage indices lag behind the European level. Why?

- Nearly every financially developed market has a high SIM penetration rate and actual SIM card usage is usually

below this index. Usage in Hungary lags behind the European level because the country faces a challenging financial situation. The gap between Hungary and Europe, however, tends to decrease. Bridging this gap as soon as possible is important not only for the mobile sector, but also for Hungary as a whole.

- What can be the mission of a telecom company in this environment?

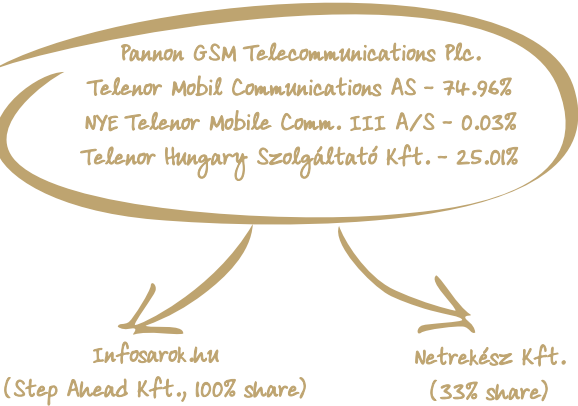
- Pannon has the same mission as ten years ago. We work to improve the quality of life and make people's everyday life easier using mobile technology. We have to improve efficiency: enhance the quality of voice and data communications, support learning and provide people with

prompt information to enable them to make better business decisions. I believe this mission will not change in the future either. Mobility gives you freedom.

Anders Jensen - CEO

2.1 Profile

Pannon GSM Telecommunications Plc. is one of Hungary’s leading mobile operators. The company, fully owned by the Norwegian Telenor Group, entered the Hungarian market in 1994. At the end of 2008, Pannon had 3.731 million active subscriptions and a market share of 33.9%. The number of employees at the company was 1,241.



Headquartered in Norway, Telenor Group is one of the world’s largest global mobile service providers and a global supplier of telecommunications, data and media communications services. The group has business interests in 13 mobile markets in Scandinavia, Central and Eastern Europe, and Asia. With over 160 million mobile subscribers, Telenor’s annual revenue in 2008 reached NOK 111 billion and its workforce numbered over 40,000 (all three figures include data from Kyvistar).

Pannon has two subsidiaries: Netrekész Közhasznú Kft. and Step Ahead Kft., established in December 2007 and

June 2008 respectively. Netrekész was established on the basis of a state initiative; its founders, besides Pannon, are Magyar Telekom and UPC. It was set up to motivate more people to use the internet. Step Ahead operates the website infosarok.hu and its embedded portal, hirsarok.hu.

2.2 Products and Services

Pannon’s objective is to use the opportunities inherent in mobile telecommunication to offer clients products and services that facilitate everyday communication and, being progressive, also contribute to economic and social development. When the company began, in 1994, it added a new feature to communications that had been dominated almost entirely by landline connections. Soon after, it introduced the first SMS service in Hungary, a now indispensable means of communication.

The current offering, which contains the full range of mobile telecommunications services, has evolved through further development of the initial services. Our products and services are grouped according to service type, user type, age-group and type of offering.

Type of service

Voice services: The wide range of Pannon’s tariff packages means that all target groups can find a calling plan that suits them. Post-paid customers have a wide selec-

tion of tariff packages with favourable monthly fees to choose from; pre-paid customers can enjoy the freedom of phone calls without a monthly fee, and New Generation Pre-paid customers can benefit from the best of both worlds. Pannon offers handsets at special prices with these packages, ranging from entry-level phones to sophisticated smart phones.

Data services: Pannon offers a wide selection of data services. With our mobile internet service, 99% of people in Hungary can access the mobile broadband network (EDGE) and, as of late 2008, access to the 3G/HSDPA network, currently with the highest throughput rate, has been available in 371 towns and villages. In late 2008, deployment of the new infrastructure needed to offer 14.4 Mbps throughput rate and, at the same time, HSUPA capability providing high upload rates began.

Pannon’s internet packages enable customers to access the internet from a laptop, PC or mobile phone. In addition to the packages which have various download limits, in 2008 the company introduced Pannon Internet Night and Day and Pannon Internet Night and Weekend, which offer unlimited traffic.

Near 100% mobile broadband coverage

Other non-voice services: Pannon is a market leader in utilising mobile technology in areas that go beyond traditional people-to-people communication and has taken an active role in developing a number of services where mobile devices can be used for machine-to-machine communication. Some examples are DataMed, a health data communication system introduced in 2008, and Mobile Payment.

Type of user

Residential users: Pannon’s objective is to provide residential users with simple, easy-to-use, affordable communication services. The new Family Package of 2008 with free calls to a chosen group of numbers, the one week of free calls per month, or the HUF 0 price of calls after the first 5 minutes are just some of the solutions enabling our customers to reduce their telephone costs.

Business customers: Pannon’s portfolio of business services has something for all firms, from one-man companies to large corporations. Our cost-cutting solutions (such as ‘Uniósország’ – ‘EU country’, ‘Unikörzet’ – ‘Unique area’, ‘Multikörzet’ ‘Multiarea’, ‘Cégen belül 0 Ft’ – ‘HUF 0 intracompany’) enable companies to optimise their communication costs and thereby increase their competitive edge and the efficiency of everyday operations. In 2008, Pannon introduced the BlackBerry solution, which facilitates electronic correspondence and communication within a company, as employees can access their e-mails from anywhere. To further fa-

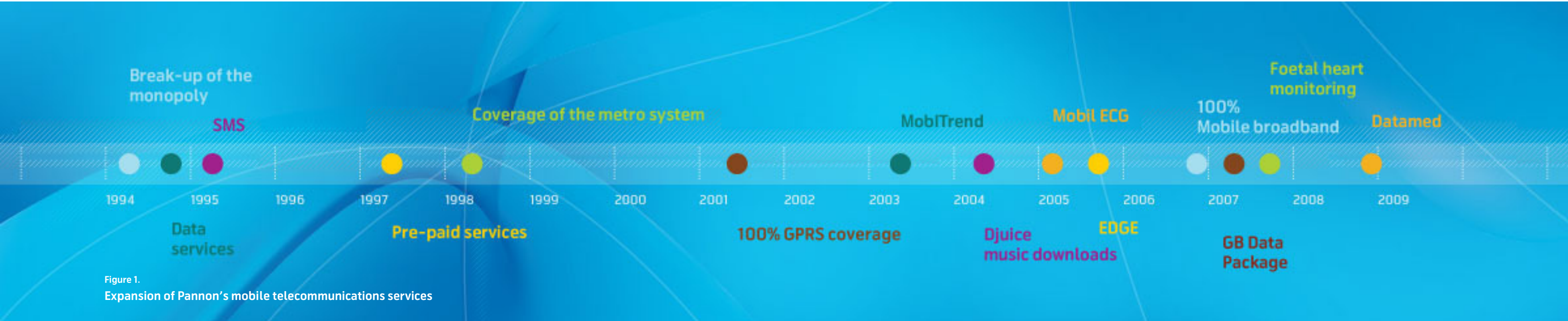


Figure 1. Expansion of Pannon’s mobile telecommunications services

cilitate electronic correspondence within the company, we also offer our business customers E-mail Exchange and E-Phone Corporate services.

Age group

Pannon: The Pannon brand is the umbrella under which everyone can make use of our services; the 10 million Hungarians and foreigners alike.

Djuice: Djuice is the Pannon brand that concentrates on the needs of young people. The communication needs and habits of the under-25 age group are markedly different from those of other age groups. Djuice's packages and services cater for this age group.

Type of offering

Permanent offers: The services and packages that are continuously available to our customers.

Promotional offers: Pannon makes seasonal offers in voice and data service areas. Seasonal voice service offers have included, for example, Roaming Utazó – 'Traveller' and Nagyutazó – 'Globetrotter' in summer 2008, and seasonal data services – discount mobile internet packages – were offered in the run-up to the summer season.

Ensuring that all customers receive the service that is right for them in terms of both quality and price is especially important to Pannon. To achieve this, the company will continue to focus on the standard and quality of customer service, remaining true to its 'Close to You' slogan, so that all Pannon customers feel that their service provider has their best interests at heart.

**Our message is simple:
We're here to help.**

2.3 Awards and Recognition

February 2008: Pannon receives award for programme to support female employees

Pannon received the "Best Workplace for Women 2007" award from "Világgazdaság" magazine for its work organisation solutions for female employees. An assessment by the Association for Women's Career Development in Hungary and the Ministry of Labour showed that what was particularly valued by female employees at Pannon was the choice of different flexible work organisation solutions. Working in a work-time quota system, telecommuting and part-time or home-based work are all institutionalised options at Pannon. Flexible allocation of working hours and the option to work from home also supports working mothers by allowing fathers to take a more active role in family obligations and in raising their children.

October 2008: Pannon is Hungary's best performing company

Pannon was proud to be awarded the title "Best Performer of the Year" by Figyelő TOP 200 of 2008. Each year the jury awards this to the Hungarian company that has demonstrated the best financial performance on the basis of a set of predefined indicators. Pannon received this prestigious award for its achievements in 2007.

November 2008: Pannon wins Good CSR Award

Pannon joined the Good CSR Programme, which was designed with the help of international partners and launched by Braun & Partners Network in 2008. The objective of the programme was to expand the sphere of companies registered in Hungary that report their economic, social and environmental performance according to the standards of the Global Reporting Initiative.



On the basis of the company's report, Pannon ranked the best among 25 Hungarian corporations in the fields of responsible corporate governance.

The Good CSR jury included Kincső Adriány, managing director of Hungarian Business Leaders Forum, Noémi Alexa, managing director of the Hungarian Transparency International Foundation, and Viktor Bálint, production director of Sanoma Budapest Plc.

November 2008: Bay Zoltán Innovation Award to Győző Drozdy for his innovation activity at Pannon

The Bay Zoltán Public Trust award is the recognition of outstanding results in innovation. The public trust celebrated its 15th anniversary in 2008 and is today the largest and most successful non-profit applied research institution

in Hungary. Its purpose is to increase the competitiveness and efficiency of Hungarian corporations through successful innovation and technology transfer. The award was granted in 2008 for the first time, in three categories.

Our objectives and values

Pannon's primary objective is to create permanent value for its shareholders, customers, employees, partners, and society as a whole. Our goal is to help our customers take full advantage of our communications services on a daily basis:

- ensuring our customers have easy access to and easy use of our services in their everyday lives,
- keeping our promises,
- respecting diversity,
- encouraging everyone to seek new avenues and approaches.

*Our message is simple:
We're here to help.*

Our major values are the actions that are indispensable to the realisation of our goals:

- Make it easy
- Keep promises
- Be inspiring
- Be respectful

Upon the initiative of the Human Resources Directorate, in 2008 Pannon employees elected, from among their own ranks, value ambassadors. Three ambassadors were appointed for each of the four main Pannon values. They were interviewed and their advice was published on the intranet portal. The purpose of this was to strengthen acceptance and utilisation of the company's values.

For more information on innovation see Social Investments and Donations chapter



Business performance

- The EU considers ICT growth key to European competitiveness. What about you?

- I fully agree with the position of the European Commission. ICT technologies have a major impact on industrial development and business activities. ICT is one of the most influential industries in the world and it plays a dominant role in the competitiveness of Europe. You have to pay attention to the ICT

industry, promote its growth and ensure that we have strong education to remain competitive even against our powerful Asian rival.

- In many countries, mobile telecommunications has an economic impact exceeding its contribution to the GDP. What about Hungary?

- The widespread use of mobile phones and actions to improve

mobility generate high-value infrastructure projects that give momentum also to other industries. This is the reason why the economic impact of mobile telecommunications exceeds its contribution to GDP. This applies also to Hungary but the current regulatory framework fails to adequately stimulate investment. I think it is one of the biggest obstacles why the Hungarian mobile sector has failed to boost GDP to an even higher extent.

- What will be the major development directions of the industry in the next five years?

- If regulators create a better investment climate for the mobile industry, we may see the coming of a new era centred around data communications. This is where I expect a major breakthrough. As I already mentioned, Hungary has a SIM card penetration corresponding to the European average, while

the availability of broadband Internet access is well below the European level. Mobile broadband coverage lags behind that of Western European countries and we have to achieve major progress in this field.

- Do you expect it to happen in the next 3 to 5 years?

- I am quite optimistic in this regard. I believe that there is an

opportunity to achieve major progress. If industry players, investors and the government join forces, Hungary's broadband coverage may soon improve.

Anders Jensen - CEO

3.1 Business results

In 2008, Pannon’s total sales revenue for the entire year was HUF 4.2 billion lower than the previous year. Revenues from the sale of handsets decreased, which was partly compensated for by the broadening of the customer base and the sales revenue of the mobile internet service. Investment levels grew nearly 21% compared to the previous year.

table 1.
Financial data according to the International Financial Reporting Standards (IFRS)

	2006	2007	2008
Sales revenue (HUF million)	194,659	192,547	188,363
EBITDA (HUF million)	72,135	77,058	76,445
EBITDA rate (%)	37.1	40	40.6
EBIT (HUF million)	45,777	55,441	55,369
CAPEX (HUF million)	19,702	14,822	17,879
ARPU index (HUF)	5,028	4,630	4,292

3.2 Our Customers

As Hungary’s second largest mobile service provider, Pannon’s objective is to provide both the residential and business sectors with suitable services tailored to individual needs.

In order to ensure a professional service, this large customer group needs dividing up according to requirements.

We received the Figyelő Top 200 award for this year’s performance

Pannon distinguishes between the following subscriber segments:
– Residential subscribers
– Business subscribers

* Investing in development is a key factor of long-term success

Data protection

Pannon shall conduct its data management activities according to the legal provisions in effect, especially Act LXIII of 1992 on the Protection of Personal Data and the Disclosure of Information of Public Interest (hereinafter: the Data Protection Act) and Act C of 2003 on Electronic Communications (hereinafter: the Electronic Communications Act).

In keeping with the legal requirements, the management of the personal data of subscribers is provided for by Pannon’s General Terms and Conditions and the company’s internal data protection regulations. Subscribers can read an abridged version of the rules of data management on the company’s website. Other parties whose personal data are also managed by Pannon for the purpose of securing new business – i.e. mainly potential customers – can also read about the rules of data management on the website. http://www.pannon.hu/en/about_pannon/legal/

In keeping with the relevant legal provisions, Pannon declares to the Parliamentary Ombudsperson responsible for Data Protection for entry into the Data Protection Register all activities that are not exempted from the reporting duty by the Data Protection Act. The management of subscribers’ personal data is continuously supervised by Matrix Tanúsító Kft., as an independent third party, when conducting audits of the closed billing system.

During 2008, several requests and complaints related to Pannon’s data management were received; the company examined each case in detail and informed the parties concerned of the results. A total of 1,160 electronic and paper-based submissions were made to the Data Protection and Abuse Prevention Department. Some of the complaints were not related to data protection; these were forwarded to the relevant organisational units. The Data Protection Commissioner conducted two investigations in connection with Pannon’s data management practice; these were not related to any individual subscriber’s complaint. As a result of the examinations, Pannon will amend the data management practices concerned.

Table 2.				
Number of customer complaints submitted	2006.	2007.	2008	
Number of complaints submitted to the Data Protection and Abuse Prevention Department	247	632	1160	
Justified data protection complaints	6	7	3	
Investigation by the Parliamentary Commissioner for Data Protection	1	1	2	

Residential subscribers

Among residential subscribers we differentiate price-sensitive young people (15–25 age group); active adults, and price conscious groups characterized by more restrained mobile telephone usage. These markedly different consumer groups have one thing in common: they all make phone calls, and mobile phones have become part of their everyday lives. Beyond this, each group has different expectations of their mobile service provider.

Business subscribers

Business subscribers most highly value quality, stability and reliability of the service, as accessibility and communications are essential to corporate operation.

Micro and small enterprises form an extremely heterogeneous group with a diverse sphere of activity. In their case, there is no clear distinction between work and private life. Their ways of thinking and purchasing decisions are similar to those of residential subscribers. Always being contactable is important, as their work depends on this.

In the case of medium enterprises, the distinction between work and private life is more clear cut. Flexibility is important, as they have to adapt quickly to changing circumstances. They are increasingly cost conscious in relation to their size.

Large corporations form a special group. As large accounts they seek suppliers and service providers. They are usually provided with one-off customised service packages. As they are large accounts, contact with them is maintained and their requirements and problems are managed through dedicated contact persons.

Customer Satisfaction Surveys

Pannon attaches great importance to providing customers with a high quality service at a good price, since this is the key to long-term, successful business operation. To ensure this, the company conducts extensive customer satisfaction surveys each year in respect of products, network and pricing. These surveys are conducted in several customer groups, and measure levels of satisfaction with the service they receive when contacting Pannon through various channels – telephone customer service, Pannon shops.

Telephone Customer Service

Throughout the whole of 2008, Pannon interviewed 3,600 customers who had contacted the telephone customer service. Areas examined were ease of navigation within the automatic menu system, length of time waiting for an operator to be connected, and proportion of customer problems satisfactorily resolved.

Figure 2.
Customer satisfaction survey results
Telephone customer service

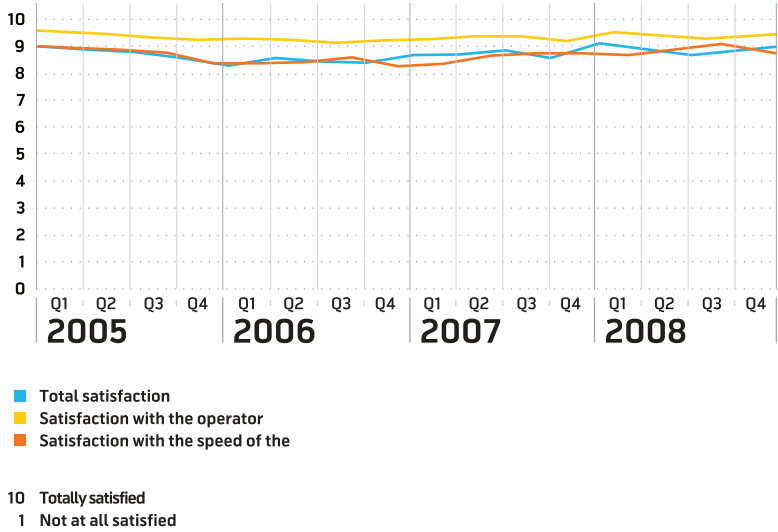
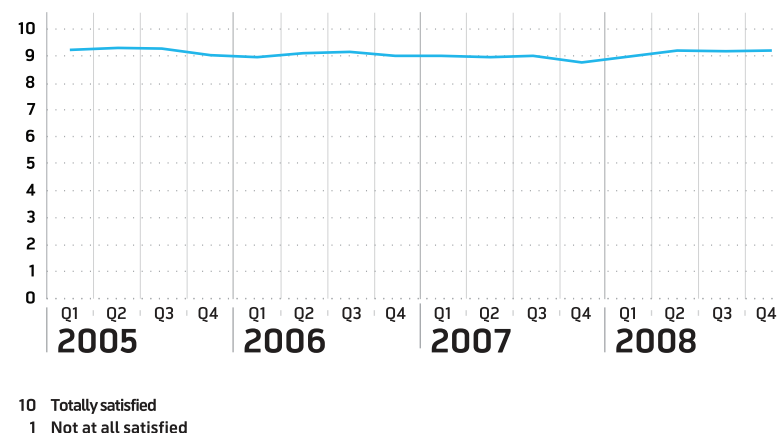


Figure 3.

Customer satisfaction survey results Telephone customer service



The results of the survey indicate that, on the whole, Pannon provides a high quality customer service: in general, customers were satisfied, and the service provided by the telephone customer services representatives was rated particularly highly. Customers were less satisfied with the waiting times of the service, therefore further development is required in this area.

administrators are polite and helpful. On the other hand, administrative processes – even though these also received a high rating – could be simplified further.

In this way, Pannon continuously monitors the satisfaction levels of its customers at their various points of contact with the company. In general, the surveys indicate that the company has achieved a high level of service, therefore Pannon's primary task remains the monitoring of these areas in order to ensure that quality levels are maintained.

Figure 4.

Customer satisfaction survey results Pannon Shops Satisfaction with administrator



Pannon Shops

In 2008, a survey was carried out among 12,900 customers who made purchases or managed their affairs in one of the 43 large Pannon shops. The survey measured the level of customer satisfaction regarding the shops, the administrators and the various administrative processes. Although Pannon has been conducting this survey for several years, the data are not comparable to the data of previous years due to changes in methodology.

The results show that overall customer satisfaction is also very high in this area; customers find that the

3.3 Suppliers

As of June 2008, a new director has taken over the management of Pannon's procurement activities, whose most important message to the suppliers is "increase proactivity". Pannon's aim is to start thinking together with the 1,200–1,500 annual recurring suppliers about how to improve, simplify and render more cost-efficient the activities within the cooperation.

Suppliers' Code of Conduct

The review of the suppliers code of ethics was started in the second half of 2008 at Telenor, and resulted in more stringent requirements for suppliers (in respect of work safety, human rights and other ethical issues). Pannon is also part of this process, within the framework of which several work safety and health audits and audits examining the working conditions at supplier companies were conducted during 2008. These were done by Pannon in cooperation with DNV, the partner employed by Telenor. Random sampling checks were carried out on suppliers involved with operations, primarily network-related tasks. On-site examinations were conducted at five places of business, and 100 companies were sent an Easy Risk Assessment Form to complete. Taking into account Telenor's experiences, we found that the situation in Hungary is no worse than in the region as a whole, but there is room for improvement if the company sets suppliers stricter work safety and health requirements. In this way Pannon intends to prevent work accidents in high-risk areas along the chain of suppliers.

The new, company-level code of ethics will be finalised and adapted by Pannon in 2009.

Selection of Suppliers

Pannon wishes to cooperate with high quality suppliers worthy of the company's reputation. Selection criteria are set according to tenders to ensure that we work together with the very best partners.

Suppliers are selected according to a predefined process. Calls for proposals and tenders are coordinated and evaluated by a multifunctional procurement team which makes recommendations to the top management. In addition to the procurement expert, the team includes representatives from the requesting area and the finance department. Beside the total cost concern-

ing the term of the contract, the recommendations for decisions also include, as parameters to be evaluated, the usual quality and service aspects, and references. In recent years, including 2008, the weight of environmental considerations has increased. For example, the calculation of the energy consumption of solutions purchased is a regular element of the total cost calculation. It is important to mention that financial evaluation also takes into account transparent financial operation, tax arrears and stability.

Besides maintaining strict financial control of its internal processes (adherence to the Sarbanes-Oxley principles), Pannon strives to simplify and automate as many processes as possible. The company's targets include electronic ordering and requests for proposals, and the introduction of a state-of-the-art electronic e-catalogue system is also planned for standard products. The aim is to reduce the paper consumption of inter-company transactions.

Investments

The format and content of recommendations for investments over a predefined amount are examined by the Investment Committee. Recommendations made by the Investment Committee are approved by the CEO.

Pannon's Investment Committee holds monthly meetings dedicated to the review and recommendation of investment projects. Members of the Investment Committee are the CEO, CFO, CMO, CTO, procurement director, and director of development.

Employees

- How do you define a good employee?

- A good employee is proud of his/her company and its brand and is happy to work there. Pride is the key to efficient work, as it makes people do their best to promote the success of their company. But you need a good company to have good employees, and you need a good boss to have a good team.

- How can you make your staff loyal and committed to their job?

- Everybody has to understand what our business is about and how it can impact the society as a whole. According to my philosophy, loyalty and commitment is based on efficient internal communication present in all parts of the company from the lowest levels. If you don't share your company's mission

with your employees, you cannot expect them to have confidence in the company they work for. We need people who live and breath the brand – it is not enough to be familiar with the brand name.

Anders Jensen - CEO

The creation of workplaces, the provision of stable employment and long-term human resources are among the most important values that enable a company to contribute to the growth of the economy. Local needs, traditionally known by Pannon, are fulfilled by the local workforce. This does not present an obstacle to the international flow of employees, however; as a member

Figure 5.
Distribution of managers 2008
By age

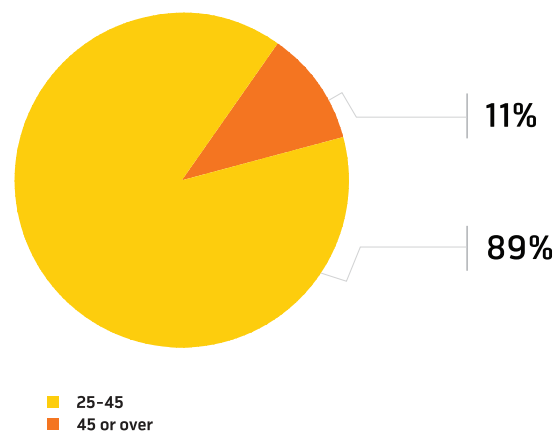
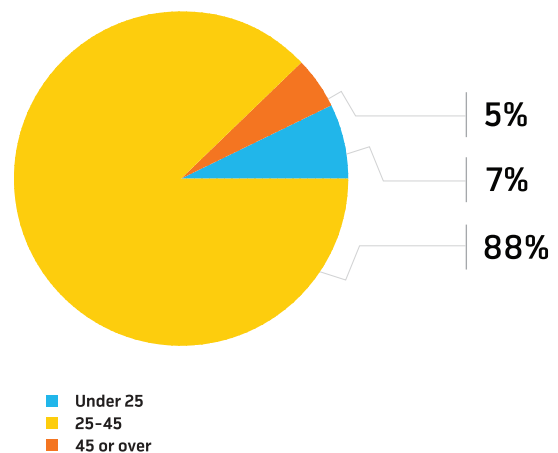


Figure 6.
Distribution of employees 2008
By age



of the Telenor Group, Pannon actively participates in the international mobility programme of the company group. Currently four of the eight top management positions are held by local colleagues, and four by colleagues from the Telenor Group.

Talented, enterprising workers may apply for the job openings announced within the programme at any level. Pannon's goal is to extend the mobility programme promoting the sharing of knowledge and cultural diversity as both a receiving and a sending organisation.

4.1 Employment

In 2008, Pannon employed 1,241 members of staff and 182 hired workers. The majority of these were in the 25-45 age range, which is due partly to the nature of the industry itself, partly to the history of the company. Pannon has always been a preferred employer among young people in the 18-30 age range, who were more attracted by, and more familiar with, the world of telecommunications. There are several advantages to co-operation between different age groups: career-starters can already adapt to the given organisational culture, while senior colleagues contribute to results with their invaluable work experience.

Outsourced workers usually work as telephone representatives (customer service, telemarketing, telesales). Of the benefits offered by Pannon, they can make use of the meal vouchers and the Pannon shuttle bus service, and can also apply for a HUF 0 monthly fee, discount mobile phone package.

The evaluation of the performance of hired workers employed in the customer service unit is the same as in the case of the permanent staff; however, the Telenor Development Process (TDP, see: Training, Career, Performance Evaluation) does not apply to them. Hired workers are also helped with maintaining their knowledge and skills by professional coaches, and also participate in training sessions. In 2008, they also took part in a series of problem-solving sessions held by an external consultant firm. Temporary employees who perform well have the chance to become part of Pannon's permanent staff.

The proportion of women and men

Traditionally, the active staff consists of more men than women; in past years, this difference has been an average of approximately 120 persons. In senior positions, however, the distribution does not follow this pattern, especially among middle management. Women occupy one third of the top management positions, which are important, strategic jobs, and almost 16% of the senior management positions. The gender ratio in the latter case is related to child-bearing. This is also the reason for the increase of the number of employees working under fixed term employment contracts: Pannon enters into fixed term employment contracts with employees hired to replace those who start a family, allowing the latter to return to the company after maternity leave.

Since company values, organisational culture and, primarily, Pannon's Code of Conduct ensure equal opportunities for all employees, this result encourages the areas and experts responsible for organisational development to review the issue of women's career management. Remote and flexible work, which is better supported in the new office building, enables women who are bringing up children to return to work earlier. The results of this can only be assessed after a period of several years.

Figure 7.
The proportion of women and men in 2008

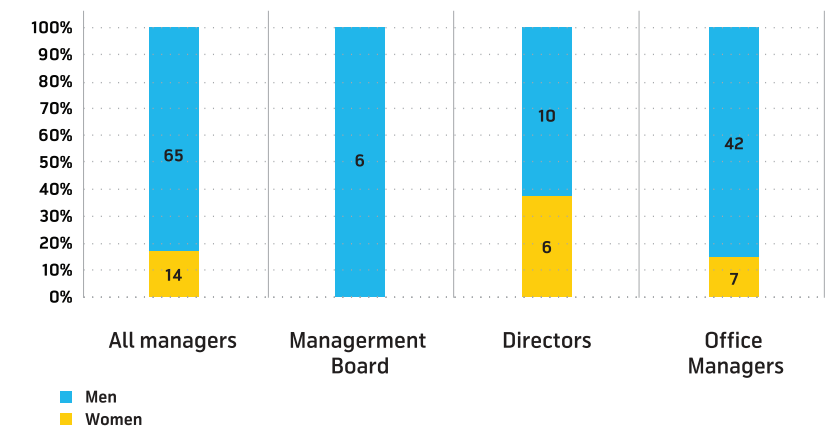


Table 3. Number and distribution of employees			
	2006	2007	2008
No. of employees	1296	1279	1423
Number of direct employees	1096	1089	1241
Number of outsourced employees	200	190	182
Type of contract			
Indefinite term contract	1023	946	1093
Fixed term contract	73	143	148
Distribution according to gender			
Women	476	482	573
Men	620	607	668

Women constitute nearly 50% of the workforce

Trainee programme

Pannon has launched trainee programmes for the last three years and the company’s objective is to increase its presence in universities and colleges. Experience and studies show that graduates’ preference for Pannon as an employer is lower than expected. Since Pannon offers one of the most state-of-the-art work environments in Hungary, the company needs to improve its communication to ensure that young people in higher education are more familiar with it and the work opportunities it offers.

Fluctuation *Fluctuation is decreasing*

Pannon has not examined the distribution of fluctuation according to age and gender. During the last 3 years the overall rate of fluctuation was around 10%, which can

be considered healthy for a company involved in commercial and customer service activities. The trend has been improving since 2006 due to several factors, among which is the fact that Pannon’s results and vision are stable within the telecommunication sector. Benefits, CSR and environmental spending have not decreased during the last three years – this alone conveys confidence and responsibility.

Table 4.

Net fluctuation	2006	2007	2008
Net fluctuation*	12%	9%	8%

* Ratio of employments terminated by the employee and the average number of employees.

Development of the customer service profession

Along with T-Mobile, OTP Bank and Transcom Hungary, Pannon is a founding member of the Human Resources Foundation (HEA) established in 2002. The primary objective of the foundation is to establish a system of training for the customer service profession (National Training Register intermediate and advanced level, and college diploma) by introducing several forms of education in parallel (full-time vocational secondary school training in a 4+1-year system and adult education solutions). Through the activities of HEA, Pannon intends to promote the recognition of the customer service profession and to contribute to the development of its formal material. HEA has been operating as an institution of adult education registered by the Labour Centre for the Central Hungarian Region since 2007. In 2008, nearly 100 students completed the four call centre and customer service supervisor and manager courses or took advantage of the Foundation’s five different

adult education services. Through several events, HEA endeavours to promote the sharing of best practices and the achievement of a professional consensus between companies operating telephone customer service units. These include the Call Centre Club (10 club nights, presentations, roundtable discussions), the Partnering Customer Relationship Conference, held for the fifth time with several hundred participants, and the full-day Partnering Olympics between customer services and call centres, also held for the fifth time with nearly one thousand participants. The events are organised through www.partnering.hu. The Foundation also promotes the training and employment of disadvantaged groups on the labour market, and it also conducts scientific work. In 2008, for example, a “Customer Service Stress Research” project was concluded and the findings were published.

www.he.hu

Wage policy

Pannon has a progressive wage system. Over and above the base salary determined according to the employee’s position, the actual revenue of employees is based on the performance of the individuals and the company. The method of calculation is subject to the effective policies.

In the case of the members of the highest governing bodies, the relationship between remuneration and the performance of the organisation appears in the variable remuneration. Variable remuneration is paid annually and is contingent upon the achievement of Telenor’s objectives, regional level objectives and Pannon’s objectives. As of 2008 objectives do not include non-financial indices.

Equality and diversity

In 2008, we addressed these issues both within and outside the company in the form of a number of projects (see Social Responsibility). Nevertheless, we are aware that we have to take further measures in order to integrate equal opportunity and diversity into our own corporate culture and into the attitude of Hungarian society as a whole.

The company does not restrict job applicants in any way; it is forbidden by the Code of Conduct. At the same time, we have not yet taken positive, proactive steps in the employment of people belonging to disadvantaged groups. The move to the new office building will offer new opportunities for the employment, for example, of physically handicapped people. The elaboration and realisation of programmes to promote diversity is a task for the coming years.

As a first step, in 2009 Pannon will assess the physical possibilities and limitations, and characteristics of the jobs. The objectives for 2010 include the elaboration of an equal opportunities plan. Within the framework of this, several programmes may be implemented, and the results of these may be developed on the basis of measurements.

Benefits

In addition to the benefits that facilitate daily work (telephone usage, meals, bus service), Pannon’s diverse and advantageous benefit package includes sports and healthcare opportunities, continuous development provision (further education, English courses) and easy administration of finances (banking service), as well as taking care of the future (pension fund).

Benefits offered to direct employees:

- company mobile phone with a virtually unlimited plan; after the trial period an additional SIM card with a discount plan (for family and friends)
- HUF 12,000 meal vouchers per month
- a life, accident and health insurance package
- health and medical services at private clinics under contract with Pannon
- 2.5% employer’s fee contribution for voluntary pension fund membership after six months’ employment

- discounts available for banking services at a bank under contract with Pannon
- support in pursuing higher education and English language studies
- sports facilities
- shopping discounts at sales outlets under contract
- Pannon shuttle bus service between the office building and Budapest

At Pannon, benefits do not depend on the type of employment, the only exception being when the employee has a contract that is shorter than six months. These employees are not entitled to pension fund contributions, and employees with fixed term contracts are not entitled to support for English studies or higher education, as these are long-term programmes. All Pannon employees may participate in job-related and skills development training, irrespective of the type of contract they have. These programmes also include self-development e-learning programmes.

4.2 Training, Career, Performance Evaluation

All Pannon employees are responsible for their own careers and all managers are responsible for the development of talented subordinates.

The various professional fields enjoy great freedom as regards training programmes implemented with internal resources. During the introduction of new products and services, the training of 'key-users' is standard practice. These key users will then pass their knowledge on to their immediate colleagues. Professional mentors and internal trainers are responsible for training new employees who will work in areas requiring a longer learning period. Employees with special skills frequently share their knowledge with their colleagues or even the employees of other organisational units.

Pannon regards co-operation as one of the building blocks of its organisational culture. Besides sharing information and results, this also includes the sharing of knowledge. E-learning materials for office and in-house applications are always available to all employees. Employees are entitled to 2–3 days a year for training, but the number of days available for study purposes may vary according to the job. The design of customised development plans is part of the Telenor Development Plan.

Organisation development projects involving all employees also require colleagues to be suitably prepared as the extensive programmes make use of all information channels: besides individual presentations, e-learning materials and group discussions help colleagues understand and process changes.

New colleagues learn about Pannon's corporate values, objectives and mission through onboarding, and the Code of Conduct e-learning course. The objectives for 2009 include the expansion and re-working of the onboarding programme using feedback from the various professions, and incorporating joint e-learning material used by Telenor into the preparation process for new colleagues.

Support for English and higher education studies helps colleagues pass language exams and obtain a degree. A more proficient knowledge of English and high-level qualifications may be useful in the employee's current job and may also help when applying for a new position.

We support financially English language and higher education studies

Performance evaluation and career

At Pannon, performance evaluation and staff development take place through the Telenor Development Process (TDP), which was initially introduced by the parent company and subsequently recommended as a guideline for the subsidiaries. TDP is being introduced at more and more subsidiaries. Pannon has used the process for 5 years, initially only on the management level, then gradually extending it to cover employee performance evaluation as well.

When selecting the leaders participating in the decision-making process of strategic issues, meeting expectations for professional competencies and behaviour is of primary importance. The CEO of Pannon is selected by Telenor, the parent company, which also defines the competencies needed for the job. The Deputy CEOs are selected by Pannon's CEO, Chief HR Officer and Telenor. In addition to the above, the HR Division of Pannon also participates in the process of defining the required competences as it has a deep understanding of the local conditions. On the directors' level, the CEO, the specific Deputy CEO and HR jointly define the required competences and select the right persons. In positions created at the initiative of the Telenor group, the parent company plays a significant role in determining the competences and selecting the future employee. The environmental manager is one such position.

In terms of behaviour, each and every Pannon executive has to meet Pannon's four key values, the guidelines of the Code of Conduct and the Telenor Leadership Expectations). This latter document lists Integrity among the five key requirements, which places a strong emphasis on environmental protection and corporate social responsibility.

Performance evaluation of employees

The first step of the process is an evaluation meeting between the employee and their immediate superior, analysing the employee's business and behavioural targets and the implementation of the development plan designed to achieve these. During the meeting, the business and behavioural tasks and the necessary development measures are defined for the following 12 months. The achievement of targets and the realisation

of development plans are monitored on a quarterly basis in the form of 15–20-minute meetings. The entire process is supported by an Oracle-based system. The professional and skill development training requirements formulated in the development plan that are required by the employee's work or in the interest of their personal development are contained in a report extracted from the system. This report forms the basis for the annual training plan. Training is implemented using both external and internal resources. Training sessions held by external consultants usually take two days a year for employees and 4–5 days for management.

Performance evaluation of the management

Pannon evaluates the performance of senior executives within the framework of the TDP process in the same way. The only difference is that while employees only formulate and evaluate individual targets during the review meetings, the business targets of executives contain the annual strategic targets formulated on the company level and their behavioural targets also contain the company-level organisational development targets. Individual targets may also form part of the performance evaluation.

The next step in the TDP process may be an executive-level Review Meeting, where the immediate superior reviews the performance of the employee together with the employee's colleagues and superior. During the meeting, all employees of the superior may be evaluated collectively, or this may be restricted to over- or under-performers. Other criteria may also be used to select employees on whom the superior wishes to receive feedback from colleagues. This is the Compact Review. The latter type is most frequently used at Pannon, since these meetings provide employees with the additional opportunity of receiving feedback from the colleagues of their superior as well, which they can incorporate into their personal development plans. These meetings also allow participants to identify colleagues who have performed particularly well and to nominate them for various-level programmes that prepare them for a sideways or upwards move. The objective is to ensure that when someone applies for a new position, they meet the requirements for that position as fully as possible.

Prepare Programme

This allows colleagues with high potential (HiPo) to be nominated for 4 levels. Telenor provides centrally organised international programmes for office managers and management level experts (MLE). Within the Technical Division, Pannon extended this to the employee and group manager levels in 2006, and in 2008 the Customer Service Directorate and the Corporate Affairs Directorate also participated. Colleagues may be nominated for the programmes if their performance, skills and experiences are outstanding, and they are regarded by the participants of the review meeting as capable of filling other positions on the same level or on a higher level. It is also important that the ambitions of the colleague are in line with expectations.

Pannon formulated two objectives for 2009 in respect of performance evaluation. One was offering the opportunity for Review Meetings to all organisational divisions of the company, so that all employees can learn about the opportunities available. The other was that plans include the harmonisation of the company's local Prepare programme with the international programmes and, within this, allow candidates to get to know each other during group training sessions.

4.3 Internal Value Creation – IVC

Internal Value Creation (IVC) is an annual process that Pannon has been conducting for eight years under the guidance of the parent company. The primary objective of the programme is to involve employees in the formation of corporate culture and the life of the organisation, and to ensure the definition and implementation of the company and workgroup level organisational development objectives on the basis of colleagues’ opinions. During Employee Surveys, employees who have worked at Pannon for at least three months can share their opinions on the organisational events of the previous year (e.g. organisational changes, company events, the efficiency of internal processes) and on Pannon as a workplace. Similarly to previous years, the level of participation in 2008 was also very high, which provides constructive feedback not only to the HR Directorate but also to the upper management. A few examples of the results of the survey: colleagues regard the bureaucracy of internal processes as the greatest obstacle to efficiency; they recommend the simplification of administrative processes and the acceleration of the decision-making mechanism. The survey measures employee motivation levels, and the stress matrix informs Pannon about how employees assess their work environment.

The internal survey also enables employees to provide feedback on their superiors. While the sections of the questionnaire related to workgroups and company level feedback are prepared globally, during the last two years the evaluation of superiors has been developed locally to ensure that Pannon managers receive maximum feedback on their activities. In 2007, the company tried the 270 degree evaluation system (evaluation by superiors and subordinates plus self-evaluation) covering the levels from deputy CEO to department heads. In 2008, this was expanded to the 360 degree method (evaluation by superiors, subordinates and colleagues, plus self-evaluation), while group managers received 270 degree evaluation. In 2009, all Pannon managers are to receive 360 degree evaluations.

360° evaluation
of all managers
starting 2009

All employees learn about the company and workgroup level results of the survey at the Business Planning Workshop held specifically for this purpose. The half-day or one-day meetings are held at the workgroup level. At the workshop the results will be used by the workgroups to formulate business and organisation development targets, which will then be reviewed by the HR Directorate on a quarterly or, at least, biannual basis.

4.4 Healthy Working Environment and Work Safety

Human resources – the employees – are especially important to Pannon, and preserving their health and work safety is an important consideration. Consequently, the company operates a health preservation and development programme that focuses primarily on prevention.

Continuously updated information about programmes and opportunities is available to colleagues on the company’s intranet portal.

The management communicates its expectations, but colleagues also can provide feedback on the entire operation of the company (including the activities of the management). The anonymous annual questionnaires and the post-evaluation workshops enable colleagues to directly influence the processes impacting the entire organisation.

Health preservation programmes

In addition to the compulsory occupational health examination, health screening tests and outpatient care are also available to all employees. The screening tests allow the timely detection of many problems and dysfunctions. Besides medical advice, colleagues can receive answers to questions about changes in lifestyle, and consult physicians at two excellent private clinics, and several dentists.

Information and education are an essential part of health consciousness. Emphasis is placed on health development and preservation during the HR department’s monthly thematic programmes. Employees can participate in customised consultations and screening programmes that are, naturally, free of charge. To ensure maximum participation – including those who would otherwise say they have no time – the examinations and presentations take place in the office building.

Health preservation programmes by subject

Smoke-free programme: Pannon has joined the Smoke-free Company Programme organised and operated by the ‘Egyensúly’ (Balance) Foundation. The purpose of the programme is to promote and support the giving-up of smoking, and it was open to colleagues and their families. 134 people from Pannon took part. Part of the programme was the communication campaign – an interactive information interface – which was available to everyone via the intranet. The programme provided screening and CO measurement, personalised medical consultation (with a pulmonologist), online consultation, and the drawing up of a customised plan for kicking the habit. Answers to the anonymous questionnaire revealed that some employees managed to quit smoking during the programme.

Inoculation against influenza: Pannon employees are offered free inoculation against influenza once a year. Usually 10–15% of employees take advantage of this opportunity; in 2008 this figure was 20%.

Protecting our eyes: Pannon organised several free eye tests in the office building, where spectacle-frames could also be purchased at discount prices.

Rheumatologic screening (spine, orthopaedics): colleagues were examined by a spine and orthopaedic specialist in the office building.

Mobile office massage: getting used to healthy posture and the prevention of illness caused by bad posture is important to Pannon.

Vitamin level survey, measuring cholesterol and body fat, dietetic advice

Dental screening: the medical examinations proved extremely popular; some of them had to be repeated in order to give everyone the opportunity to attend. Almost one third of employees stationed in Budaörs went to at least one presentation or medical examination.

Supporting Sports Activities

Another main pillar of the prevention of illness and the preservation of colleagues’ health is sport. Currently Pannon employees have access to eight fitness clubs and two swimming pools free of charge.

Each quarter, employees can form sport clubs sponsored by Pannon. In this way, the company supports team sports and the self-organisation of its employees. During the fourth quarter of 2008, there were 19 sport clubs with 187 members.

Healthy diet possibilities

Diet must not be overlooked. The quality of the courses, and also where meals are eaten are both important. The company restaurant offers a choice of several healthy courses every day in a pleasant, relaxed atmosphere.

Colleagues can give feedback on the services, the menu and the restaurant environment to the HR directorate or the restaurant manager.

Food brought from home can also be kept and heated up. A cafeteria and several rest areas equipped with coffee and tea making facilities and mineral water (all free) offer colleagues a chance to take short breaks and refreshment periods during work.

Work Safety

To ensure work safety, the occupational physician conducts regular examinations of the work hygiene environment in Pannon’s offices and showrooms. When any changes are made that affect the offices, the environment is re-examined. During such examinations the expert assesses the existence of environmental, material and organisational conditions ensuring safe and healthy work. A risk assessment review is conducted annually. Although only the most recent amendment of the Labour Safety Act stresses the importance of considering psychosocial factors, Pannon has been examining these factors for several years.

The individual, material and organisational conditions for first aid are given. There are more than 100 trained first-aid personnel. High standards are guaranteed through regular further training sessions and the fact that Pannon’s supplier of first-aid equipment is a market leader in Europe.

Colleagues working in the field who are responsible for the maintenance of the transmission towers operate in a special work environment. Pannon’s Work Safety Regulations and the Industrial Alpine Technique Regulations ensure that they, too, work in safe, healthy conditions. When choosing protective equipment (individual protective gear) for employees carrying out alpine technical work, the company’s aim is to provide the very best quality, with no compromising, to workers required by law or the company regulations to use such equipment. Pannon checks the equipment according to the prescribed frequency, and replaces it if necessary. This work is supported by an ISO-certified external partner expert.

Those whose work is not alpine technical, but still require individual protective gear, are also provided with the very best quality protective equipment.

The regular work safety and industrial alpine technical training sessions cover fire protection and issues related to the use and maintenance of individual protective equipment.

There have been no fatal workplace accidents at Pannon, and there are no absences due to work-related illness. Serious workplace accidents are very rare; during the last 3 years there was only a road accident. Workplace accidents usually arise from slipping or stumbling. Investigations show that they are usually caused by carelessness on the part of the employee.

Table 5.

Number of days lost due to workplace accidents (sick leave)

	2006	2007	2008
Central site	152	19	212
West	0	0	0
East	8	157	0
Total	160	176	212

Ergonomics

The HR Directorate places particular emphasis on ergonomic compliance in its annual risk assessments. Pannon fully complies with the provisions of Ministry of Health Order 50/1999 (XI. 3.) on work with display screen equipment.

Work areas – most of them with display screens – conform to ergonomic provisions. The seats and backs of the chairs – also chosen according to ergonomic principles – follow the movement of the body while supporting the spinal column.

Work-Life Balance (WLB)

Pannon intends to relieve workplace stress and promote work-life balance by introducing a new working style that includes flexible working hours. The WLB Programme considers the following questions:

- What does ‘work-life balance’ really mean?
- Why is it important for employees and the company?
- What foundations are provided by the current corporate culture?
- How much can the company achieve in this area; what are the feasible objectives?

Many people spend much of their lives at work, and travel also takes up a lot of time. There are family and official duties that can only be attended to during working hours. Those with families or small children may also have special requirements. To achieve company goals and good performance, workers must feel balanced and fulfilled as individuals, while keeping Pannon’s values in mind: work, family, the broader community, and health. Technological developments have led to new solutions in organising work which allow colleagues to do their work without spatial or temporal limitations. ‘New Way of Working’ gives Pannon’s employees greater freedom and flexibility in shaping their working conditions. Remote work reduces the stress of travelling, and the time saved can be used for other purposes (family, health, recreation). Telecommuting can be combined with a time quota system offering workers greater flexibility in how they use their work time: within the time quota, they can schedule their work to best fit their needs. Thus, they can carry out their private or official obligations more easily, reducing stress both at work and in their private lives.

Flexible working hours = less stress



Community partnerships

– Sustainable performance is a buzzword today. What does it mean in the telecom industry?

– For me, it means that we do our best to leave a better world to future generations. Before making a decision, you always have to consider its impact on the future. A responsible company takes actions that will have a positive impact not only now but also in the future. CR is not only about distributing do-

nations. It is about leaving a mark on society. Being a player in the telecom industry, we want to promote the growth of various social groups and the country as a whole by making it easier for them to keep in touch using mobile communications. Pannon supports these goals with its everyday business. But you should practice what you preach and take action to promote a sustainable future.

– Global enterprises are increasingly expected to reinvest their profit in their community. Even customers' purchasing decisions are more and more influenced by the behaviour of the company behind the brand. What about Hungary?

– This approach is getting global and it is increasingly present also in Hungary. Making a purchasing decision, con-

sumers evaluate where a product or service comes from and how it impacts the environment. People make careful decisions and their priorities include the manufacturer's attitude to the future. The level of importance attributed to this varies by country which is mostly due to differences in economic development. Nevertheless, the commitment is the same.

Anders Jensen – CEO

5.1 Our Stakeholders

Pannon identifies its most important stakeholders on the basis of their potential effect on the company and the way the company influences the given group.

The dialogue between Pannon and its stakeholders is continuously gaining depth, as both we and the stakeholders increasingly require mutual consultation for everyday work. The various directorates organise regular meetings and participate in forums where they have the opportunity to learn of the opinions and expectations of the stakeholders. Table 6 shows the most important stakeholders, the dialogue conducted with them, and the results.

Relocation Dialogue

The construction of Pannon’s new office building and the relocation of approximately 1,400 people constitute a major change in the life of a small town. In 2008, the research company Hoffmann Research conducted a stakeholder survey for Pannon to assess the attitude of residents, local public institutions and non-governmental organisations towards the construction work, the relocation and Pannon’s daily operations in Törökbálint (e.g. the increase in road traffic). The survey also examined how much residents know about Pannon as a company. The survey consisted of a questionnaire-based public opinion poll involving 200 local residents and 9

in-depth interviews. The results of the survey indicated that both the population and local opinion leaders have a positive opinion about the construction of the new office building, and are aware of the advantages it will bring them. Main expectations are the maintaining of good relations with the town, and the provision of more information about work opportunities, the impact on the local economy, Pannon’s corporate responsibility and the new office building (the structure and its innovative solutions). On the basis of these results, Pannon was able to expand its communication with the town in line with the expectations expressed in the survey.

5.2 Cooperation for Safe Mobile Use

In February 2008, Hungarian mobile service providers signed the Mobile Service Provider Code. This is based on the European Framework for Safer Mobile Use launched by the European Commission and GSME, the organisation of European mobile service providers.

The project consisted of:

- Information on the internet and flyers about safe mobile use by younger teenagers and children (for parents and children)
- Classification of content sold through the mobile service providers (under contract), access to adult content only for persons of legal age

- Blocking of adult content, and content-filtering based on a white list of pages designed for children

- Transformation of the contracts between the content providers and the mobile service providers to enable the enforcement of commitments on the basis of the Code of Conduct previously signed by the mobile service providers and the content providers

- Report to GSME about the Hungarian contents and implementation of the Code

- Regulated notification and content removal procedures, in case of inappropriate content

Telenor Group took part in GSME’s Mobile Alliance Against Child Sexual Abuse. The most important commitments:

- Filtering (internet service) on the basis of a black list of paedophile and child pornography websites, especially those located in countries and servers where criminal prosecution is not possible (i.e. the page cannot be removed by the authorities and its owners cannot be prosecuted)

Table 6.

Stakeholder group	Why is the relationship important to Pannon	Form of dialogue	Results
OwnerTelenor As	We have to comply with the parent company’s ethical, economic, environmental and social norms. Performance in this area has an indirect effect on the shareholders of Telenor Group.	<ul style="list-style-type: none">- Regular reports- Data services	
Staff	The success of the company depends on them	<ul style="list-style-type: none">- Intranet portal- The part of the portal reserved for opinion polls where opinions and sentiments about current issues may be measured- Internal Value Creation (IVC) survey among staff in the interests of organisational development	<ul style="list-style-type: none">- Since 2008, comments can be posted on all articles on the portal- Visitor data indicate that articles about internal organisational changes, remuneration and internal company events are the most popular- The ‘Employees’ section contains detailed results of the IVC survey
Retailers	They represent Pannon to the customers; through them the company acquires new customers	<ul style="list-style-type: none">- ‘Non-Voice Club’ event twice a year to introduce the new trends in data communication- Workshop to improve cooperation-Retailers’ Day, community service team building and training	<ul style="list-style-type: none">- The necessity of creating faster channels of communication between the headquarters and the retailers was revealed
Customers	Pannon’s voice and data services are designed to improve the quality of their lives	<ul style="list-style-type: none">- Customer satisfaction surveys	<ul style="list-style-type: none">- See ‘Our Customers’
Suppliers	It is important that partners understand and identify with Pannon’s values and operating principles	<ul style="list-style-type: none">- Vendor Forum organised by the Development Directorate- The Procurement Directorate is also planning to organise a similar programme	
Non-governmental sector	These are both target groups of Pannon’s activities and factors that shape and influence operation	<ul style="list-style-type: none">- Stakeholder survey about the new office building	<ul style="list-style-type: none">- See ‘Relocation Dialogue’ box
Public sector		<ul style="list-style-type: none">- Continuous consultation with the various authorities and ministries about regulatory issues-Pannon is active in NGOs involved in telecommunication	
Media	Pannon is able to address Hungarian stakeholders most effectively through the media	<ul style="list-style-type: none">- Tours for local journalists to inform them about the topics Pannon has to offer them and to find out what subjects the various media representatives are interested in- Satisfaction survey among members of the press	<ul style="list-style-type: none">- The tour was launched in 2008 and went to four county seats during that year- Pannon’s objective is to maintain much more localised communication, focusing on local needs and events that interest local residents.

- Public action against child pornography and the related websites, and IT services, cooperation between service providers in the Alliance.

5.3 Social Investments and Donations

As a member of Telenor Group, Pannon applies and adapts the corporate responsibility (CR) of the Group, formulated at an international level, to the Hungarian circumstances. Pannon’s objective is to understand and respond to the global and local challenges of society. As a responsible telecommunications provider, we are able to use our expertise, innovative technological solutions and conduct to contribute to the development of the socially disadvantaged, reduce our negative impact on climate change, and promote the safe use of information technology.

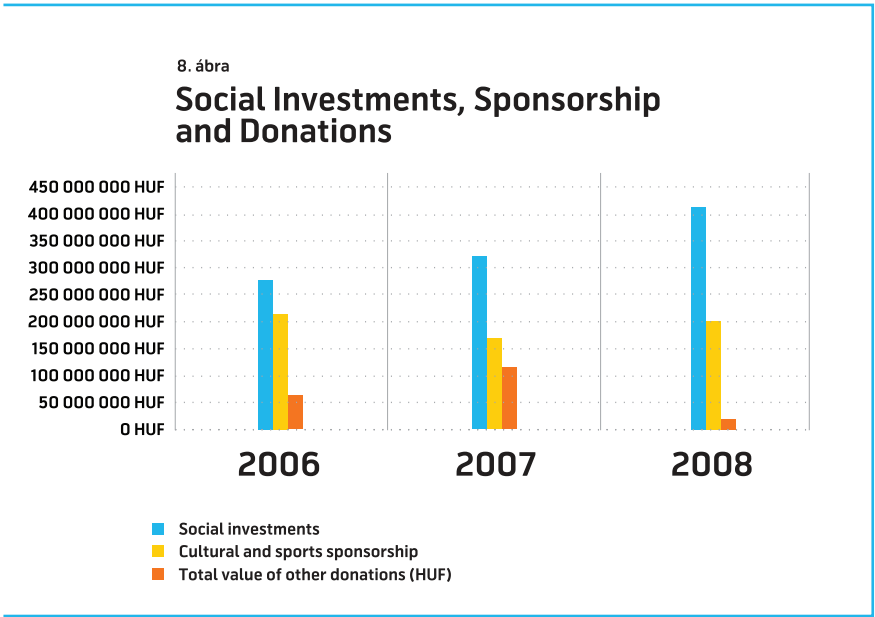
Responsible operation is a process, not a state. Pannon’s goal is to cooperate with the people who are important to the company and to whom the company is important, and to bring about changes with them which will result in a higher standard of living and development.

Pannon’s definition of a programme or project that qualifies as a social investment is:

- I. one that can produce positive results in respect of both social and business objectives, in the long term; Pannon’s innovative activities belong in this category
- II. an investment made with a social aim in mind; the effects are indirect and the company has not yet measured the results in quantified form. The impact is measured by Pannon itself or a third party using follow-up and monitoring.

In addition, Pannon supports various objectives in the form of classic donations based on external requests and internal recommendations.

Increase in the budget earmarked for social investments compared to 2007: 34%



Innovation

R&D serving the public

Pannon’s objectives include the development of systems that play an important social role. To date, in cooperation with its partners, the company has developed three systems based on GSM data transfer. This area became more important when the EU published its position in November 2008 supporting and urging member states to provide their citizens with access to such services.

In an institutional form, Pannon started working on the development of such socially important systems in 2004. The aim was to open up market segments that mobile telecommunications had not yet reached. However, there is potential for achieving significant improvement in quality in that area.

One such important direction is telemedicine: in Hungary, Pannon has laid the foundations of telemedicine solutions by developing mobile ECG. Foetal heart monitoring followed suit over the years, along with the DataMed health data communication system and other remote control solutions.

June 2008: Presentation of DataMed to the profession

Pannon presented DataMed to the medical profession in June 2008. The entire mobile communication background of the system is based on Pannon’s services, including SMS, MMS, WAP and mobile internet. Besides providing data communication, the DataMed portal also acts as a knowledge base: physicians can access the updated medical history of the patient, and the system helps to establish the correct diagnosis, provides information about the most effective therapies and also offers downloadable demo materials.

Table 7.

Social investments, sponsorships and donations	2006	2007	2008
Social Investments (HUF)	282 708 000	308 877 816	412 989 433
Cultural and sport sponsorship (HUF)	213 450 954	165 473 724	201 700 318
Total value of other donations (HUF)	66 133 456	112 497 780	19 516 103
Total (HUF)	562 292 410	586 849 320	634 205 854



Pannon Role Model Foundation Laureates in 2008

Zita Budavári: Founder and manager of Bölcső (Cradle) Foundation, assistant to expectant mothers in crisis
Géza Huszár: Pioneer of social work in Hungary, one of the founders of Menedék (Shelter) Foundation
Ferenc Péter and Gábor Siklósi: National Ambulance Service workers who saved the life of a young girl while off duty
Márta Bakos-Tóth: Child psychologist, head of the Spiritual Home for the Rehabilitation of Tumour Patients in Bakonyszűcs
István Bibó: Restarted the Baár-Madas Calvinist Secondary School, director of János Sylvester Protestant Secondary School
Pál Szontagh: Director of the Péter Vajda Music Primary School and Sports School

Lenke Kiss: Founded and runs a basketball school
Ilona Varga: Radio journalist, literary translator and dictionary editor, who started out in a gypsy settlement
Csaba Bőjte: Founder of the Dévai Szent Ferenc Foundation, rescuer of poverty-stricken children in Romania
Dalma Földes: International activist, currently works for the Hungarian Association of the Deaf and Hard of Hearing (SINOSZ)
Béla Berkes: Reporter for Hungarian Television, assists Roma children
Károly Leiner: Teacher, educator of handicapped children, founder of Zöld Béka (Green Frog) Hiking Club



Background work

Development ideas can come from many sources: from personal suggestions, from colleagues individually or within the framework of the internal SEED Programme, or from universities. Suggestions are collected and then reviewed by Pannon's R&D Committee. The members of the R&D Committee in 2008 were the Products and Markets Directorate, the Legal Directorate, the Finance Directorate, the Development Directorate and the Procurement Directorate. The Committee discusses whether the suggestions are viable and, if so, how and with which partners Pannon should proceed. Of course, not all the ideas prove viable, but Pannon endeavours to put as many of them as possible into practice.

48 award winners in 4 years

Pannon Példakép (Role Model) Foundation: creating social value through the example of active everyday heroes

Since 2005, Pannon Példakép Foundation has been rewarding people whose value-creating activity can be an example for everyone in Hungary. In return for their persistent and creative work, recipients receive HUF 1 million each in addition to the specially designed role model statue. The foundation does not place restrictions on how the money is used.

Anyone can submit nominations to the Foundation, which should be made in Hungarian and sent by electronic or regular mail. The present secretary of the Foundation screens the nominees and selects 6–10 candidates, who are then contacted by a journalist hired by the Foundation who writes a profile about them. The board of trustees decides on the recipients on the basis of the profile.

In 2008, first Péter Náadori, then András Kepes left the Board of Trustees; both had become members in 2004,

the year of foundation. At the end of 2008, with the invitation of new members, the Board of Trustees consisted of the following persons:

Chairman of the Board: Lóránd Bereczky, general director of the Hungarian National Gallery

Members

- Dr Emese Majorosi, Pannon's Press & Information Director,
- Gabriella Molnár, Nők Lapja's editor-in-chief,
- Kriszta Bódis, documentarist, author and psychologist,
- Zsuzsa Incze, documentarist, recipient of the Role Model award
- János Kothencz, founder of the ÁGOTA Foundation, recipient of the Role Model award,
- Kálmán Mizsei, EU special representative for the Republic of Moldova.

15th Jubilee Award Ceremony

With the fifteenth award ceremony, the Role Model Foundation has reached a milestone in its mission: on 8th September 2008 the 45th winner was awarded the prize by the Board of Trustees.

The fifteenth award ceremony also represented a milestone because the foundation announced two new communication channels, which provide more direct access to the Role Models. Following a gala evening held on 8th September, a two-week portrait exhibition was held in the Hungarian National Gallery from photos of the dedicated and active Role Models. As well as their fields of activity, contact details for these role models were also given with the

portraits, enabling direct contact with them. In addition to this, the Példakép blog was launched (see previous page).



<http://blog.peldakep.hu>

We raised the question earlier of how, after the award ceremony, the example of the laureates could be communicated more interactively, i.e. to the people who nominated the exemplary actions and people. In the end, we decided that an internet blog, the 'Példakép Blog', would be the best solution in today's world. Despite its advantages, the blog also posed a challenge, as most of the laureates did not usually share information on the internet and, being busy people, had limited time to do so. Nevertheless, the blog was

officially launched with ten authors on 8th September 2008, the date of the jubilee award ceremony of the Példakép Foundation. It provides access to exemplary people on the Internet who would not have started writing a blog without the help of the Foundation.

Local development à la Pannon

Community Service teambuilding

In 2008, Pannon's team-building programme to help small communities continued.

Over 700 company employees participated in charity work offered to ten disadvantaged small settlements to embellish and renew local playgrounds, parks, kindergartens and schools.

Sites of the teambuilding training exercises in 2008 (in chronological order): Tiszaigar, Kunszentmiklós, Fajsz, Tomajmonsotora, Tenk, Magyarkeszi, Jánoshida, Ozora, Andocs, Nagyszékely.

In 2008, Pannon's goal was to offer a helping hand to small communities in areas with the greatest needs. Those settlements were selected on the basis of their needs and after consultation with the respective local governments and educational institutions. Wherever possible, we involved the local communities. In several cases, local entrepreneurs helped to carry out the work

itself and even local residents were happy to join in the initiative and the line games.

In 2008, Pannon spent over HUF 45 million on the development of these settlements. Employees participating in the team-building activities contributed 3,000 working hours to creating better, more modern living conditions. Through the programme, Pannon's employees helped the development of 29 settlements in less than two years, from HUF 85 million.

Retailers' Day

Pannon's franchise-based retailer network consists of approximately 200 retail partners all over the country. Pannon organises training for them each year on a summer day in the spirit of community service team-building.

In June 2008, 173 partners renovated the equestrian therapy centre of the International Children's Safety Service in Fót. Workers there had many different jobs:

Projects fostering equal opportunities

they tidied up the park and the horse boxes, plastered and painted the stables, created a rock-garden, cut the grass and collected litter and stones.

Sponsoring disadvantaged groups

Helping young Roma people to adapt: Romaster Programme

Depending on the definition, the range of disadvantaged groups is vast. However, one of the biggest social challenges in Hungary since the change of regime is the integration of the Roma minority into the Hungarian society.

In 2008, Pannon joined the Romaster Programme launched earlier upon the initiative of the Hungarian Business Leaders' Forum. Within this framework, the company intends to have a long-term influence on this process, even if its own influence is minimal compared to the magnitude of the problem.

Within the Romaster programme, Pannon supports two young people: a student at the Miklós Zrínyi National Defence University; and a student at the Erzsébet Szilágyi Secondary School in Eger, who will leave school in 2009 and would like to become an engineer.

The Romaster programme provides scholarships and mentoring to young Roma with solid moral foundations and consistently good school results. Participating companies help the students they select with a scholarship of 20,000 HUF/month each to meet their school needs until the end of their university studies. In addition to the scholarship, corporate contact persons keep in touch with the students and help them in their professional development

Support of the CSR media prize of the Hungarian Public Relations Association

Seven journalists and editors were winners in the CSR Media 2008 Hungarian Public Relations Association competition, which was announced by the organisation a year earlier. The high number of entries indicates that the media is increasingly willing to be a partner in communicating responsible business conduct.

Journalistic prize winners:

- Radio: Erzsébet Egri Nagy (Gazdasági Rádió)
- TV: Szilvia Bíró (MTV Szempont)
- Online: Gáspár Bubrik (Napi Gazdaság)

- Print: Zoltán Ötvös (Népszabadság)

Editorial prize winners:

- D-ER Stúdió
- MTV Miskolci Stúdió
- Népszava – Mecénások Klubja

In addition to a certificate in recognition of their work, prize winners each received a cash prize of HUF 200,000. Prizes were sponsored by Pannon and the certificates were presented on 6th April 2009 in Pannon's Budaörs headquarters.

both personally and within the framework provided by their company. This help may be a caring chat, the transfer of good examples and experience, or providing additional contacts to help with any problems the students may have. The companies also provide an opportunity for the sponsored students to participate in camps and company visits organised by the Hungarian Business Leaders Forum.

At the first Romaster students' camp, in 2008, on Pannon's recommendation, a Pannon Role Model laureate also gave a presentation. Mrs Katalin József Juhász, a 2007 Role Model laureate, is a teacher who also mentors young Roma people in Kálló. At the camp, she spoke to students in the form of an interactive session about the meaning of mentoring, and about their own experiences and social and family backgrounds.

In 2008, Pannon's goal was to offer a helping hand to small communities in areas with the greatest needs.

Objective: accessibility
of communication

Christmas donation

Every Christmas since 2004, Pannon has supported a socially-important objective with a HUF 25 million donation, instead of giving its business partners gifts.

Since 2007, the donation has also meant a year-round cooperation with the chosen organisation. In 2008, two important steps were completed.

First of all, the extension and renovation of a new stable at the equestrian therapy centre of the International Children's Safety Service was completed to offer camping opportunities to children in need and to enable better organisation of the daily running of the centre.

The other milestone was that, in cooperation with the Kurt Lewin Foundation (KLA) and Pannon's social corporate responsibility expert, a new organisation to support was chosen. During the selection process, on the basis of its professional experience and 15-year

knowledge of the Hungarian non-profit sector, KLA recommended beneficial social objectives and organisations important to Pannon's business activities according to the criteria set by Pannon. Selecting from three recommendations, Pannon's management decided to support the accessibility of communication in 2009 with a relatively large investment in the non-profit sector. For a year, HARKE (Hallássérültek Rehabilitációjáért Küzdők Egyesülete), an association for the rehabilitation of the hearing impaired, will receive financial assistance in several instalments to adopt and develop caption services for the hearing impaired. This service offers a unique opportunity for the hearing impaired to be able to see spoken language in real time and thereby understand it more easily. With this, they would be able to get information more easily in public institutions, on TV or even in the education system in order to increase their participation in the non-hearing impaired world.

Besides financing the project, Pannon also provided its expertise to ensure that the development and imple-

mentation of the service meets legal requirements and that HARKE understands the rules of the 'for-profit world' to be able to launch the service and use it to maintain the organisation.

Education

Corporate Social Responsibility Day

In 2008, Pannon organised its third Corporate Social Responsibility Day, now focusing on the internal responsibility of companies. Pannon and co-founders Nokia, Ericsson, Richter and Tesco created the event in 2006 to facilitate dialogue between businesses, government and society.

AmCham Business Management Fellowship

In 2008, the fellowship programme of the American Chamber of Commerce (AmCham) was implemented in the co-financing of Pannon and Dreher Sörgyárak Zrt.

AmCham has implemented several programmes to support the institutions of Hungarian higher education and vocational training institutions to allow them to train well-prepared and qualified businesspeople who are also capable of keeping in mind the aspects of business ethics.

In 2008, AmCham announced its fellowship programme for the second time, which is designed to motivate university and college teachers to teach disciplines related to responsible business management and business ethics.

After the grants awarded in 2007, the programme became more widespread in the country in 2008 as the seven recipients now teach responsible corporate management to students at seven different educational institutions.

Netrekész Project

As part of the Netrekész (Ready for the Net) Project, a communications campaign was launched to encourage Internet use in groups already using computers but still avoiding the Internet. The campaign focused pri-

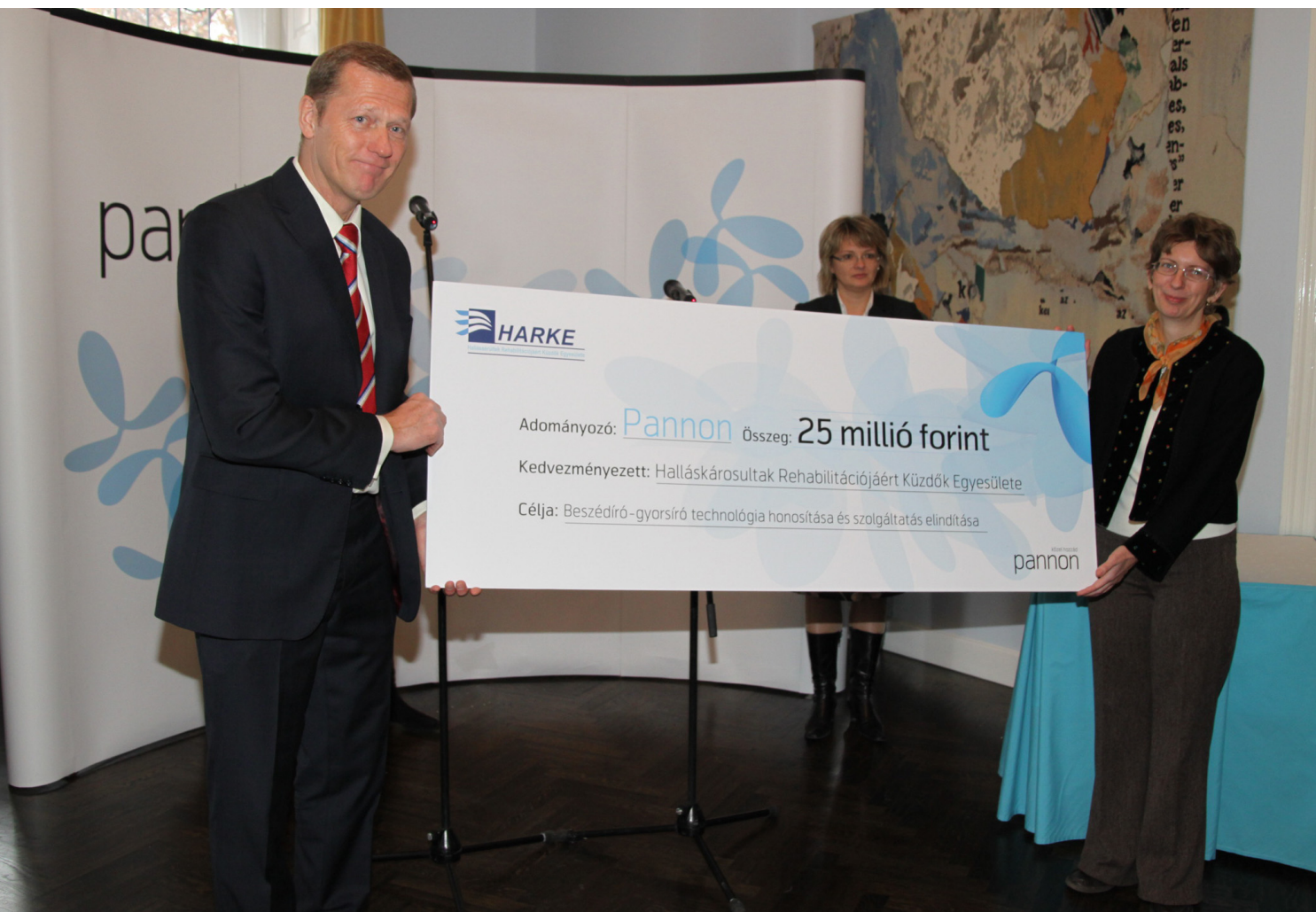


marily on areas outside Budapest and was implemented in the form of television and billboard advertisements and PR activities.

The market actors with an interest in the development of the information society realised that the increase in digital literacy and fighting off inhibitions about the internet and using computers, especially in the retail and small enterprise segments, are essential for the growth of the ICT market.

The widespread use of broadband internet and the services available on the internet (internet banking, e-administration, consumption of content) are essentially dependent on the inclusion of private individuals and small businesses who already use computers, but not the internet, into the internet-user group, as well as reducing inhibitions and motivating the digitally illiterate stratum of society, which still accounts for around half of the population.

Netrekész Közhászni Kft., a government initiative, was founded in December 2007 by Magyar Telekom, Pannon GSM and UPC. Several other companies also joined the project as sponsors after its launch.



Carried out together with Pannon employees
←

Other Donations

Interactive collection of Christmas donations

On the basis of an employee vote, in 2008 the company collected donations for the Dévai Szent Ferenc Foundation. The company organised a collective virtual Christmas tree decoration on the interactive donation collection page.

When planning the traditional collection of Christmas donations, Pannon's internal communications and corporate responsibility experts designed a programme that is entertaining, related technologically to Pannon's line of business and conforms to Pannon's corporate responsibility policies in its objective.

These criteria gave rise to the idea of collecting donations via SMS with the help of the company's employees through an interactive online interface. The chosen NGO, together with Pannon employees, helps disadvantaged groups day by day. In 2008 Pannon's employees could buy credits via premium rate SMS, and could exchange these for decorations. These decorations could then be used for one or more Christmas tree according to taste, in several colours, and Christmas greetings could be sent to colleagues.

As a result of the collection, Pannon donated HUF 90,000 to Brother Csaba's orphanages. The donation collection interface may also be used to organise similar campaigns in the future.

Blood donation

There is a continuous shortage of blood in the health-care system and, unfortunately, some operations have to be postponed because of this. Within the framework of the cooperation with the National Blood Service, employees can donate blood each year in Pannon's office building. In 2008, two blood donations were organised in the Budaörs office building and one in the offices on Budafoki út. On all three occasions, almost 100 members of staff registered for the 70 places available.

Hungarian Donors' Forum Volunteers' Day

On November 4th 2008, members of the Business Club of the Hungarian Donors' Forum, Generali, Holcim, Magyar Telekom, Pannon and Vodafone cleaned the walls of the Szent Rókus Hospital and Szent Rókus Church and also a bus, which were covered in graffiti.

In addition, Pannon supports the following associations and foundations:

- Blue Line Child Crisis Foundation (www.kek-vonal.hu)
- Hégető Honorka Foundation (www.hegetohonorkadij.hu)
- Foundation for Students of the Budapest Technical University
- National Ambulance Service Foundation
- Szent Márton Pediatric Emergency Medical Service Foundation (www.gyermekrohamkocsi.hu)

When planning the traditional collection of Christmas donations, Pannon's internal communications and corporate responsibility experts designed a programme that is entertaining, related technologically to Pannon's line of business and conforms to Pannon's corporate responsibility policies in its objective.

5.4 Sponsorship

Within the field of corporate responsibility, Pannon makes a very clear distinction between social investments, and cultural and sports sponsorship, which are also related to the company's marketing activities. In 2008, sponsorship once again focused on sport and culture.

Handball

Pannon has been the chief sponsor of the Hungarian Handball Federation since 2004, a cooperation that has proved very successful. The Hungary women's handball



Sport

After extensive research, Pannon decided to provide long-term support for ice hockey and handball. Sports sponsorship is obviously a business-based sponsorship activity. Pannon has high expectations of the entities it sponsors: rather than simply handing over the cash, Pannon agrees clear and measurable goals with its partners, so that both parties are satisfied with the cooperation.

A love of team sports can bond together communities both small and large, even whole nations. Pannon is proud to have helped three Hungarian national teams to achieve their outstanding results of last year.

team has achieved outstanding international success both individually and as a team. At the 2008 Beijing Olympics, they narrowly missed out on the bronze medal, proving that the team belongs among the sport's elite.

Honesty, desire and professionalism are qualities that both the women's and men's teams have, and which Pannon is happy to identify with. It is these values which are the key to success in sport, just as in business and private life. Pannon provides the financial backing for both teams with sponsorship in the hundreds of millions.

Ice hockey

Pannon is proud to have been the chief sponsor of the Hungarian Ice Hockey Federation and the Hungary men’s team, also since 2004. Thanks to the stable finances – a rarity in Hungary – during the last few years, the team has managed to work its way up alongside the world’s elite. Under foreign coaches, they worked hard from year to year so that they could have the chance to play against the world’s best. The team took the first step towards this goal when it won the Division I World Championship in Sapporo and a place in Group A.

Culture

Pannon has always played a leading role in supporting culture. It participates in ensuring that everyone in Hungary can experience both Hungarian and world culture, and it does this in many ways.

Hungarian National Gallery

The Hungarian National Gallery has hosted many contemporary exhibitions, but the Irokéz Collection was an extraordinary event in 2008, not only because of the Collection itself but also because it was the first showing of a contemporary private collection consisting entirely of works created after 1990. The works in the Collection were closely associated with the acb Gallery, and so the two artistic trends supported by Pannon, the modern and the classical, were interwoven.



The National Gallery is a treasury of Hungarian fine art. During recent years, it has organised a series of hugely successful temporary exhibitions, while also continuously enriching its permanent collection. The relationship between Pannon and the Gallery, which collects, studies, preserves and displays the very best in Hungarian culture, started in 1994 and has been constant ever since.

Pannon’s sponsorship helped the HNG to put on extremely popular exhibitions, such as the works of János Vaszary and Mihály Zichy, and the heritage of King Matthias, showing late Renaissance art in Hungary.

acb Gallery of Contemporary Art

Besides supporting cultural heritage, Pannon is committed to supporting new values in the area of fine arts. In this spirit, in 2006 Pannon added a new partner to its cultural cooperation activities, becoming the main sponsor of the acb Gallery of Contemporary Art. The Gallery was founded in 2003 to create a market for a special segment of contemporary art. From the beginning, the

Gallery showed art forms that were still new to the Hungarian art-loving public: videos, installations, objects and digital prints. acb regularly takes part in international art fairs (Cologne, Bologna, Vienna) and promotes its artists abroad with the help of Dutch, German, Swiss and American partner galleries.

Night of Museums

In 2008, Pannon was for the first time the main sponsor of the Night of Museums, held in Budapest for the sixth time and the rest of the country for the fourth time. The event, on 21st June, offered 1,300 programmes nationwide and received 379,000 visitors.

At the Night of Museums Pannon provided visitors with help using the company’s own services: customers could choose programmes and venues on the Pannon WAP page, and Online Sorinfo (Queue Info) provided information, updated every 30 minutes, about queue lengths at four of Budapest’s main museums.

Corporate governance

- You've been managing Pannon since April 2009. What management innovations have you introduced at the company?

- I find it difficult to answer this question. You should ask my colleagues. In a nutshell, I try to implement the things I've been talking about and create a good company by my definition. Whether my colleagues see any innovation in this or not, I can-

not tell you. I am convinced that a good company and good employees form a unity in which brand values show you the way to follow. The future will decide whether I was right.

- What makes a company successful?

- To be successful, you have to know your customer's needs. But this is the same for every industry and every company, of

course. If you don't know what your customers need, you won't be able to provide them with the right services. And you also have to understand the emotional aspect of people. When I talked about CR, I already told you how important it is to have the right brand perception among people. Customer decisions are influenced by many emotional factors, and it is not enough to have the perfect product. To be successful, peo-

ple have to like the company behind the product. A company's market position is determined by the things it does differently than others. Pannon and its competitors sell the same product, yet each company has a different customer base.

Anders Jensen - CEO

6.1 Strategy

Pannon’s strategic goal is to provide its customers with quality services at a fair price; services that are relevant and, at the same time, sustainable and environment-friendly, while meeting the high standards of its owner, Telenor, and ensuring excellent working conditions for its staff. In 2008, the work of a deputy CEO-level strategic manager contributed towards achieving these goals.

In 2008, the global economic environment, together with the credit crisis and the ensuing recession, also posed challenges for Pannon. The Company’s response

quirements. However, in the case of the tender, the Company has expressed its opinion several times, stating that if the three mobile service providers currently on the market cannot apply for the 900 MHz frequency, this will limit their ability to effectively offer mobile broadband internet access to people in rural areas. In Pannon’s view, this restriction is hard to comprehend and is contrary to the interests of Hungarian society. It is vital that the Internet is available to everyone in the country to help reduce the digital gap.

The 2009 business environment poses challenges for the telecommunication sector, as well. However, Pannon thinks long-term, and believes that modern communication is key to ensuring the efficient operation of companies, so it will continue to develop its network and services. Pannon believes that 2009 will be about the further continuous development of mobile services, including mobile broadband services. Therefore, it plans to continue making substantial investments to increase coverage and capacity, and improve user experience in the area of special services (e.g. spam filters, virus protection). In the past few years, mobile broadband has already proved itself in terms of both accessibility and usability.

Organisations of which Pannon is a member:

- Scientific Association for Infocommunications
- Hungarian Association of IT Companies
- Communications Reconciliation Council
- International Association for Shell and Spatial Structures
- Hungarian Donors Forum
- Advertising Self-Regulatory Board
- International Advertising Association
- Telemanagement Forum
- Treasury Club
- The Conference Board
- American Chamber of Commerce (AmCham)
- GSM Association
- Association for Electronic Invoicing
- ACCA – Association of Chartered Certified Accountants
- Budapest and Pest County Chamber of Engineers
- Hungarian PR Association
- KÖVET Association for Sustainable Economies
- Information Systems Audit and Control Association (ISACA)

was to cut back on costs and rationalise its internal structure, and it intends to make these changes long-term principles. Sustainability is an important pre-requisite for having the necessary resources – financial, human and means – available for efficient operations. This can be done through review and rationalisation of operations, which Pannon did in 2008, and it continuously tracks its own activities in order to be able to take the steps necessary to increase efficiency even further.

In 2008, one of the most important external factors affecting Pannon was the EU’s efforts to regulate roaming fees and the call for proposals issued by the National Communications Authority in respect of the appearance of a fourth mobile service provider. In the first case, i.e. the EU regulations, Pannon fully complies with the re-

For Pannon, in addition to the already saturated voice service market and the serving of existing clients, the coming period will be about acquiring new customers and the introduction of new services. The younger generation and the further development of data services and mobile internet will play a key role in this. Always offering services that meet customer needs, the company’s objective is to create a unified, strong, distinguishable platform for the Pannon brand. The macroeconomic financial environment continues to pose a challenge to Pannon. In the coming years, possible negative effects can only be mitigated by further strengthening the position of the company. Besides this, Pannon will make significant efforts to ensure the healthy development of the operating environment in

cooperation with the regulatory bodies to the long-term advantage of both the telecommunications industry and Hungary.

6.2 Governing Bodies, Organisational Structure

Pannon GSM Telecommunications Plc.’s principal governing body is the General Meeting which consists of the 3 owners (shareholders). The Board of Directors consists of 5 independent members, none of whom are Pannon employees, and governs the affairs of the company as a body. It has one Hungarian member, who has no ties with either Pannon or the Telenor Group. Of the three members of the Supervisory Board, one is a Pannon employee elected by the assembly. This board member represents the employees in terms of monitoring the operation of the company.

Management of the staff in accordance with the resolutions of the Board of Directors is the responsibility of the CEO, who is not a member of the Board of Directors. In 2008, Pannon’s CEO was Ove Fredheim.

In 2008, too, it was important in managing Pannon to amalgamate knowledge of Hungarian market characteristics with Telenor’s knowledge base and processes.

This is shown by the fact that almost three quarters (73%) of the CEO, deputy-CEO and director level managers were Hungarians, while 27% were non-Hungarians. There was a similar trend in previous years: in 2007 the ratios were 71% to 29% and in 2006 they were 79% to 21%.

Members of the Board of Directors:

- Jan Edvard Thygesen, Telenor
- Pal Mork, Telenor
- Tibor Veres
- Eivind Kristoffersen, Telenor
- Yogesh Malik, Telenor

Members of the Supervisory Board:

- Torbjorn Mogard Wist
- Asbjorn Michelet Bakke
- László Csilling

Two thirds of the leadership is Hungarian

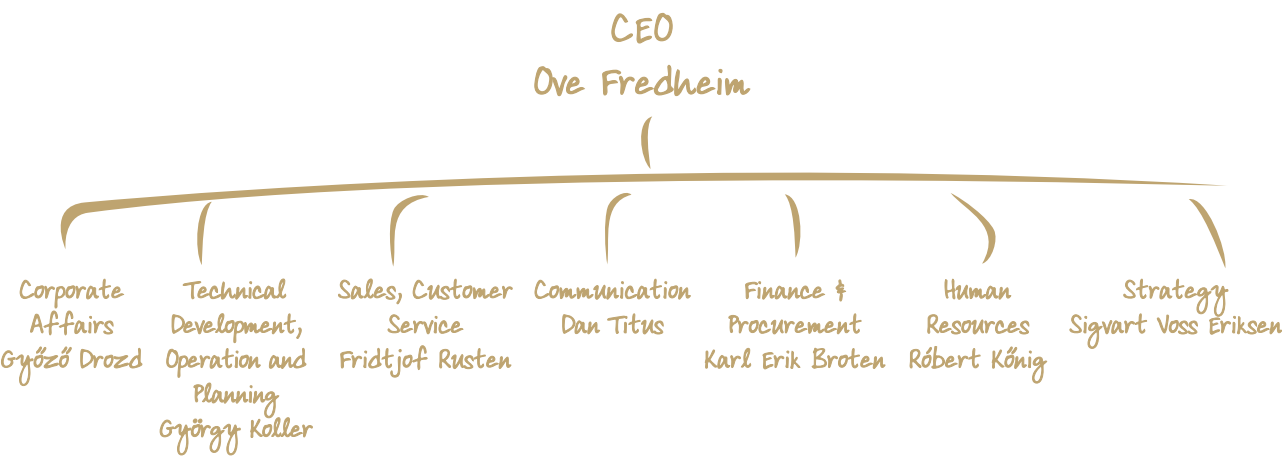


Figure 9. Pannon’s organisational structure in 2008

6.3 Internal Regulations and Policies

Due to the increasing importance of social responsibility, the principles of corporate governance are also gaining significance in the everyday operation of companies, thus at Telenor and Pannon as well. Policies help the company to better meet the increasing expectations of its business partners, customers and stakeholders affected by the services, and to ensure that the company group represents its important values according to a unified set of principles. Without comprehensive regulation, Pannon would not be able to realise its vision and strategic objectives or fulfil its mission.

The three main groups of Pannon’s system of policies and regulations:

- The basis principles of corporate governance, including Telenor’s group level regulations and the derived local regulations. These are the most important regulations and are mandatory for all participants (e.g. Code of Conduct, Anti-Corruption Policy, Transfer of Roles, Procurement Manual).
- Pannon’s own policies mandatory for all on the company level and the policies of functional areas.
- Special internal instructions facilitating the daily operation of a specific office.

Within Pannon, members of the top management are appointed as the owners of the policies regulating the various fields. They are responsible for the regular update of and compliance with the policies. Telenor’s internal audit group initiates the review of compliance with the policies at subsidiaries every six months. They also determine the schedule of the audits of the various areas. Policy owners have the opportunity to discuss issues at the weekly board meetings.

Spheres of responsibility:

- CEO: accounting and financial statements, delegation of authority, risk management, taxation, Treasury
- Chief Corporate Affairs Officer: regulatory and legal directives, anti-corruption issues, ethics, regulations for the protection of property
- Chief Technical Officer: IT policies
- Chief HR Officer: HR policies
- Director of Procurement: procurement
- Press and Information Director: publication of financial data

From the legal point of view, the following policy documents and programmes are particularly important:

- Legal risk management regulations – this internal policy document provides for the priority of the preventive attitude, the main elements of which are training, continuous consultation and the use of the joint signal system. Besides these, it lays special emphasis on the importance of sharing legal work and experience within the company.
- Code of Conduct – among other things, the Code of Conduct sets forth the basic norms of the correct and ethical relationship with customers, competitors and suppliers.
- Competition law compliance programme – besides the description of the effective Hungarian legal regulations, Pannon also emphasises the importance of practical training: by providing a list of examples of permissible and impermissible conduct, Pannon informs its employees about the correct way to behave with third parties and authorities.

Code of Conduct

All persons employed by or acting on behalf of Pannon must observe the relevant Hungarian legal provisions, the provisions of the Code of Conduct accepted by the Board, and all other relevant regulations and procedures. The internal regulations of the company are more than just abstracts of the relevant legal provisions as interpreted by Pannon; Pannon’s Code of Conduct actually embodies the most basic and most important values and ethical norms of the company. The Code of Conduct regulates the behaviour of employees towards each other and the outside world during or in connection with their daily work. Over and above this, everyone at Pannon is responsible for ensuring that all colleagues observe the regulations, policies and behaviour that are built upon Pannon’s basic values.

Pannon believes that the protection of human rights and values, the working environment, health and the natural environment is of fundamental importance. Respect for each other’s values and work is central to the philosophy of the company.

Loyalty to the company group and its interests and openness are also of primary importance. However, it should also be understood that Pannon’s interests are

best served if the company passes decisions according to the provisions of the descriptions of the various competences. Therefore it is forbidden to undertake obligations on behalf of the company without express authority to do so or to take measures or possess interests that would obstruct objective and efficient work.

The service rendered for Pannon must never be subordinated to personal gains or advantages. Conflicts of interests are to be avoided wherever possible. These may arise in respect of activities of customers, suppliers, entrepreneurs under contract with Pannon, present or future employees, the competition or third party businesses. All employees should assess possible conflicts of interest themselves and must inform their direct superior immediately about the possibility of bias or a conflict of interest.

Furthermore, employees working for or with Pannon should proceed with special care in respect of privacy, the protection of personal information and the management of intellectual and physical property. This includes information that may affect the stock exchange rate and publicly available information in respect of which only authorised persons may make comments or disclose information.

Pannon’s objective and task is to satisfy demand, during the course of which the company must adhere to the professional principles of respect, impartiality, fairness and professional expertise. The company adheres to these principles during the course of its relationship with customers, suppliers, the competition and the authorities.

Pannon strongly condemns all forms of corruption, including money laundering. It is forbidden for company staff to offer or accept illegal or inappropriate monetary gifts or other remuneration in order to achieve business or personal advantages. Nor may agreements with middlemen be used to channel payment to anyone in such way that may be interpreted as corruption.

Caution should always be exercised in relation to offering or accepting gifts and business courtesies. No gifts or other remunerations may be accepted if there is reason to believe that its purpose is to influence business decisions.

Pannon does not give support to political parties, in the form of either direct financial support or paid working time.

Employees who take part in political activities will be granted leave from their work in accordance with the law and any agreements.

If an employee becomes aware of an infringement of Pannon’s rules and guidelines, or if a question arises about the interpretation or application of the Code of Conduct, the issue should be raised with the employee’s immediate superior. If this is not possible, the case should be reported directly to the Compliance Manager in Pannon.

Familiarity with Pannon’s Code of Conduct is mandatory for all staff. New workers sign a statement to the effect that they have familiarised themselves with the provisions of the Code of Conduct. The Code of Conduct is available in electronic form on the internal information portal and e-learning material is also available to help with the practical implementation of the directives of the Code of Conduct. This presents realistic, lifelike problem situations that help colleagues identify possible ethical problems.

6.4 Product Liability

Ensuring the transparency of pricing and tariffs

Pannon endeavours to make the services offered to customers as transparent, simple and clear as possible. The company has set up its portfolio of tariff packages. The main retail tariff offering (Pannon 60-1200) provides an extremely transparent structure: the monthly fee, 100% of which may be used for calls, uses the same per minute rate in all directions during all periods. When creating the packages, one of the objectives was to enable customers to choose the tariff packages that best suit their telephone habits on the basis of either average monthly spending or call minutes per month. Pannon’s tariff packages meet demands, whether for one or twenty hours of conversation per month.



Telecommunication help in emergencies and catastrophes

Emergency number 112: the main activity during 2008 was consultation and maintaining contact with the authorities. Pannon can provide the authorities with cell information enabling positioning. At the moment, it is the task of the authorities to set up a system supporting identification and data transmission according to the provisions of the European Union.

Pannon cooperates with government initiatives for the use of critical infrastructures in emergency cases.

Communication about electromagnetic fields

The three Hungarian mobile service providers set up the EMF portal (www.emf-portal.hu) to respond to concerns about the electromagnetic fields generated by the mobile network. Besides providing basic information, the portal has Hungarian and international news and information about recent research. Content is updated by distinguished specialist Dr György Thuróczy of the National Research Institute for Radiobiology and Radiohygiene (OSSKI). Pannon has published several materials on the subject. Győző Drozdy, Chief Corporate Affairs Officer and active expert, helps explain the topic “Is mobile radiation harmful?” and dispel fears over electromagnetic fields.

In 2008, the Press & Information Directorate was contacted only once in connection with the electromagnetic fields generated by mobile communication, which may indicate that today the public has more information and fewer doubts about the effects of radiation.

6.5 Cooperation with the Authorities

Within the Corporate Affairs Division, the Regulatory Affairs Office is responsible for cooperation with the authorities and other partners in Hungarian and international regulatory issues.

Key issues raised and results in 2008:
Intensive lobbying aimed at reducing frequency charges achieved a partial result on the basis of which the frequency fee element related to the number of base stations (in the case of UMTS networks) was reduced by around 33%, therefore there is less disincentive for mobile service providers to develop the network (the more stations, the higher the fee). Unfortunately, the fee structure remained unchanged: the larger the network and the coverage, the higher the frequency use fee.

Pannon raised objections against a number of conditions in the frequency tender announced in October 2008. The tender was, for the most part, declared unsuccessful in 2009, it being claimed that it could have resulted in serious competition problems and other anomalies in the telecommunication market.

In Hungary, the adaptation process of the payment services directive of the EU began in 2008. Pannon cooperated with the legislators both individually and through professional organisations to prepare the correct implementation of the legislation in autumn 2008, since certain payment transactions made via IT and telecommunication devices also fall within the competence of the directive.

The EU reviewed its 2007 roaming directive with the purpose of extending its price regulation and gradually introducing certain transparency rules. Pannon reviewed the first versions of the amended decree and cooperated with experts to ensure the compliance of its operations with the amended version of the roaming decree.

In early 2008, Hungarian mobile service providers signed a code of conduct based on the European framework agreement for safer mobile use by children and teenagers, which resulted in number of measures and services for the protection of children operational from 2009. Pannon’s Regulatory Affairs Office cooperated with the departments responsible to ensure successful deployment and forwarded the results to

GSMA, an international organisation and one of the initiators of the code.

In addition to the high-profile topics, Pannon continuously participates in telecommunications issues and cooperates with Hungarian organisations (IVSZ, HÉT), and continuously follows up on the new or modified EU telecommunication laws. The key EU directives currently being reviewed or amended: Framework Directive, directives on access and authorisation and universal service, E-Money Directive, NGN recommendation, and consultation on and recommendation for the termination fee. Pannon informs its experts about the outcome and in certain cases issues position statements and opinions on these draft provisions for the European legislators or international professional bodies.

2008 brought about changes in the life of Pannon’s Legal Directorate, since several important legal amendments entered into effect during the year. The telecommunications industry was especially impacted by the amendment of the Public Procurement Act and the Consumer Protection Act. As a result of the legal amendments, the workload of the Directorate increased, requiring even more dynamic teamwork from colleagues. One of the reasons for increased activity was the series of consultations with the authorities. The extra workload was primarily caused by the negotiations on the interpretation of the new legal provisions in effect and by setting up the processes conformant to these new provisions on the basis of cooperation.

As a result of several months of work, the revision of Pannon’s General Terms and Conditions was completed during the year, providing the company’s customers with an updates structure document that is more transparent and easier to understand.

6.6 Responsible Marketing

During its marketing activities Pannon always adheres to the effective legal provisions and takes into full account the market environment and the feedback from consumers and the authorities. Pannon’s marketing activities are primarily defined by Act CLV of 1997, on Consumer Protection, Act XLVIII of 2008 on Essential Conditions of and Certain Limitations to Business Advertising Activity, Act LVII of 1996 on the Prohibition

of Unfair Trading Practices and Unfair Competition and Act C of 2003 on Electronic Communications.

As a member of the Telenor Group, Pannon has issued internal policies and programmes to ensure the establishment and maintenance of communications practices according to the above. The company pays particular attention to ensuring that all colleagues (including any persons acting as Pannon’s representatives) familiarise themselves with the content of these documents and receive competent answers to any inquiries they may have about the subject. The purpose of these documents is not only to inform Pannon’s employees about the effective regulations and expectations within the Telenor Group, but also to present this complex regulatory area in a way that is easily understandable and practical. Besides adhering to the principles of simplicity, transparency and clarity, in these documents Pannon also describes, and illustrates with examples, issues that are likely to be encountered.

In accordance with the effective legal provisions, marketing communication activities are overseen by several different authorities: the Hungarian Communications Authority, the National Consumer Protection Office, and the Hungarian Competition Authority. During the course of their supervisory activities, these authorities contact Pannon with both scheduled and ad hoc requests for information, as their actions are not necessarily conditional upon any notice from the consumers; they can proceed on the basis of their own observations.

During the last 3 years, these authorities have demanded data service from Pannon in several hundred cases, but found grounds to take action against the telecommunication company in only 7 instances. In 2 of these actions no legal violation was ascertained, while in 5 cases legal violation was declared and the cases were closed with final effect.

Environmental protection

- A telecom company does not have a large ecological footprint. So why is environmental protection important for you?

- It is very important, because even small energy consumption and relatively low carbon emission can be further reduced. Pannon has the same responsibility as any large enterprise even if the telecom industry does not have the largest footprint in the world. It is very im-

portant to accurately identify the impact of your operations on your direct and indirect environment and develop a strategy to mitigate this impact. Another key mission is to encourage our suppliers to do the same.

- Being a large enterprise (and a large customer) Pannon can influence other companies. Do you use this power?

- We definitely do. We want all

members of our supply chain to minimize their impact on the environment. This approach influences what we buy, which supplier we use, how we transport goods, and what kind of products and services we sell. Besides having a good strategy and trying to create a greener supply chain, we also need measurable objectives.

Anders Jensen - CEO

7.1 Climate Change

In 2008, all Telenor subsidiaries created the position of environmental manager for the higher level assessment of the environmental aspects of their activities and the

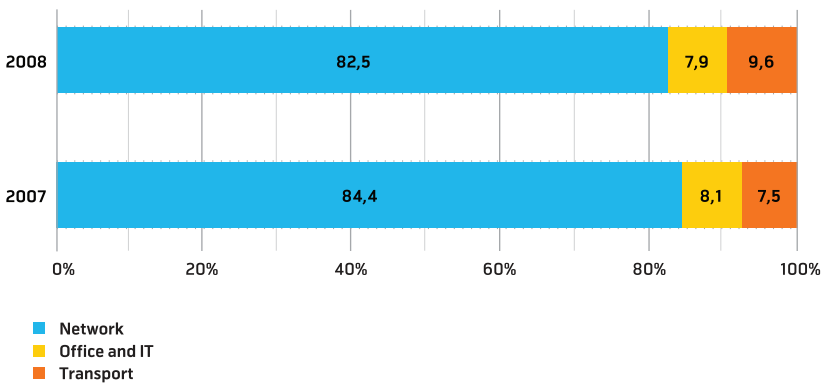
In early 2008, Pannon set up a model enabling the company to quantify its biggest impact on the environment: CO2 emissions. Pannon’s long-term environmental strategy encompassing the entire operation of the company is based on this model. Together with the parent company, Telenor, a study was prepared which examines the potential impact of climate change on Pannon’s assets and buildings, and formulates recommendations for the action to be taken to reduce this impact.

As a result of energy reducing measures in 2008, Pannon reduced its CO2 emissions by 8% compared to the figures the company would have produced had it not implemented countermeasures. Reductions in CO2 emissions were achieved not only in comparison with the company’s potential

CO2 emission levels in 2008 but also in comparison with actual levels in 2007 (by 2%). Significant efforts lie behind this achievement.

mitigation of negative impacts. Pannon’s environmental manager reports directly to the Chief Corporate Affairs Officer, which facilitates strategic planning, project management and the implementation of environmental initiatives. The environmental manager cooperates in the planning and implementation of all environmental measures, directs and coordinates these efforts, and evaluates the results.

Figure 10.
Distribution of CO² emissions



Registration of CO2 emissions began in 2007

Table 8.
The impact of direct and indirect greenhouse gas emissions

	2007	2008
CO ₂	23 874 t	23 411 t

Carbon-dioxide emission reduced by 2%

As a result of energy reducing measures in 2008, Pannon reduced its CO2 emissions by 8% compared to the figures the company would have produced had it not implemented countermeasures.

7.2 Energy Consumption

By the end of 2008, 90% of the entire Pannon network was equipped with free air cooling systems as a result of development started in previous years. This measure results in a 3.5 GWh saving of electricity every year.

Table 9.
Electric energy consumption

	2006	2007	2008
Electric energy	51 900 MWh	52 942 MWh	53 975 MWh

Specific steps were implemented to include environmental criteria directly in procurement processes, with special regard to energy consumption.

The energy efficiency of several network devices increased. The energy efficiency experiments, measurements and calculations performed in the network and on IT equipment were intended to enable the company to reduce the energy consumption of the equipment and the air conditioning system.

Table 10.
Direct energy consumption by primary energy source

	2006	2007	2008
Mineral gas (m3)	325 641	147 442	281 912
Gasoline (l)	233 026	412 014	576 063
Petrol (l)	452 156	321 808	252 378

To make the operation of the server park more environment-friendly, the energy efficiency projects started earlier were continued throughout 2008.

Pannon’s company car policy was amended to allow members of the top management to choose hybrid electric vehicles. The earlier decision of the company to purchase diesel engine cars was amended to stipulate that only diesel vehicles equipped with particulate filters may be procured.

In 2008, a number of base stations were equipped with solar cells and wind turbines. According to calculations, the energy provided by this equipment from renewable sources will cover 50% of the consumption of the base stations.

We tested wind and solar powered base stations

Vision

Pannon’s goal is to operate an environmentally sustainable company. In this, one of the company’s basic values, namely respect for the environment, plays a major role. In addition to its own operation, the company would like to contribute with its products and services to developing a sustainable society. Equipped with several environmentally-outstanding features, Pannon House symbolises the company’s long-term

commitment to sustainability, and is the very basis of our future in terms of environmental and social sustainability.

Strategy

In order to realise its goals, Pannon has created a comprehensive environmental strategy based on the CO2 emission-reduction goals of the

Telenor Climate Change Initiative. The goal is to reduce our CO2 emissions by 24% by the year 2011 and by 24% by the year 2017 compared to our 2007 emission level and potential growth. The strategy is based on energy efficiency, the use of renewable energy resources, the involvement of colleagues in the process and the utilisation of the opportunities in telecommunication.

7.3 Waste Management

In 2008, Pannon continued the collection of used handsets. Unfortunately, significantly fewer handsets were collected than in previous years: in 2008 approximately 850 kg of used handsets was collected and recycled. The reason for this phenomenon is that in 2008 those handing in used handsets were only offered a discount if they purchased a 3G phone.

Anyone can hand in old handsets and spent batteries in the outlets of the commercial network of the company at any time. Pannon is planning to re-launch the campaign for the collection of used handsets; the company's objective is to recycle as many old handsets as possible.

Table 11.

Quantity of handsets collected	2006	2007	2008
Handsets collected (kg)	28 200	32 100	850

The company increased the rate of re-use and recycling to 100% by selling its network and IT equipment, or submitting it to waste management agencies for recycling.

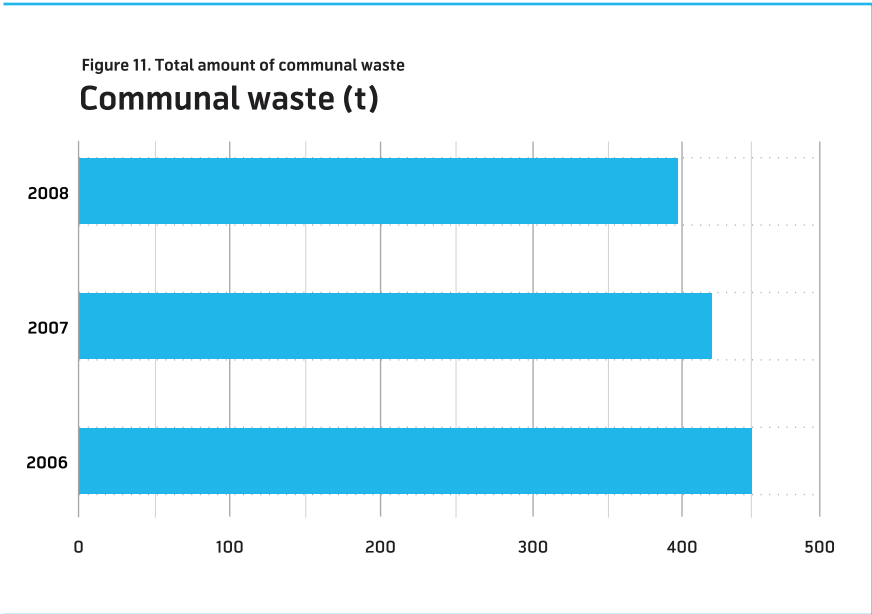


Table 12.

Total quantity of waste	2006	2007	2008
Communal waste (t)	452	423	399,8
Electronic waste (t)	n.d.	15	23,3
Waste water (m3)	19 807	12 997	16 932
Recycled electronic waste (%)	2,6	7	18

7.4 Paper Consumption

As of early 2008, Pannon uses only recycled paper for its office activities, and during the year commercial communication materials and business cards also made the switch to recycled paper. Starting in June 2008, the company implemented recycling for all paper leaving Pannon. In 2008, the total quantity of recycled paper was 52.7 tons. Thanks to the development of the electronic document management system, the quantity of paper used in office processes is continuously decreasing.

Table 13.

Amount of paper used and the proportion of recycling	2006	2007	2008
Paper (t)	n.a.	83,1	70,7
Recycled paper used (%)	0	0	100
Waste paper recycling (%)	0	0	58

7.5 Transport

As a result of the development of the logistics of collecting used handsets, fuel consumption decreased during 2008.

Table 14.

Distances covered during the transporting of goods, materials and employees related to the activities of the organisation	2006	2007	2008
Distance covered (on land, km)	9 254 072	11 718 908	12 284 580
Number of flights	n.d.	579	350
Average length of flights (km)	n.d.	4 900	4 923

7.6 Boosting environmental consciousness

In order to manage the projects of the Telenor Climate Initiative, a team has been set up from experts working in the various areas of Pannon. For the most part, the team consists of experts from the technical division and colleagues specialising in HR and corporate responsibility.

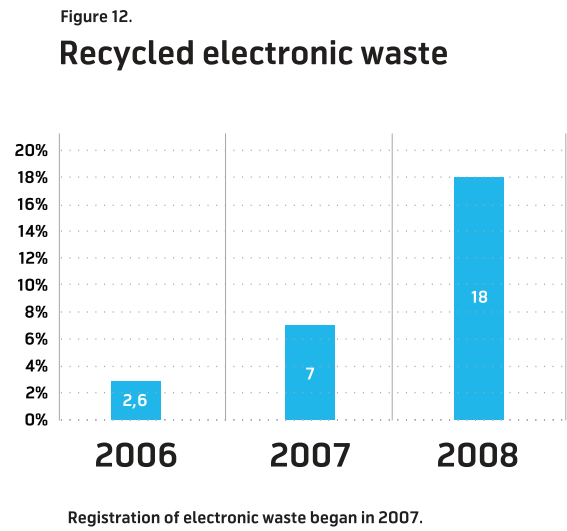
More than 200 Pannon employees received environmental training during 2008. Training sessions and presentations play a significant role in increasing the environmental consciousness of colleagues.

A campaign entitled 'Switch!' has been launched to reduce the energy consumption of office equipment and lighting. The campaign also included the use of stickers and posters reminding colleagues to avoid unnecessary energy consumption. To increase the efficiency of the efforts directed at shaping the attitudes of colleagues,

articles about environmental protection are regularly published on the intranet.

Pannon launched www.kozelakornyezethez.hu (close to nature) to inform people about the company's environment protection activities, and cooperation was set up with the most popular environmental news portal, www.greenfo.hu.

Pannon was the first company in the Hungarian mobile communications sector to join the KÖVET Association, an organisation dedicated to the implementation of sustainable economic practices in Hungarian business life.



7.7 Monitoring and Tracking

Pannon monitors the company’s environmental indicators both within its own organisation and towards its parent company, Telenor, in several ways. A tabular report is prepared annually for Telenor containing the most important indicators, and a text report is also prepared each year describing the company’s environmental activities. A monthly teleconference is held to share experiences with the officers of the Telenor Climate Change Initiative and the environmental managers of Telenor’s Central Eastern European subsidiaries. Pannon analyses the status of the measures taken to reduce the company’s CO2 emission levels on a quarterly basis.

Previous experiences and further plans are reported at a personal conference once a year. The three-year CO2 emission plan is reassessed annually on the basis of previous performance. Pannon’s experts continuously analyse the initiatives, measures and projects directed at reducing the company’s environmental impact, in terms of environmental impacts and economic indicators.

The introduction of the ISO 14 001 environmental management system is of key importance for the improvement of the company’s environmental performance. The introduction of this system in accordance with Telenor’s guidelines is planned in such a way as to best adapt to Pannon’s operation and support the regulation of other corporate governance processes as well.

Hungary’s most powerful
heat pump

Pannon House

During the designing and construction of Pannon House, the minimum possible disturbance to the local ecosystem was a priority objective. That is why Pannon only built on 7.55% of the eight-hectare valley beside Törökbálint, instead of the legally permitted 30%. Parking places and IT computer rooms were set up underground. A park was built on the area around Pannon House. In 2008, the company took numerous steps to ensure the maximum possible environmental friendliness of Pannon House when the time came to relocate to the new headquarters in 2009. The heating and cooling of the building is provided by Hungary’s most powerful heat pump, with a cooling capacity of 950 kW and a heating capacity of 850 kW. The energy required to produce sufficient hot water for the staff is pro-

vided by solar collectors. The total surface of the collectors is 168 m2. The energy efficiency of the building is controlled by an intelligent building management system that allows efficient measurement and control of various equipment parameters. The building is equipped with exceptionally high efficiency insulation to minimise heat loss. External shades keep the building cooler during the summer and external heat retrieval equipment ensures that the building does not lose much energy through ventilation. The use of light and motion sensors guarantees efficient lighting. The underground server rooms will not overheat even in the summer, and therefore require less cooling. The optimised heat emissions realised by the placement of the servers also contribute to reducing the costs of cooling the

building. Pannon House is equipped with the best, most energy-efficient air conditioning systems and building engineering equipment. The selective waste collection system allows paper, plastic, metal, glass, electronic waste and used batteries to be treated separately from communal waste within the building. Pannon has stipulated several criteria related to environmental protection in the tender announced for the operation of the building

Technical Information
about the Report

2.4	Location of organization's headquarters.	H-2045 Törökbálint, Pannon u. 1., Hungary
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Hungary
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	2008
3.2	Date of most recent previous report (if any).	July 2008
3.3	Reporting cycle (annual, biennial, etc.)	one year
3.4	Contact point for questions regarding the report or its contents	Dr Emese Majorosi Press & Information DirectorPannon GSM Távközlési Zrt. sajto@pannon.hu
3.5	Process for defining report content.	The content of the report and the sequence of the chapters were determined jointly by the staff involved in the drafting of this report working in cooperation with an external specialist.
3.6	Boundary of the report	Pannon GSM Távközlési Zrt. and both its subsidiaries are covered in the report.
3.7	State any specific limitations on the scope or boundary of the report.	In keeping with the recommendation of the parent company, the report contains no balance sheet data; however, this may be requested for inspection at the Hungarian Court of Registration.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	The performance of the two subsidiaries is not included in this report.
3.9	Data measurement techniques and the bases of calculations	Data in this report are normally based on measurements. If not, this will be indicated.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	None
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	The two subsidiaries were incorporated in 2008 and therefore did not appear in previous reports.
3.13	Policy and current practice with regard to seeking external assurance for the report.	The report has not been certified by an external, independent party. Pannon’s plans include external certification.

GRI	PAGE	SHORT DESCRIPTIONS
1.		Strategy and Analyses
1.1	3-5	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.
1.2	46	Description of key impacts, risks, and opportunities.
2.		Organizational Profile
2.1	6	Name of the organization.
2.2	6-7	Primary brands, products, and/or services.
2.3	6	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.
2.4	59	Location of organization's headquarters.
2.5	59	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.
2.6	6	Nature of ownership and legal form.
2.7	6	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).
2.8	6	Scale of the reporting organization, including: Number of employees; Net sales or net revenues; Total capitalization broken down in terms of debt and equity; Quantity of products or services provided.
2.9	6	Significant changes during the reporting period regarding size, structure, or ownership.
2.10	8-9	Awards received in the reporting period.
3.		Report Parameters
3.1	59	Reporting period (e.g., fiscal/calendar year) for information provided.
3.2	59	Date of most recent previous report (if any).
3.3	59	Reporting cycle (annual, biennial, etc.)
3.4	59	Contact point for questions regarding the report or its contents.
3.5	59	Process for defining report content.
3.6	59	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.
3.7	59	State any specific limitations on the scope or boundary of the report.
3.8	59	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.
3.9	59	Data measurement techniques and the bases of calculations.
3.10	59	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.
3.11	59	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.
3.12	60-61	GRI Content Index
3.13	59	Policy and current practice with regard to seeking external assurance for the report.

GRI	PAGE	SHORT DESCRIPTIONS
4.		Governance, Commitments and Engagements
4.1	47	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.
4.2	47	Indicate whether the Chair of the highest governance body is also an executive officer.
4.3	47	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. State how the organization defines 'independent' and 'non-executive'.
4.4	47	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.
4.5	23	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).
4.6	49	Processes in place for the highest governance body to ensure conflicts of interest are avoided.
4.7	23	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.
4.8	48-49	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.
4.9	48	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.
4.10	23-24	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.
4.11	51	Explanation of whether and how the precautionary approach or principle is addressed by the organization.
4.12	30	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.
4.13	46	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.
4.14	31	List of stakeholder groups engaged by the organization.
4.15	30	Basis for identification and selection of stakeholders with whom to engage.
4.16	31	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.
4.17	31	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.


GRI	PAGE	SHORT DESCRIPTIONS
EC		Economic Performance Indicators
EC7	47	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.
EN		Environmental Performance Indicators
EN1	56	Materials used by weight or volume.
EN3	55	Direct energy consumption by primary energy source.
EN4	55	Indirect energy consumption by primary source.
EN6	55, 58	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
EN7	55, 58	Initiatives to reduce indirect energy consumption and reductions achieved.
EN16	54	Total direct and indirect greenhouse gas emissions by weight.
EN18	54, 58	Initiatives to reduce greenhouse gas emissions and reductions achieved.
EN22	56	Total weight of waste by type and disposal method.
EN29	57	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.
		Social Performance Indicators
LA		Labor Practices and Decent Work
LA1	19	Total workforce by employment type, employment contract, and region.
LA2	20	Total number and rate of employee turnover by age group, gender, and region.
LA3	21	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
LA7	27	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.
LA8	24-25	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.
LA10	22	Average hours of training per year per employee by employee category.
LA11	23	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
LA12	22-23	Percentage of employees receiving regular performance and career development reviews.
LA13	18, 19	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.
HR		Human Rights
HR2	15	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.
HR3	49	Total hours of employee training on policies and procedures concerning aspects of human rights that are

GRI	PAGE	SHORT DESCRIPTIONS
		relevant to operations, including the percentage of employees trained.
SO		Society
SO1	30	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.
SO4	49	Actions taken in response to incidents of corruption.
SO5	49	Public policy positions and participation in public policy development and lobbying.
SO6	49	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.
PR		Product responsibility
PR5	13-14	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
PR6	51	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
PR7	51	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.
PR8	12	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.
		Telecommunication Sector Specific Indicators
PA6	50	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief.
PA7	30, 50	Policies and practices to manage human rights issues relating to access and use of telecommunications products and services. For example: participation in industry initiatives or individual initiatives related to Freedom of Expression; legislation in different markets on registration, censorship, limiting access; interaction with governments on security issues for surveillance purposes; interaction with national and local authorities and own initiatives to restrict criminal or potentially unethical content; protecting vulnerable groups such as children.
PA10	49	Initiatives to ensure clarity of charges and tariffs.



GRI level of this report

Report Application Levels

		2002 In Accordance	C	C+	B	B+	A	A+
Mandatory	Self declared							
	Third Party Checked							
	GRI Checked							
Optional				Report externally assured		Report externally assured		Report externally assured

Imprint

Collaborators in the preparation of the Report:
Pannon staff, coordinated by Áron Horváth

Published by: Pannon GSM Telecommunications Plc.

Technical consultant: Alternate Kft.



Copy editor: Orsolya Sebők

Graphic design: Carnation

For more information please contact:
sajto@pannon.hu