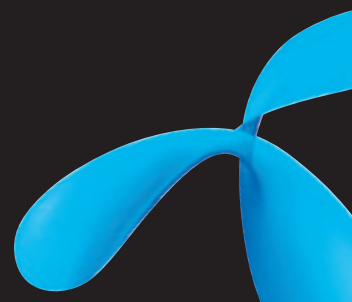




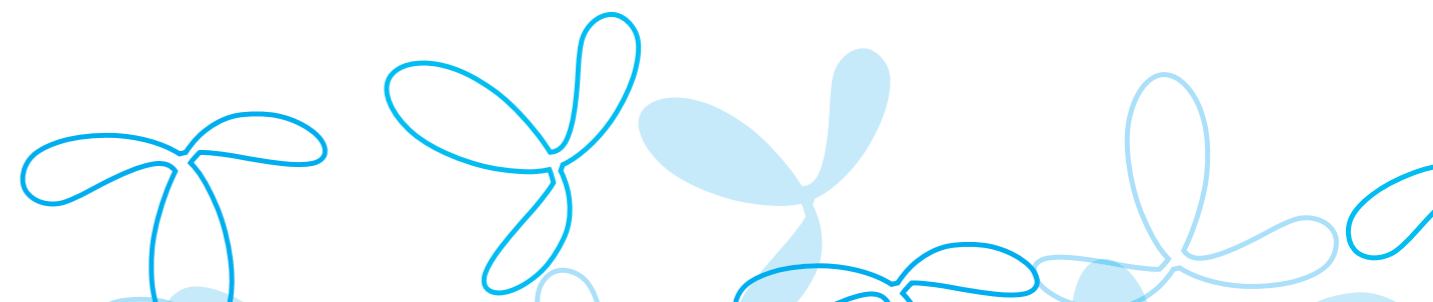
Pannon GSM Telecommunications Plc.  
Sustainability Report  
2009





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## Dear Reader,

As one of the first companies to be measured and ranked by the Dow Jones Sustainability Index, Telenor Group and Telenor Hungary continually strive to improve its performance in all fields of corporate responsibility and sustainable development. In Hungary we have improved our 'eco-system' in many areas from workplace security to supporting people with medical surveillance tools in remote areas.

In 2009, which this report is dedicated to, we had a unique opportunity to build our new headquarters from scratch, and in doing so we demonstrated our corporate philosophy. Our award-winning new headquarters is as much in harmony with the nature as with our internal working culture. It supports success through promoting better human interactions, more inspiration and innovation in product and service development.

We applied all current architectural best practices. Telenor House has

one of the biggest capacity thermal pumps of the country, a huge solar panel surface and an intelligent building management system. This saves electricity equivalent to the total annual consumption of 500 Hungarian households.

But we are not yet satisfied with our results in electricity consumption, the main driver in our CO2 emission, which increased due to a few one-off events. While the number of base stations did not change significantly, we used more equipment in our network than in previous years, and for a while we had to operate two headquarters prior to moving into the Telenor House. However, our goal to decrease CO2 emissions by 24% until 2011 and by 40% until 2017 on a relative basis remains unchanged and on-track.

We are improving our processes and sustainability indicators year by year. Last year, we made significant improvements in our waste management processes.

We started to buy "green", renewable energy. And we are proud, that our contribution to society, sports, culture, health and education was powered by strong business performance and improving client satisfaction.

Finally, while the business environment remains prone to the adverse effects of recession and new regulatory challenges and opportunities, it is crucial that Telenor works even more closely with all stakeholders to ensure that the socio-economic benefits of a digitally-enabled Hungary are understood and realised. Going forward our corporate responsibility activities we will have an even stronger focus on our core business of mobile voice and data communications, and on the power of internet access to create economic growth, jobs and social well-being, what we call 'Digital Hungary'.

*Anders Jensen, CEO*



## Company Introduction

Figures relating to Pannon's activity	
Number of Subscribers	3.6 million
Revenue	HUF 177 billion
EBITDA	HUF 73.4 billion
Capital Investments	HUF 12.9 billion
Number of Employees - average statistical number	1214
Own Points of Sale and Customer Service Offices	6

Data from 31, December 2009

### About Pannon<sup>1</sup>

As the member of the Telenor Group, Pannon GSM Private Limited Company provides services to more than 3.6 million customers in Hungary and therefore has a 34.52% share of the Hungarian mobile market.<sup>2</sup> The company is a pioneer in the field of mobile broadband internet services and technologies, and offers efficient, easy-to-use and affordable mobile voice and data transmission solutions to its residential and business customers. Pannon is connected to the roaming services of 306 mobile operators in 125 countries.

The company is fully owned by Telenor Group since 2003. The official name of the company since 18 May 2010 is Telenor Hungary Telecommunications Plc, which replaces the name Pannon GSM Plc used from the time of foundation in 1994. The company began to use certain elements of the Telenor brand identity for some time, like the blue Telenor logo used since February 2006. As a result of the name change, the international aspect of the brand has become clearly apparent as well as the advantages this has to offer to customers. Simultaneously with the name change, new products and services were introduced which all indicate that the company intends to continue to provide simple, intelligent and affordable access for the Hungarian public to mobile technology.

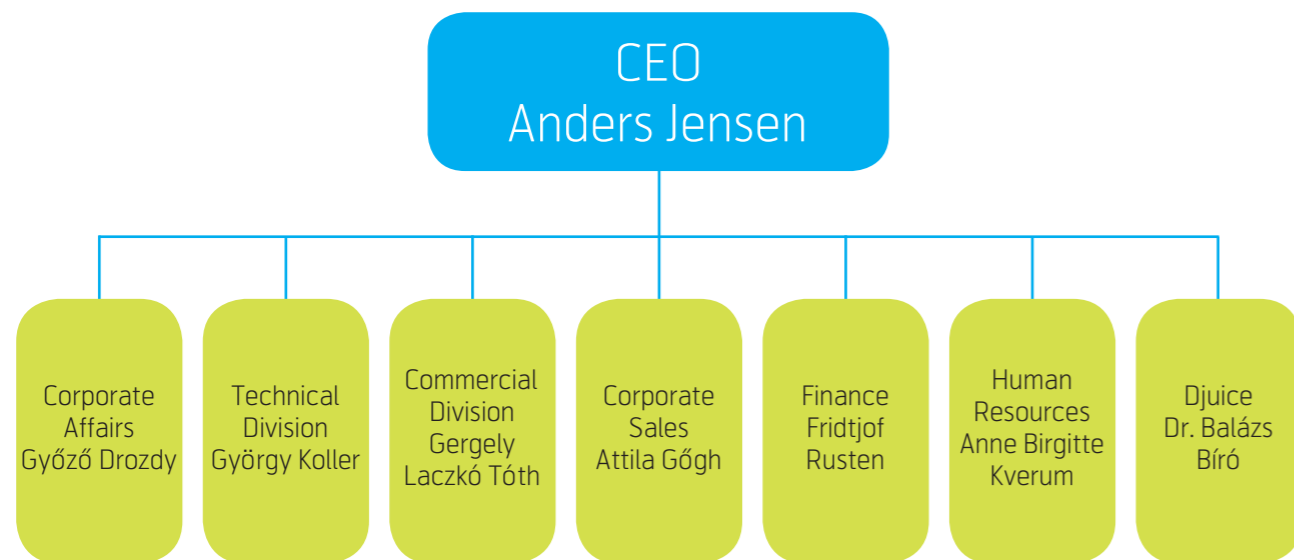
### About Telenor Group

Telenor Group is one of the largest mobile operators in the world, with 174 million mobile subscribers, a yearly net revenue of NOK 107 billion and over 40 thousand employees. With its headquarters in Norway, Telenor Group is present in 13 countries in Scandinavia, Central Eastern Europe and Asia, providing high quality services in telecommunication and media.

<sup>1</sup> This report is intended to introduce the 2009 activities of the company, therefore the name Pannon, used at that time, will be used here as well.

<sup>2</sup> Calculated on the basis of the total number of customers as of 31, December 2009.





The company structure of Pannon as of 31. December 2009

## Governing Bodies and Corporate Structure

The supreme body of Pannon GSM Plc is the Shareholders' Meeting comprised of three owners (shareholders). The management body of the company is the Board of Directors with five independent members who are not employed by Pannon. In addition to the four Norwegian members of the Board of Directors, there is also one Hungarian member who is independent from Pannon and from Telenor. The Shareholder's Meeting elects one of the three members of the Supervisory Board from the employees of Pannon. This board member represents the employees in supervising the operation of the company.

### Members of the Board of Directors

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

### Members of the Supervisory Board

- Torbjørn Mogård Wist
- Asbjørn Michelet Bakke
- László Csilling, Pannon

Management of the staff and the daily operation of Pannon in accordance with the resolutions of the Shareholder's Meeting and the Board of Directors are the responsibilities of the CEO. The CEO is not a member of the Board of Directors. Until 1. April 2009, the CEO of

the company was Ove Fredheim who was followed by Anders Jensen. In 2009, the governance principles emphasized the importance of combining the knowledge of Hungarian market characteristics with the know-how and procedures employed by Telenor Group. 75% of executives (CEO, CXOs and directors) were Hungarians, while 25% were non-Hungarians. This trend is also reflected by the data of the previous years: in 2008, this ratio was 73-27%, while in 2007 it was 71-29%.

### Companies with significant Pannon ownership stake

- Step Ahead Kft. – 100 % ownership, terminated by dissolution with effect from 1 September, 2009.
- Netrekész Kft. – 33 % ownership, terminated by dissolution with effect from 26 August, 2010.

## Awards and recognition

Pannon was awarded the Good CSR award in 2009 for outstanding role in the strategic dialogue between companies and NGOs. The objective of Good CSR is to promote the practice of non-financial reporting (based on the principles of GRI) in the CEE region, thereby enhancing responsible corporate governance.

"The biggest high-hanging fruit" – Recognition of the Pannon House  
The heat pump heating and cooling system integrated in the Pannon House was recognized in 2009 by the award of the KÖVET Association, handed out for sustainable environmental investments and projects aiming to reconcile economic and environmental purposes. KÖVET acknowledged that this investment of Pannon improves and reduces the impact on the environment and at the same time reduces operational costs.

The Dow Jones Sustainability Index - The international survey also highlighted the performance of Telenor Group. Telenor, the parent company of Pannon, was among the first companies ranked by Dow Jones Sustainability Indexes (DJSI) in 2009-2010, which ranks the companies on the basis of their overall economic, social and environmental performance. In comparison with 2008-2009, Telenor has improved its overall performance index in 2009-2010 which was also owed to the considerable contribution of Pannon.

## We Moved!

In 2009, one of the biggest events and environmental landmarks for Pannon was the construction and the takeover of the Pannon House. The building was handed over by Crown Prince Haakon, in an extravagant and solemn ceremony. The new office building is the symbol of the environmentally conscious corporate governance of Pannon. The environmentally conscious approach of Pannon is reflected and emphasized in the new office building and in everyday work. The employees are invited to selectively collect waste, to manage the documents electronically, to print documents on recycled paper and to share with each other their environmentally conscious ideas and know-how in a green newsletter. Environmentally conscious mentality is Pannon's new approach to work as defined in the international strategy of Telenor Group called "New Way of Working".

### New Way of Working – a completely different approach

Pannon House advocates and supports a new work-culture. Telenor Group introduced "New Way of Working" by constructing new office buildings, the first of which was built in Fornebu, and later in other countries as well. The essence of this concept is that working in an inspiring environment creates new ideas, benefits creativity thereby increasing the efficiency of the work and the satisfaction of the employees. At the planning phase, the company first defined the new work culture and what it meant in everyday life and then examined what type of building could support this concept. When designing the building, the aspects of the new work culture were taken into account: the special design and construction of the building stimulates and supports the flow of information and interaction

between the employees. The café designed in the working areas is a good example of this; this is where colleagues can socialize, exchange information and brainstorm.

### The pillars of the New Way of Working

There is a desk-sharing system in the new office building which means that the employees choose a desk within their work units each morning and that is where they will be working that day. There are certain special departments which are an exception to this system (e.g. the Legal or certain parts of the Financial Departments). The office building is characterized by open spaces; even the CEO sits in an open office. Everybody has identical chairs and desks. As part of the environmental consciousness, Pannon introduced the electronic document management program. This program not only serves to protect the environment, but has further advantages as well: the employees have access to all documents, e-mails and files used for work which means less storage space and with less use of paper, more working area. Pannon strives to create a healthy balance between work and private life. The company ensures special access rights and mobile internet to its employees to allow remote work. This new way of working is built on the unconditional trust and cooperation of the management and a close tie between the superior and its subordinate. Pannon House has a gym with ping-pong tables and two saunas welcoming the employees who wish to refresh and exercise, even during working hours. The two foosball tables in the lobby help workers unwind. Employees regularly organize in-house tournaments where they can try their talent individually or in teams. Employees are also provided fresh fruit everyday free of charge to protect their health.





## Economic Performance

Financial Data pursuant to the rules of the International Financial Reporting Standards				
	2006	2007	2008	2009
Revenue (HUF million)	194 659	192 547	188 363	177 048
EBITDA (HUF million)	72 135	77 058	76 445	73 362
EBITDA rate (%)	37,1	40	40,6	41,4
EBIT (HUF million)	45 777	55 441	55 369	50 606
CAPEX (HUF million)	19 702	14 822	17 879	12 928
ARPU-index (HUF)	5028	4630	4292	3913

### Business Results

The economic crisis dominated the business environment in 2009 confronting the telecommunications sector with challenges. The revenue of Pannon in 2009 decreased by HUF 11.3 billion compared to the previous year.

The decrease of the revenue from termination fees and retail voice services were only compensated in part by the sales revenue of the mobile internet service. Investment levels decreased considerably, with nearly 28% compared to the previous year.

Pannon however plans on a long-term; we believe that modern communication is essential for efficient business, therefore we continue to develop our network and services.

### Strategy

Pannon aims to provide excellent quality services to its customers, which meet their needs at an acceptable price and are at the same time environment friendly and live up to the expectations of the owner, while also ensuring outstanding working environment for its employees. Pannon determined the following Must Win Battles in 2009:

- Clearly differentiated core brand (Pannon), with a stable growth in revenues and market leadership in valued segments
- 2• Leadership in the mobile internet market
- 3• Number one youth brand (djuice)

The long-term aim of Pannon is to be the favourite mobile operator in Hungary. Pannon brought its brand strategy to a whole new level in 2009

when launching the Pannon Difference program. As a result, the entire organization was involved in defining and implementing the brand strategy. Five focus areas were defined which are the long-term guidelines of the company's development and which simultaneously underline why the customers should choose Pannon. The primary goal of the company is to provide all of its services to the full satisfaction of its customers, thereby distinguishing itself from its competitors.

The five strategic pillars/focus areas:

1. **The Service Experience:** easily accessible, fast customer service
2. **Useful Products and Services:** products and services which make everyday life easier for customers and which are easy to use, helping the customers

3. **Price-Value:** achieving that Pannon is viewed overall by the customers as a service operator worthy to subscribe to
4. **Commitment and Responsibility for the Environment/Society:** Pannon is a human-centered operator with recognition and adequate management of its own impact on the environment and society
5. **Reliable Network Coverage and Capacity:** The customers are able to use the voice and data services in a simple way, wherever they need it



## Products and Services

By using the opportunities offered by mobile technology, Pannon aims to offer mobile products and services which ease everyday communication and which are – at the same time – advanced and contribute to developing society and the economy. The company revived the communication market of voice calls dominated almost entirely by landline connections in 1994, at the time of its foundation. Soon after, it introduced the first SMS service in Hungary, which has become one of the primary means of communication. The now available spectrum of mobile telecommunication services are the result of the development of existing services and the introduction of new ones. 2009 was all about continuing the development of mobile services with special regard to mobile broadband Internet, to which the company paid special attention when developing its network. This service has by now proven its legitimacy.

The products and services offered by Pannon are grouped along different factors.

### Based on the type of services

- **Voice services**  
Pannon's various packages ensure that everybody finds the one suitable for their needs. Post-paid customers have a wide selection of 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 very best of both types of subscriptions. Pannon offers a wide range of handsets at special prices for these packages: from entry-level phones to sophisticated smart phones. In August 2009, Pannon introduced a new subscription type called MobilKvartett, which offers various advantages for the customers. Four types of services are offered at a discount rate for only one monthly fee: in addition

to voice calls, customers may surf the internet, send text and MMS messages at favourable prices.

- **Data services**  
With our mobile internet service, 99% of Hungary's population can access the mobile broadband network (EDGE). Installing the HSUPA capability to the entire network was completed at the beginning of 2009, and the effort to deploy the new infrastructure required for the 14.4 Mbps throughput rate was continued. At the end of the year, access to the 3G/HSDPA network, currently with the highest throughput rate, was available in 535 towns and villages.

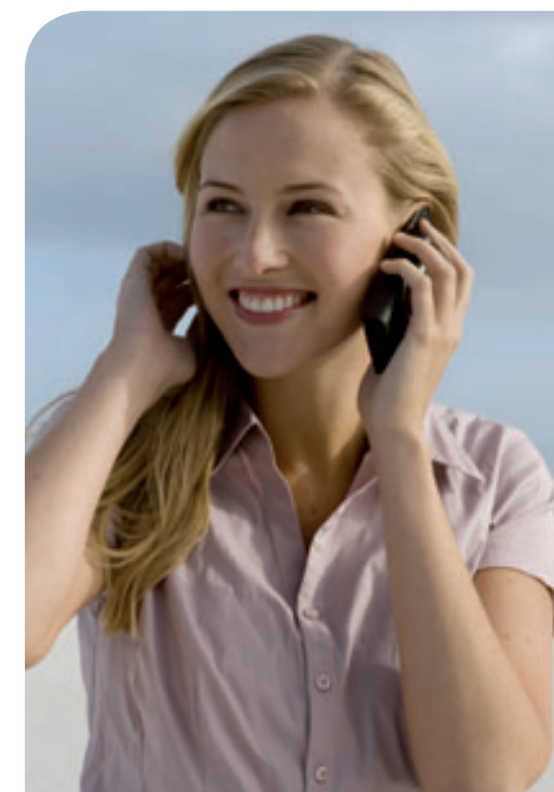
Pannon's internet packages enable customers to access internet from a laptop, PC or mobile phone. In addition to the packages with various download limits, the company offers to its customers the internet Flexi package with unlimited traffic and e-mail access. As most of the telephones are now suitable for surfing and e-mail access, the company introduced three internet service packages in order to meet the growing customer needs: Mobil Online S, Mobil Online M and Mobil Online L. Pannon was the first on the Hungarian mobile internet market to introduce the fee reduction guarantee in 2009. This guarantee ensures that in case a certain package previously introduced by the company is offered again at a lower fee, not only the new customers benefit from such reduced price, but the existing customers may also change to this new tariff at any Pannon retailer, free of charge. Hence our customers can always benefit from the best that Pannon has to offer.

- **Other non-voice services**  
The company is a market leader in using mobile technology in areas that go beyond traditional people-to-people communication. The company has taken an active role in

developing a number of services where mobile devices can be used for machine-to-machine communication. Examples include DataMed, a health data communication system, and the Mobile Payment service. By the end of 2009, the popular mobile parking system was accessible in 24 cities in addition to Budapest. As of August 2009, Pannon introduced the electronic invoice service by which the customers have simple, fast and comfortable access to their accounts without the paperwork therefore making this service is also environment friendly.

### Types of offering

- **Permanent offers**  
The services and packages that are continuously available to our customers.
- **Promotional offers**  
Pannon always has seasonal offers in voice and data services. Such were the offer of "0 after the first 5 minutes" package offered for a price of HUF 0 for three months, or the summer season promotional offers for mobile internet services.





## Customers

It is a high priority for Pannon to ensure that all of its customers are satisfied with both the quality and the price of its services. In order to provide a high quality service, Pannon has grouped its customers along the lines of their needs, differentiating between the following subscriber segments.

- Residential subscribers
- Corporate subscribers
  - One-man companies and small businesses
  - Mid-size and large enterprises

### Residential customers

Pannon strives to provide simple, easy-to-use and affordable communication services to its residential customers. The company aims to reduce the communications costs of its customers by offering services such as the new Family Package with free calls to a chosen group of numbers, the one week of free calls per month, or the HUF 0 after the first 5 minutes services.. Two groups are distinguished in the residential segment: young adults who have an active social life and are open to novelty, and active families who constantly try to balance family, work and private life and wish to create a comforting environment and ensure a safe future for their family.

Mobile phones have become a part of everyday life in all consumer segments. At the same time, each group defines different expectations vis-à-vis their mobile operator.

### Distinction of customers based on age

- **Pannon**  
the Pannon brand is the umbrella under which the company's services are accessible for all.
- **Djuice**  
the brand developed especially for 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, therefore djuice packages and services are based specifically on the needs of this age group.

### Corporate customers

Pannon's portfolio of business services has something for all firms, from one-man companies to large corporations. With our cost-cutting solutions (such as "EU Country", "Unique Area", "Multiarea", "HUF 0 Intracompany" etc./) companies can optimise their communication costs and thereby increase their competitive edge and the efficiency of everyday operations. With the introduction of the Business Frame

tariff portfolio in 2009, all of our business customers' employees can use up the monthly fee according to their communication habits. **Micro and small enterprises** form an extremely heterogeneous group with a diverse scope of activities. There is no clear distinction between work and private life for them. Their ways of thinking and their purchasing decisions are similar to those of residential subscribers. Always being available is necessary for their work. In the case of medium size enterprises, the distinction between work and private life is more clear cut. Flexibility is important as they have to adapt quickly to changing circumstances. The bigger they are, the more cost conscious they become. **Large corporations** form a special group. They seek their suppliers and service providers as large accounts.. They are usually provided with customised service packages meeting their individual needs. As these are our most important customers, we appoint a special contact person to handle and manage their enquiries and problems and to meet their individual needs.





## Pannon's stakeholders

Stakeholder group	Why is liaising important for Pannon?	Form of dialogue	Results
Owner Telenor ASA	We have to comply with the parent company's ethical, economic, environmental and social norms. Achievements in this area have an indirect effect on the shareholders of Telenor Group.	<ul style="list-style-type: none"> <li>regular reports</li> <li>providing data</li> </ul>	
Employees	The company's success depends on them.	<ul style="list-style-type: none"> <li>Intranet site</li> <li>a segment on the site for public surveys, where opinion polls can be done on specific matters;</li> <li>Internal Value Creation – IVC – survey among the employees which aims to develop the organization</li> </ul>	<ul style="list-style-type: none"> <li>articles open for comments on the site</li> <li>the attendance data shows that the most popular content are those which are related to changes in the internal organization, benefits and in-house events</li> <li>the results of the IVC survey are detailed in the chapter on Employees</li> </ul>
Retailers	Represent Pannon vis-à-vis the customers, the company acquires new customers through them.	<ul style="list-style-type: none"> <li>charity team building and training</li> </ul>	<ul style="list-style-type: none"> <li>please see the Chapter on "Social responsibility"</li> </ul>
Customers	Pannon's aim with all voice and data services is to improve their quality of life.	<ul style="list-style-type: none"> <li>satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>see the Chapter titled "Our Customers"</li> </ul>
Suppliers	It is important that the partners understand the values and governance principles of Pannon and that they identify with these.	<ul style="list-style-type: none"> <li>Vendor Forums organized by the Development Department which is attended by the Procurement Director</li> </ul>	<ul style="list-style-type: none"> <li>The suppliers presented their proposals to improve cooperation which were implemented by the Development Department in next year's strategy.</li> </ul>
Non-governmental sector	One of the target groups of Pannon's activity whilst at the same time being a force in defining and impacting the operation of the company.	<ul style="list-style-type: none"> <li>taking an active role in the NGOs of the telecommunication sector</li> </ul>	
Public sector	One of the target groups of Pannon's activity whilst at the same time being a force in defining and impacting the operation of the company.	<ul style="list-style-type: none"> <li>continuous dialogue with authorities and ministries regarding regulatory matters</li> </ul>	
Media	It is through them that Pannon reaches Hungarian stakeholders most frequently in the most efficient manner.	<ul style="list-style-type: none"> <li>regular press work, informing the media of the activities of Pannon</li> </ul>	

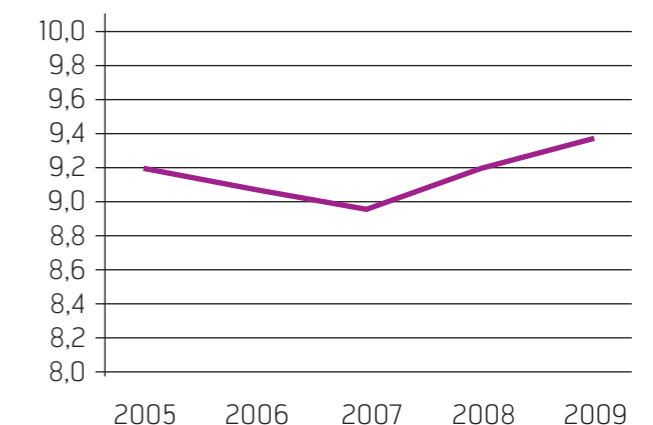
### Customer Satisfaction – Call Center Customer Service

(average points on a scale of 1-10)



### Customer Satisfaction – Retail Shop Customer Service

(average points on a scale of 1-10)



### At the Customer's Service

It is a high priority for Pannon to satisfy its customers to the greatest extent possible and therefore customer service is subject to continuous improvement. In 2009, we launched numerous programs related to training and surveys. Our colleagues at customer service attended regular individual or group trainings (personal development, personal coaching, change management, decision making support trainings and other technical trainings). The customer service underwent an internal audit in 2009 the subject of which was the supervision of compliance with the requirements of ISO 9001:2008 Quality Management System.<sup>3</sup> Following this internal audit, an independent company (DNV Hungary Kft.) carried out an external audit which was completed successfully. In the last quarter of 2009, the management of Pannon initiated a call center benchmarking survey with the involvement of international advisers, aiming to identify the opportunities to improve the activity of customer service. As a result, a series of full scale trainings began in November 2009 for all of our colleagues at customer service, regarding customer orientation and complaint management. Simultaneously, customer ser-

vice, together with the legal and other professional departments, created the strategy for complaint management on a company level. The company introduced a new alternative identification process whereby the operators in the call center do not ask for the secret PIN code in certain cases but instead ask 3-5 personal questions. As a result, the management realized the commercial potential of incoming calls and therefore a group of twenty operators from customer service commenced the training for sales activity in December 2009.

#### Customer Satisfaction Surveys

In order to establish the solid foundation of a successful business activity, Pannon regularly surveys the satisfaction of its customers regarding the products, the network and pricing. Satisfaction surveys of different subdivisions were made several times in 2009. The company evaluated separately whether the customers coming across any of the customer service channels (call centre, Pannon retail sellers) are left satisfied with the given service.

#### Call Center

The telephone customer service was reviewed through a separate investigation. In respect of the call center, Pannon was interested

not only in the customers' overall satisfaction, but also in seeing how easy it was to navigate in the automatic menu when reaching the call center, how long customers have to wait for an operator to answer if they wish to speak to one, and how many customers manage to resolve their problems via the call center. The results of the survey show that overall the call center provides high quality service: the customers are generally satisfied and our operator colleagues were highly rated. Customers were less satisfied with the length of time they had to wait, therefore improvement in this respect is required.

#### Pannon Retail Shops

Pannon regularly surveys the overall satisfaction of its customers regarding the Pannon retail shops, the staff and the various administrative services. Although the company has been conducting such surveys for some time now, due to certain methodological changes, the data is not always comparable with those acquired before 2008. The results show that customers are overall satisfied with this service; customers find that the staff is polite and helpful. Even though administrative procedures were rated highly, these procedures could still be simplified.

<sup>3</sup> The following matters are subject to the Quality Management System at Pannon: Mobile Telecommunication Services for Business Customers



Data Protection Complaint Management				
	2006	2007	2008	2009
The number of complaints filed with the Data Protection and Abuse Prevention Office	247	632	1160	851
Founded complaints regarding data protection	6	7	3	5
Inspection conducted by the Data Protection Commissioner	1	1	2	3

**Data protection**

When handling personal data, Pannon is under obligation to comply with the respective provisions of law and in particular with Act LXIII of 1992 on the Protection of Personal Data and the Publication of Public Data (hereinafter the Data Protection Act) and Act C of 2003 on Electronic Communications (hereinafter the Electronic Communications Act).

Pursuant to the provisions of law, Pannon sets out all rules of handling the personal data of its customers in its General Terms and Conditions and in the respective internal data protection policy. Subscribers and all persons regarding whom Pannon handles personal data for sales purposes (concerned parties and potential customers) can read an abridged version of the rules of data management on the company's website.

Pursuant to the applicable law, Pannon notifies the Data Protection Commissioner responsible for keeping the Data Protection Registry of all data management activity subject to the obligation of notification.

As part of the audit aimed to ensure that personal data management of customer's data is a closed system, an external auditor company (Matrix Tanúsító Kft.) regularly monitors the management of personal data. In 2009, Pannon reviewed in substance all submissions and complaints regarding personal data management and informed the person concerned regarding the results of the review. A total of 851 cases were filed electronically or

via mail to the Data Protection and Abuse Prevention Office.

The Data Protection Commissioner conducted an inspection regarding three subject matters related to the data management practice of Pannon. Neither of these inspections was based on a customer complaint. As a result of the inspections, Pannon continuously adapts the respective areas of its data management practices which were subject to inspections.

**Responsible marketing**

In respect of 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 activity is primarily governed by the provisions of the Act CLV of 1997 on Consumer Protection, the Act XLVIII of 2008 on the Fundamental Conditions and Limitations of Commercial Advertising, the Act XLVII of 2008 on the Prohibition of Unfair Commercial Practices, the Act LVII of 1996 on Unfair Market Practices and the Prohibition of Restricting Competition and the Act C of 2003 on Electronic Communication.

As a member of Telenor Group, Pannon prepared internal policies and programs on the elaboration and use of correct communication practices. The company ensures that all of its employees and all persons acting on behalf of Pannon are familiar with the content of these policies and that they have a competent response to all their related queries. One of the goals of the documents is to ensure that the

employees of Pannon are aware of the prevailing rules and expectations of the Telenor Group. In addition, these documents also intend to demonstrate this complex field in a pragmatic and comprehensible manner. When preparing these documents, Pannon's intention was to elaborate simple, transparent and easy to understand policies and to provide a description of special cases and demonstrate them with practical examples.

Our activity relating to marketing communication is monitored by several authorities pursuant to the prevailing legislation, namely the National Communication Authority, the National Consumer Protection Authority and the Competition Office. These authorities are entitled to require information from Pannon regularly and on an ad hoc basis. These authorities may not only initiate inspections pursuant to consumer complaints but may act ex officio.

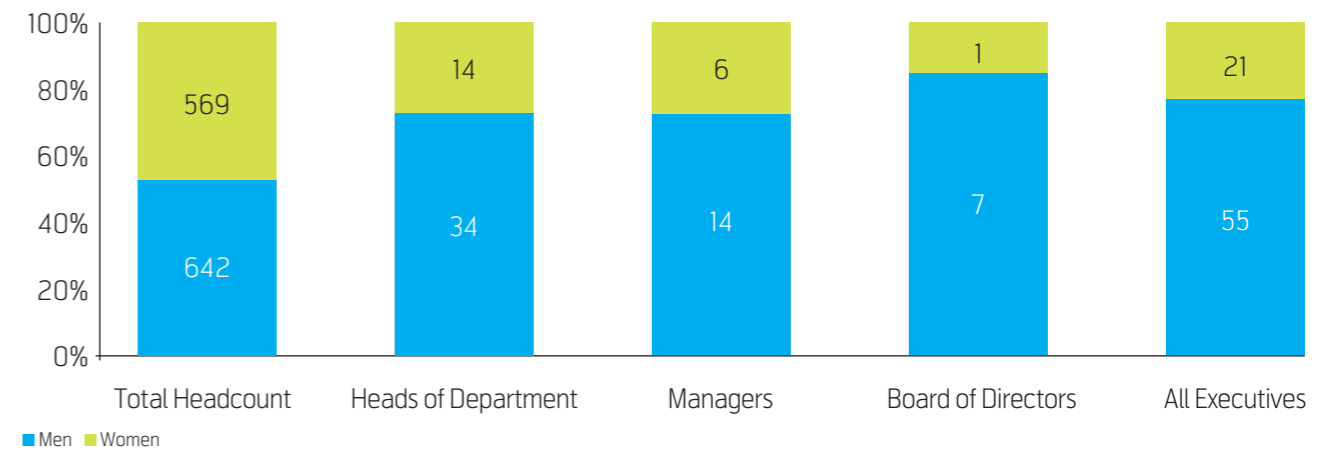
During 2009, these authorities requested the company to provide information on several occasions, however only on two occasions did they identify a breach of rules and impose a fine.





## Employees

Proportion of women and men 2009



„Pannon considers the creation of unity between employees and the company to be a long-term investment which is vital in maintaining the company’s results and responsible work culture. We wish to provide an opportunity for our employees for self-development by various trainings and educational programs. By providing an inspiring work environment in Pannon House, our aim was to considerably expand the boundaries of personal and teamwork. Under the scope of the new approach called New Way of Working launched concomitantly with the construction of the office building, we have also implemented various changes so that our colleagues can enjoy mobility and cooperation.” – **Anne Birgitte Kverum, Chief Human Resources Officer.**

### Employment – Facts

In 2009, Pannon had 1211 employees and 212 temporary agency workers<sup>4</sup>. The majority of the staff is in the 25–45 age group (91%), which is characteristic to the industry but also partly result of the history of the company. Pannon has always been a preferred employer among young people in the 18–30 age group, who were more attracted by, and familiar with, the world of telecommunications. Cooperation of different age groups has several advantages: career starters can integrate in the existing

organisation, while senior colleagues contribute to results with their invaluable work experience.

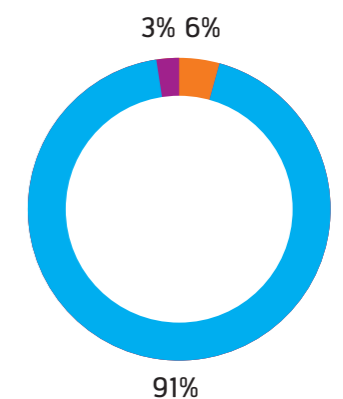
### The proportion of women and men

The proportion of men amongst active workers is traditionally higher than women (53%). However the number of women in leading positions does not follow this pattern. In the case of middle-managers the gender ratio is also associated with the timing of childbearing. This also explains the increase of the number of employees working under fixed term employment contracts (12%): Pannon enters into fixed term employment contracts with employees hired to replace those who start a family, allowing them to return to the company after the maternity leave.

As equal opportunities are laid down in the company values, the culture of the organisation and, most importantly Pannon’s Code of Conduct, the men-women ratio and women’s career management is continuously monitored by those responsible for organisational development. In order to encourage mothers raising their children to return to work as fast as possible, the company provides the possibility of remote work and flexible hours. The construction of the new office building also supports this objective. The results of these efforts can only be assessed after a period of several years.

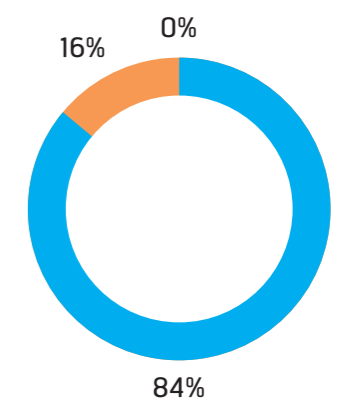
### Distribution of employees in 2009

- under 25
- between 25 and 45
- 45 or over



### Distribution of managers in 2009

- under 25
- between 25 and 45
- 45 or over



<sup>4</sup> Data from 31, December 2009

Number and Distribution of Employees			
	2007	2008	2009
Number of Employees	1279	1423	1423
Number of direct employees	1089	1241	1211
Number of hired employees	190	182	212
Type of contract			
Indefinite term contract	946	1093	1066
Fixed term contract	143	148	145
Distribution by gender			
Women	482	573	569
Men	607	668	642

## Fluctuation

Total fluctuation during the past three years was 9% which is considered healthy for a company involved in commercial and customer service activities.

## Employment – Internal programs

### Training, Career, Performance Management

All company employees are responsible for their own careers and all managers must provide to their subordinates the possibility of self-improvement with the help of the global programs of Telenor and the local initiatives. The different divisions may decide freely about trainings organised from internal resources. One of the key elements of the organisational culture of Pannon is cooperation, which comprises not only of the exchange of information and results, but it is also about the sharing of know-how. When introducing new products and services, the training of “key-users” is a standard practice. These key users will then pass their knowledge onto their immediate colleagues. Professional mentors and in-house trainers are responsible for training new employees engaged to work in fields of expertise requiring a longer

Net Fluctuation			
	2007	2008	2009
Net Fluctuation*	9%	8%	9%

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

learning period. Employees with special skills frequently share their knowledge with their colleagues within the group or even the employees of other units. Employees are entitled to 2–3 days a year for training, but the number of days available for vocational purposes may vary according to the job profile. Our colleagues must duly be prepared to ensure the successful implementation of organisation development projects involving all employees. The extensive programs make use of all information channels: in addition to individual presentations, e-learning materials accessible via the intranet and group discussions help our colleagues understand and get accustomed to the changes. New colleagues learn about Pannon’s corporate values, objectives and mission through on-boarding trainings, where they also learn about the rules of the Code of Conduct with the help of e-learning material. Based on the feedback from the various divisions, expansion and renewal of the on-boarding trainings is amongst the aims defined for 2010.

All of our colleagues with talent have the chance to attend international and local development seminars and trainings based on nomination by their direct superiors for their performance or for their potential.

### Performance management: From Setting Goals to Achieving Results

Performance evaluation and staff development at Pannon is conducted under the auspices of the Pannon Development Process (TDP), which was initially introduced by the parent company and then recommended to the subsidiaries. Pannon has been applying this procedure for the past seven years, initially only on management level, then gradually extended it to employee performance evaluation as well.

### Performance Evaluation of Employees: regular monitoring

Yearly evaluation of the employees is based on quarterly cycles.

Subordinates and their direct superior analyse together their business and behavioural goals and the implementation of the development agenda designed to achieve the above defined goals, and in addition, they also evaluate the performance of the previous period.

### Leadership Expectations in the Spotlight

The performance of senior executives of Pannon is evaluated along the lines of the TDP, just as the performance of any other employee. While employees only define and evaluate individual goals at their review meetings, the business goals of executives include the annual strategic goals set at company level as well, and their behavioural goals also cover the company-level organisational development goals. The conduct of executives not only has to comply with Pannon’s four core values and the guidelines of the Code of Conduct – as these are basic requirements to be complied with by every employee – but they also have to meet the requirements set out by the applicable leadership expectations of the Telenor Group (the Telenor Leadership Expectations).

### Performance Management at a Company Level

The next step in the TDP process following the performance evaluation meeting is the executive level Review Meeting, where the direct superior reviews the performance of his/her subordinates, joined by his/her peers and superior. These discussions prove to be useful for our employees: they are provided information regarding their work performance and personal conduct as they receive feedback from their colleagues and their superior which they may integrate in their personal development plan. This system carries another advantage within, as the attendees of such discussions are given a chance to meet their colleagues with

outstanding work performance and later nominate them to participate in programs which help their promotion.

### Telenor Academy

Telenor Academy is the training centre of the Telenor Group in Oslo. It also functions as an internal hub of know-how where the reliable professional contacts acquired throughout the years are gathered, in order to ensure the highest level training of employees. Telenor is responsible as a group to ensure the continuous supply of managers through its manager development programme. The talented colleagues of Pannon attend regularly the series of programmes comprising of three modules of three different levels. The first level (Core) is attended by direct superiors, team leaders, which is followed by the next level of the heads of department, directors (Accelerate) and topped off by the senior executive level (Expand). When naming the greatest advantage of the programme, participants usually mention the high professional standards and the exchange of experience with other participants from various other countries with colourful and diverse experience and backgrounds. In 2009, 11 Pannon employees attended one of the international manager programmes. The employees are provided a chance to attend certain professional trainings as well, of which the most popular are the Brand Academy and the Finance School.

### Prepare Programme for the Local Talent

The talent of High Potential colleagues (HiPo) are nurtured by Pannon through the Prepare Program. The employees who have outstanding performance, skills and experience may be nominated for the local programs, if the participants of the Review Meeting also see the employee fit for such promotion. It is important that the

ambitions of the employee collide with the requirements. In 2009, twenty employees from various divisions of the company enrolled in the three module programme series which focused on the improvement of management skills.

## Internal Value Creation – IVC

IVC is a yearlong process which has been implemented by Pannon with the guidance of the parent company for the past nine years. The primary objective of the program is to involve employees in the shaping of the corporate culture and in the life of the organisation, and also to define and implement organisational development objectives on a company and working group level based on the opinion of the employees. The employees engaged by Pannon for more than three months can share their opinion regarding the events of the past year which had an impact on the organisation (e.g. organisational changes, corporate events, efficiency of internal procedures), and on Pannon as a workplace. Just like in previous years, attendance was quite high in 2009 as well, which is a constructive feedback for the HR Department as well as for the senior management. This internal survey provides an opportunity for the employees to provide feedback on their superiors. While the sections of the survey regarding teams and company level feedback are prepared globally, the evaluation of managers has been performed locally for the past two years, to ensure that the senior executives of Pannon receive the maximum feedback regarding their activities. The results of the team and company level surveys are accessible to all employees at the Business Planning Workshop organised especially for this purpose. During the course of these half-day / one day workshops, the teams define yearly business and organisation development targets which is tracked by the HR Department.



Number of days lost due to workplace accidents (sick-pay)			
	2007	2008	2009
Central site	19	212	20
West	0	0	0
East	157	0	0
Total	176	212	20

#### Healthy and Safe Working Conditions, Health Preservation programs

Preserving the health of employees and ensuring a safe working environment are fundamental issues for Pannon. The company operates a health improvement program that focuses primarily on prevention. Continuously updated information about programs and opportunities is available to colleagues on the company's intranet portal so that they are informed immediately of all new initiatives.

In addition to the compulsory occupational medical checkups, health screening tests, outpatient care and dentist checkups are also available to all employees. The screening tests allow the timely detection of many problems and dysfunctions. Besides professional medical advice, colleagues receive advice and answers on change of lifestyle. On health issues, physicians at two excellent private clinics and several dentists are available for consultation. Our employees also have the opportunity to receive vaccination free of charge or at a discount price, such as the flu shot in 2009, and vaccines for ticks or HPV.

#### Work Safety

To ensure work safety, the occupational physician inspects workplace hygiene regularly at Pannon's offices and showrooms. Upon any changes affecting the offices, the work environment is re-examined. Such inspections involve an expert who assesses whether the environmental, material and organisational conditions ensure a safe and healthy working environment. The risk assessment is revised annually. Despite the fact that only the most recent amendment of the Labour Safety Act provided for the importance of assessing psychosocial factors, Pannon has been reviewing these factors separately for several years now.

All personal, material and organisational requirements of first aid are provided readily available. High standards are guaranteed by regular training sessions. The first aid kits are supplied to Pannon by a market leader in Europe. Colleagues responsible for the maintenance of the transmission towers working on site pursue their activity in a special work environment. Pannon's own Work Safety Regulations and the Industrial Alpine Technique Regulations ensure that they, too,

work under safe conditions which do not jeopardize their personal health. When choosing protective gear for employees who perform alpine technical works, the company aims to provide the best quality gear available without any compromise as required by law or the company regulations. Pannon inspects and checks the equipment at prescribed frequency, and arranges for replacement if necessary. This task is supported by an ISO-certified professional consultant partner. Employees who do not perform alpine technical works but their work nonetheless justifies the use of protective gear are also provided with excellent quality protective equipment.

The regular work safety and industrial alpine technical training sessions cover fire protection training and issues related to the use and maintenance of individual protective equipment as well. There have been no fatal workplace accidents at Pannon and there are no absences due to work-related illness. Workplace accidents usually arise from slipping or stumbling resulting from the negligence of the employees.





## Suppliers

„The Telenor Supplier Code of Conduct used by the Telenor Group sets out the human rights, labour, health, safety and environmental standards and practices we are committed to and which we expect to see observed by our suppliers. Therefore we evaluate these aspects as well when selecting our suppliers beyond traditional criteria such as the quality and price of service and the financial stability and professional references of the candidate. Environmental consciousness is given increasing emphasis. This is a very conscious decision of Pannon which will be strengthened in the future.” – **Andrea Kovács, Procurement Director at Pannon**

### Pannon Supplier Code of Conduct

In 2009, Pannon continued the implementation of the Supplier Code of Conduct, the aim of which is to ensure that suppliers comply with and are committed to the requirements of Telenor Group such as the respect of human rights, labour standards, health and safety, the environment and the prohibition of unfair business practices. The document reflects the principles and fundamental values of the company's Code of Conduct and sets out the de minimis requirements which must be met by each supplier in the future.

At the end of 2009, 110 of the largest suppliers were audited as to what extent they respect the provisions of the Supplier Code of Conduct. Deficiencies were remedied with the help of a so called development plan if such was required.

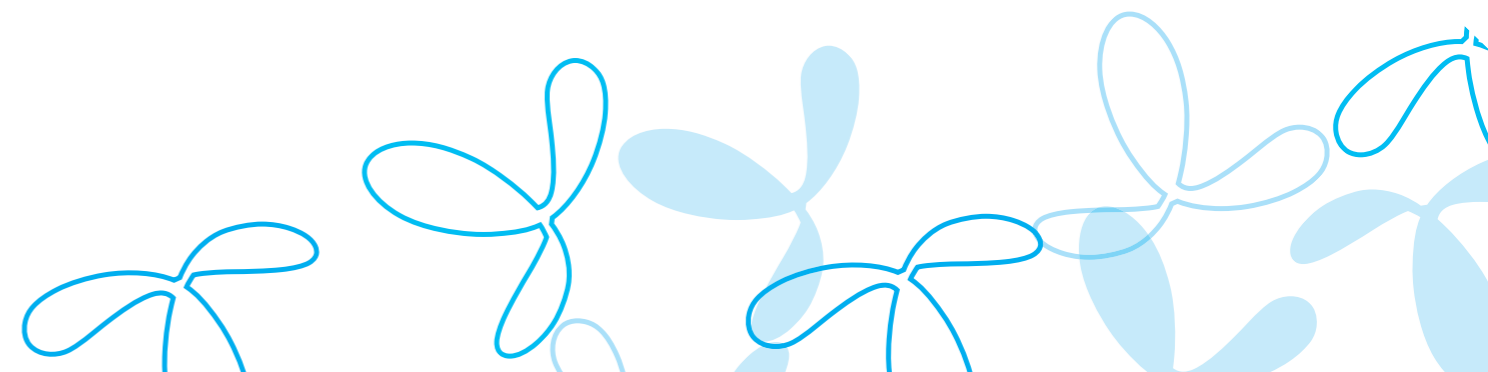
Simultaneously, the provisions of the general terms and conditions pertaining to responsible business practices were prepared,

intended to govern the related procedures, rights and obligations thereby ensuring the compliance of subcontractors therewith. These rights and obligations are set out in the “Agreement on Responsible Business Practices”. Pursuant to the agreement, Pannon regularly inspects as to whether the suppliers comply with the rules of conduct. The company concludes supplier contracts only if the Agreement has been accepted and executed. Concerning suppliers that do not sign the Agreement, Pannon pursues discussions to identify whether there is a similar company policy in place at the supplier which can be considered as equivalent to the Agreement and if so, whether such policy can be accepted as a replacement. It is the competency of the CEO to resolve on the adoption of such an alternative. In case there is no such policy, Pannon's primary goal is to convince the supplier that the Agreement has only positive impact on its business and operation. Pursuant to the company regulations, Pannon terminates the business partnership with suppliers with whom a consensus is not reached. Our statistics show that our suppliers agree with the aim of the Agreement as we did not have to terminate any business partnerships due to the refusal of conclusion thereof.

### Selection of Suppliers

Suppliers are selected according to a regulated process the aim of which is to ensure that Pannon disposes of all supplies and services necessary for its business and support functions, by selecting reliable and professional suppliers. Through the tender procedures, Pannon endeavours to address the broadest range of suppliers in order to achieve the best market conditions available. These tender procedures are coordinated by the Procurement and Logistics Department. The representatives of the affected units are invited to participate in the process. The decision is made by the managers of the affected units who evaluate the bids. Senior executives are also invited to participate in the decision if the purchasing of supplies represents a considerable value.

In addition to traditional selection criteria such as quality, services, price, financial stability and references, environmental aspects are considered with increasing emphasis. The Procurement and Logistics Department prepared a sustainable procurement guidelines aimed at enforcing environmental considerations when resolving on the purchasing of assets, products and services having major environmental impact, thereby reducing as much as possible the overall environmental impact of Pannon. These guidelines have been successfully employed by the department in case of many tenders. By decreasing the placement of purchase orders in a paper format and the increased use of electronic purchase orders, paper use in the company has decreased even further.



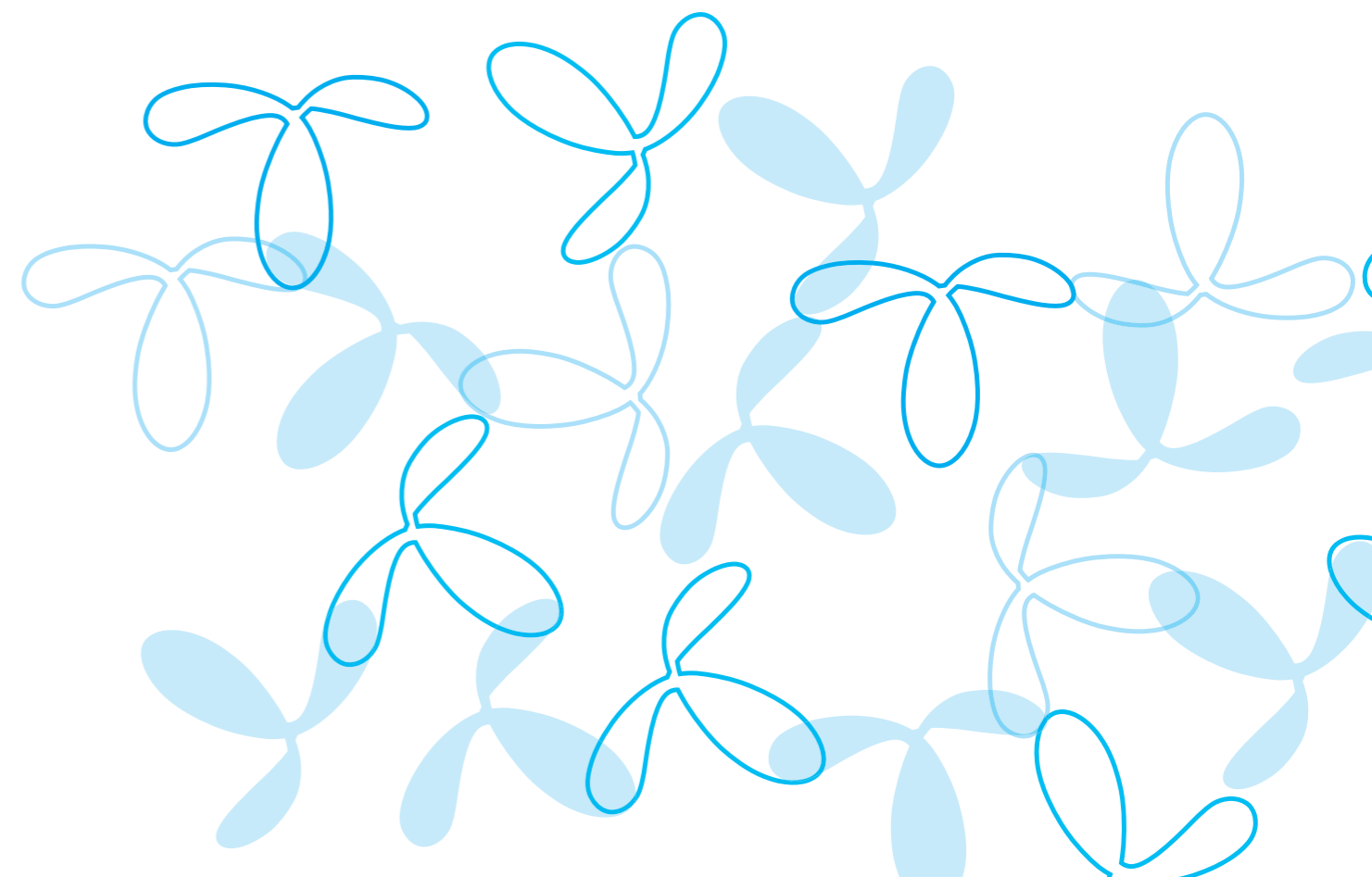
## Cooperating with the Administration and Authorities

Pannon cooperates and maintains dialogue with the authorities and other bodies responsible for regulatory matters and enacting the rules pertaining to the business environment. The company participates in these discussions and negotiations directly as well as indirectly through NGOs and trade associations. During 2009 the most important regulatory matters for the company and for the telecommunication sector as a whole were frequency management, caller-ID management and the regulations regarding payment services. Throughout the professional and regulatory dialogue, Pannon consistently advocated a regulatory environment which stimulates investments, the increase of broadband mobile internet coverage, technological development and the introduction of new, consumer-friendly services.

### Associations, memberships

Pannon is the member of the following associations:

- Scientific Association for Infocommunications Hungary
- Association of IT Companies
- Communication Conciliation Committee
- International Association for Shell and Spatial Structures
- Hungarian Donors Forum
- Committee for Self-regulating Advertising
- International Advertising Association
- Telemangement Forum
- Treasury Club
- American Chamber of Commerce (AmCham)
- GSM Association
- Association for Electronic Billing
- ACCA – Association of Chartered Certified Accountants
- Hungarian Alliance of Public Relations
- KÖVET Association for Sustainable Management
- Hungarian Business Leaders Forum
- PMI Project Management Institute





## Environmental Protection

Pannon puts strong emphasis on the respect of the environment being one of the fundamental values of sustainability. In addition to environmental conscious operation, the company intends to contribute to the development of a sustainable society through its products and services. Pannon House symbolizes the commitment of Pannon to sustainability which is considered to be the foundation of our future when it comes to sustainable environment and society and which features many qualities which are outstanding in the protection of the environment.

### Strategy to Protect the Environment

Pannon's goal is to contribute to the creation and maintenance of a sustainable society and to reduce its own environmental impact to the minimum by improving energy efficiency, using renewable energy, involving our employees and exploiting the opportunities entailed by mobile telecommunication. Our strategy to protect the environment is founded on two pillars:

- Pannon aims to reduce its carbon-dioxide emission by 24% by 2011, and by 40% until 2017 compared to the emission measured in 2007 and taking into consideration the potential expansion of the company.
- Pannon is committed to develop and sell telecommunication solutions and services which help to reduce the carbon-dioxide emission and the energy consumption of its customers.

### GSM Association Green Manifesto – the Manifesto of the Mobile Industry

A koppenhágai klímacsúcs előtt a Telenor Csoport tagjaként a Pannon is csatlakozott a GSM Association Green aPannon, as the member of Telenor Group adhered to the Green Manifesto of the GSM Association before the Copenhagen Summit on climate was

convened. This Manifesto draws attention to the battle of the mobile industry against climate change. The signatories believe in the special role of the mobile industry in the race against climate change thereby helping other industries to reduce their energy consumption and carbon-dioxide emissions.

**Environmental principles**  
Pannon introduced its policy on the protection of the environment in 2009 which will also be the basis of the environment management system to be put in place in 2010.

### Pannon's Environmental Policy

Pannon's aim is to minimize the impact of its operations upon the environment, comply with legal requirements and seek achievable higher standards through continuous improvement.

**In order to achieve this goal** the management of Telenor has implemented and has been operating the international standard for Environmental Management System, **ISO 14001**, and takes responsibility for its operation and continuous improvement.

- **Radiation**  
Telenor is committed to the health and safety of its customers, employees and communities using the "WHO" safety limits for planning, installation and safety warnings at antenna installations. Telenor shall seek to provide its stakeholders with objective information regarding any effect of radiation from our installations, services and products.
- **Emissions to Water and Air**  
Telenor shall seek to use telecommunication solutions as an alternative to traveling and thereby reduce transportation. Telenor shall seek to prevent or reduce polluting emissions in its activities and any emissions caused by transportation and business traveling. Telenor shall contribute to a sustainable social
- **Energy Consumption**  
Telenor shall be energy efficient, seek renewable energy resources and strive for effective energy solutions.
- **Waste Management**  
Telenor shall reduce resource consumption, reuse equipment rather than dispose and promote recycling. Telenor shall secure sustainable waste management within its own activities and seek to ensure that suppliers and contractors follow environmental standards that are comparable to Telenor's own standards.
- **Environmental Effective Purchasing**  
Telenor shall consider environmental consequences when planning to purchase a product or service. Environmental requirements to the performance or function of the product should be made, if relevant.
- **Mast, Antenna and Installation**  
Telenor and its subcontractors shall seek to minimize visual and aesthetic impact on the local environment when locating and constructing its buildings, structures and equipment.

development by creating, simplifying and bringing environmentally effective communication solutions to the marketplace.



## Energy Consumption And Carbon-Dioxide Emission

The two major impacts on the environment projected by Pannon is electric power consumption and electronic waste generation. Of course the company impacts the

Electricity consumption			
	2007	2008	2009
Electric Power (kWh)	52 942	53 975	62 266

environment in other ways as well which we try to reduce, but the main focus areas of environmental protection remain the above two. Pannon's energy consumption in a large part is the consumption of electric power. Although this does not require the direct use of natural resources, and the base stations, shops and the Pannon House does not emit any pollution related to the production of electricity either, but Pannon is responsible for considerable carbon-dioxide emission through the operation of

Directly or indirectly emitted carbon-dioxide			
	2007	2008	2009
CO <sub>2</sub> (tonnes)	23 874	23 411	25 444
Grid	84,4%	82,5%	80,4%
Office and IT	8,1%	7,9%	10,2%
Traffic	7,5%	9,6%	9,5%

power plants generating electricity. By using a carbon-dioxide emission model developed in early 2008, Pannon calculated its carbon-dioxide emission for 2009 as well. Unfortunately despite all efforts, intentions and successful projects, both the energy consumption and the carbon-dioxide emission of the company increased. The main reasons for this is that the expansion of the network was greater than

initially planned by the company, and also because before moving into the Pannon House and for a while thereafter, two office buildings were operated simultaneously. Notwithstanding, many initiatives for energy efficiency and for the

Direct energy consumption distributed by primary energy sources			
	2007	2008	2009
Gas (m <sup>3</sup> )	147 442	281 912	217 198
Oil (l)	412 014	576 063	657 825
Fuel (l)	321 808	252 378	195 260

protection of the environment were a success.

Among these are:

- Merging network headquarters and closing the old ones
- Implementing new IT infrastructure and facilities to replace the old ones which are less energy efficient
- Launching of a new function of the network which results in lower energy consumption in case of reduced use
- Replacement of 2G equipment with 3G which results in the reduction of the energy consumption on the network level and in respect of data traffic
- With the intelligent facility management system, the specific energy consumption of the Pannon House decreased

- The purchase of "green" electric power started in 2009 by which the company supports indirectly the generation of renewable energy
- Free cooling system used in 90% of the network in the previous years has been introduced in further base stations as well

## Waste Management

Pannon provides the possibility to its customers to get rid of their used handsets; even a campaign was launched in the Christmas season of 2009.

Pannon either sold all of its network and IT equipment or deposited

of them to waste management companies for the purposes of recycling, thereby increasing the ratio of recycling and reuse to 100%. The company also decreased its communal waste considerably by introducing the selective waste collecting system and therefore the amount of recycled waste increased.

Number of recycled handsets			
	2007	2008	2009
Recycled handsets (kg)	32 100	850	245

Total quantity of waste			
	2007	2008	2009
Communal waste (tonnes)	423	399,8	183,8
Electronic waste (tonnes)	15	23,3	8,9
Waste water (m <sup>3</sup> )	12 997	16 932	27 145
Reused waste	7%	18%	20,4%

## Paper Recycling

In 2009, Pannon continued to reduce its paper use. This is partly owed to the introduction of the

electronic document management system and partly to the approach of our workers who try to shape environmental consciousness with their activity.

Amount of paper used and the ratio of recycling			
	2007	2008	2009
Paper (tonnes)	83,1	70,7	69,3
Reused paper	0	100 %	100%
Recycled Paper	0	58 %	100%

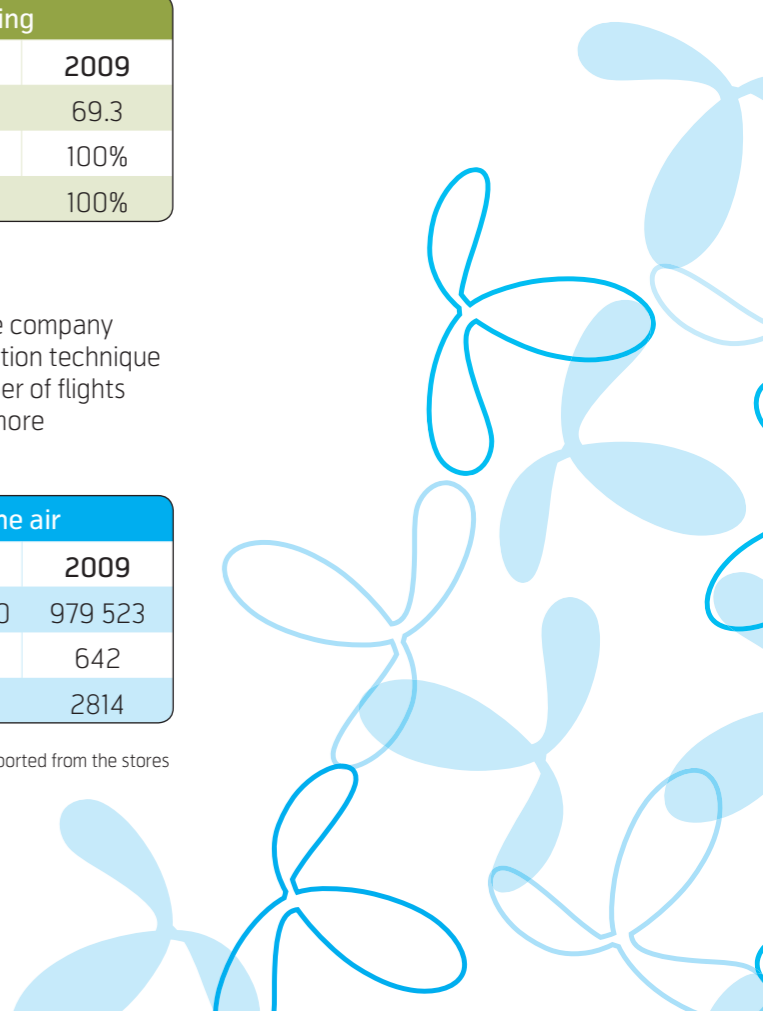
## Transport

In 2009, travelling by car was reduced and the number of plane flights increased.

At the same time, the company improved the calculation technique so the average number of flights can be determined more accurately.

The number and length of trips on land and in the air			
	2007	2008	2009
Distance (on land) (km)	11 718 908	12 284 580	979 523
Number of flights	579	350	642
Average distance of flights (km)	4900	4923	2814

<sup>3</sup> However the recycled handsets are not shown in the yearly stock as these were transported from the stores to storage only in 2010.





## Pannon and sustainability – the Pannon House

(Interview with Richárd Halmai, Manager for the Protection of the Environment at Pannon)

### How does the company's idea of the protection of the environment manifest in the Pannon House?

– The office building is an unequivocal proof of the commitment of Pannon to protect the environment. We have planned the House with a view to achieve this goal which we tried to accomplish by using energy efficient furniture and equipment which use renewable energy. Then during the construction of the House, we tried to avoid disturbing the local ecosystem, therefore we only used 7.55% of the available eight hectares situated in the proximity of Törökbálint instead of the permitted 30%. Further, we have built subterranean parking spaces and our IT machinery is also underground. The area around the Pannon House functions as a park.

### What are the most important energy efficiency measures accomplished during the planning and constructing of the House?

– One of the crucial aspect was to place the server rooms underground in order to reduce overheating during the summer. We relocated our servers to optimize heat emission and therefore to reduce the necessity of cooling. We set out to purchase and use the best and the most efficient air conditioners and other building engineering devices available which save the most energy.

**What are the other devices – unique in Hungary, requiring great investment – have been used when designing the Pannon House in order to increase energy efficiency?**

– The heating and cooling of the House is provided by Hungary's most powerful heat pump, with a cooling capacity of 960 kW and a heating capacity of 850 kW. The energy required to produce sufficient hot water for the staff is provided by solar collectors. The total surface of the collectors is 168 m<sup>2</sup>. The building is equipped with exceptionally high efficiency insulation to minimise heat loss and external shades keep the Pannon House cooler during the summer and external heat recovery equipment ensures that the building does not lose much energy through ventilation. The use of light and motion sensors guarantee that only those rooms and premises use lighting which absolutely need to.

**What other solutions – possibly controllable by the workers as well – have been used to increase energy efficiency?**

– The energy efficiency of the building is controlled by an intelligent building management system that allows efficient measuring and control of the various equipment parameters.

**Most of us associate the protection of the environment with selective waste collection. What solutions have been employed in the new office building to achieve this?**

– We tried to find the most suitable solution which is also simple for all.

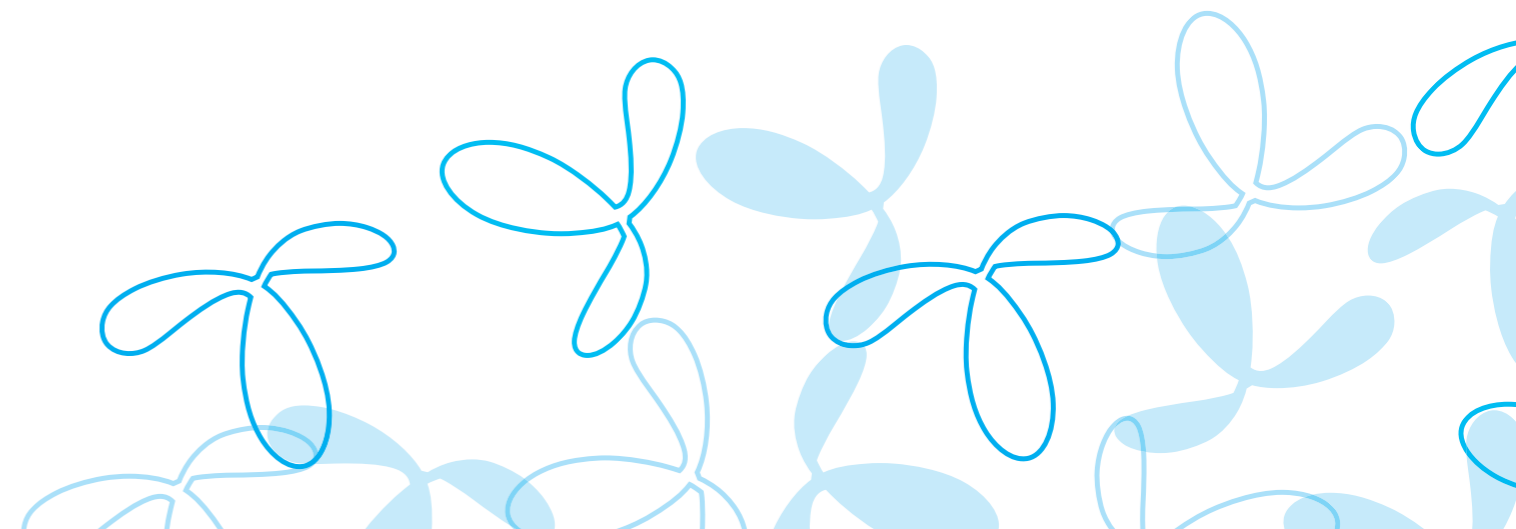
We have designed a selective waste collection system which enables the collecting of paper, plastic, metal, glass, electronic waste and used batteries separately from communal waste.

**Are there any preliminary estimates as to what results can be achieved in saving energy with this new system?**

– Yes we have conducted estimations in this respect. We evaluated the amount of energy we can save by the environment friendly facilities used in Pannon House. We have concluded that with the building, the heat pump, the sun collector and the intelligent management system, we can save energy equivalent to the yearly consumption of 500 Hungarian families.

## Conference on the Protection of the Environment

At the time of the official inauguration of the Pannon House, Pannon organised a conference on the protection of the environment called Sustainability and Architecture. Presentations at the conference included Sándor Fülöp, Future Generation Commissioner, Mrs. Szigetiné Márta Bonifert, managing director of Regional Environmental Center, Diana Ürge-Vorsatz, senior associate professor at the Department of Environmental Science and Environmental Policy, CEU and András Reith, deputy chairman of the Hungarian Association Of Environmental Conscious Architecture.





## Social responsibility

### Innovation

#### Mobile Healthcare and Remote Monitoring by Pannon

Pannon has been conducting research for years with the aid of professionals, to assert how telecommunication solutions may help to solve yet unresolved problems. One of the novelties of 2009 was the solution developed together with Omron Healthcare Hungary which could improve the quality of life of people suffering from cardiovascular diseases by using mobile telecommunication solutions and allowing them to receive professional help in a timely manner.

The application called Medistance was developed with the co-financing of Pannon and considered even on an international level as an innovative product. It provides assistance in monitoring the symptoms of such cardiovascular diseases by professionals thereby reducing the risk of connected complications. The system regularly measures and transmits the data of the patients, evaluates the risks, helping to avoid the occurrence of cardiovascular catastrophes (heart attack, stroke, heart failure, kidney failure).

Cardiovascular disease is the number one cause of death in Hungary. Every initiative which may improve the care taking of people suffering from such disease and which may help in avoiding unexpected events, has a considerably positive impact on individuals as well as society on a whole.

Mobile telecommunication and IT solutions of our days enable information technologies to become part of our everyday lives and gain ground in our homes, fundamentally changing our lifestyles and opportunities without us even noticing. These technologies made their appearance in home-healthcare as well. The technology

is mature enough to enable the development of the systems for home use and is suitable to prevent diseases, to assist in home-healthcare in a safe, simple and affordable manner.

#### Telemetry belt designed for the Hungarian Ice Hockey Federation

The telemetry belt is a wireless medical device which transmits the vital signs of the athletes, even during training sessions. The athletes of the Hungarian Ice Hockey Federation were the first ones to test the telemetry belt. This development is suitable to transmit the electrical signal of the heart telemetrically, as well as skin temperature, outside temperature and also movements and turns. The professionals can then analyse the data by a special mathematical method and evaluate just how much the athlete may be strained in the given situation. The vital signs of the athletes can also be monitored during the training sessions based on which the intensity of the training can be increased or decreased.

#### Mobile Signalling Device for Remote Medical Supervision

Pannon appointed the Department of Software Development at the University of Sciences of Szeged to do some research for innovative purposes. The subject of the research was M2M, in other words the seamless machine-to-machine communication, with respect to home-healthcare. For these purposes, the research used an AAL (Ambient Assisted Living) system based on M2M applications. Many EU partners and the doctors of the micro region of Homokhát helped the researchers in elaborating the system, with Mohanet Kft. manufacturing the signalling devices.

In the micro region of Homokhát, every other person lives on a farm and the average distance between

two farms is five hundred meters. Under these circumstances, remote healthcare is the most favourable solution for both the doctors - who spend most of their time taking care of administrative tasks - and the population of the region. Without the remote healthcare system, the number of visits to the doctor's office are of an average of 50/week, and the time spent with one patient in average and including administration is half an hour. This means a total of 25 hours per week, whereas the time needed to check the data series transmitted by the device is 5 hours/week: which is a daily 4 minutes per patient. In summary, this means that this medical device could save 80 hours of work every month in respect of each patient. During the experiment, the researchers used already existing non-medical signalling devices and even these proved to be successful and brought results despite the restraint of time. Medical experience shows that the devices can be used efficiently and both the doctors and the patients were happy to participate in the experiment and were open minded in respect of using new technologies and regarding home-healthcare.

#### Pannon Legends

In addition to voice services, the role of mobile internet in Pannon's activity is increasing. The company continues to develop the 3G/HSDPA network which has the highest throughput rate and which functions simultaneously with the EDGE network accessible in most parts of the country, making surfing and e-mail access possible. Pannon's aim with project Pannon Legends was to draw attention of small townsmen to mobile internet services, as use of internet in these areas is quite low despite the fact that the said service is otherwise available. The elementary schools of small towns, where the population does

not exceed 1500 persons, were eligible to participate in project Pannon Legends by telling a legend tale of their village. Iván Kamarás and Krisztina Goda helped us in judging the applications. Pannon created a website to support the project, (<http://legendak.annon.hu/>), where the schools could upload the history of their town imitating a film synopsis with photographs. Pannon insured a modem and mobile internet for all registering villages to assist them in their research and in uploading their application, thereby familiarizing them with the possibilities offered by this new device.

The project was a great success in mobilizing these towns: 87 teams from 69 towns registered from all over the country and applications were sent by 69 teams from 55 towns. During the three weeks of the public vote, 8351 votes in total were cast. The winner of the vote was a town called Vereb in Fejér county with 646 votes, and the judges awarded the application of Noszlop in Veszprém county. Pannon considers that this is a great success; this project revealed the opportunities of mobile internet to people who live in areas where the use of internet was not widely spread.

## Helping the most in need

### Pannon – Mased Rally to Collect Clothing

As part of social responsibility, Pannon collected donations for the people in need. In addition to financial aid, in 2009 we also organized a rally to collect clothing with the assistance of one of our suppliers, Mased Kft. who helped us in the collection as well as the freight. Over 1700 employees of the two companies participated in the rally as a result of which close to ten containers were filled with adult and children's clothing and toys. The contents of the containers were sorted by the volunteers of the companies and Mased transported

them to the designated locations. The locations of Pannon's 2008 charity team buildings received the donations, namely the families in need of Andocs, Budapest XX. District., Fajs, Jánoshida, Kisszékely, Kunszentmiklós, Magyarkeszi, Nagyszékely, Ozora, Pomáz, Sarkadkeresztúr, Tenk, Tiszaigar, Tomajmonostor and Törökbálint. In addition to the above locations, the employees of the two companies participating in the rally could nominate institutions, child protection agencies or other social service centres anywhere in the country. The donations were primarily collected to help families with small children and those most in need.

### The Big Plan

Charity continued into the Christmas holiday season. In 2009 Pannon once again took a stand to spread environmental conscious approach and conduct in which our company believes in profoundly: this year the Christmas donation - which has become a tradition in the life of Pannon - was given to the Big Plan Youth Programme for the Protection of Nature and the Environment which was conceived by Mónika Takács, one of our Pannon Role Model laureates.

The goal set out by the Programme is to educate children in a fun and playful way about why the protection of the environment is important. With the motto "the world is what you make it", the volunteers visit schools and kindergartens where they play environmental conscious games created especially for this purpose and with this self made method, they can bring even the smallest children to understand the notion of protecting the environment and the importance this notion carries within. The organizers of the Programme try to involve as many youngsters as possible and teachers as well as participants. With our donations, the volunteers of Big Plan will be able to visit one high school every week, chosen from the received applications, where

they teach a team of students and teachers all the methods of Big Plan. The team then commits to pass on the knowledge to the elementary schools and kindergartens in the neighbourhood and to promote environmental consciousness.

### Community Service Teambuilding

It is important for Pannon that its employees understand the responsibility the company bears in respect of its closer and wider environment and that they also participate in activities of such nature. It is also important that these teambuilding trainings, which have a great role in the business success of the company, are organized in accordance with company values and interests. As the synchrony of these two considerations, for several years now, Pannon organizes these teambuilding events so that the community also profits from the activity.

On 9 October, 2009, almost 100 of Pannon's employees helped the Ócsai Madárvárta Association for the protection of birds, where they replaced the missing planks from the educational trail, cleaned them, rebuilt a bridge and did some gardening on site.

The Association operates on the territory of the Ócsa Natural Reserve where they observe over 150 bird species. The open-end Association founded in 1992 now has over 200 members who play an outstanding role in not only the preservation of the bird wildlife, but also with the help of the trail constructed on the area, help to teach the future generation to appreciate nature.

### Pannon and Partners for Park-like Forests

A dominant element of the Pannon mentality is thinking locally, in other words close cooperation with the community based on common goals and interests. This is how Pannon creates values as a member of the community and ensures sustainable operation and

that such operation is mutually beneficial for the community on a long-term. The company not only provides information to its employees regularly but also tries to establish a direct relationship with its partners founded on trust and to involve them in its activities and initiatives. The reason why Pannon involves its partners actively in the implementation of its social responsibility strategy is because these partners are the ones who are in daily contact with the customers and therefore they are an authentic intermediary of the Pannon values. These fundamental values are the reason why Pannon organised on 25 June, 2009 the traditional but unconventional partners meeting, where the company beautified the sites of the surrounding forests with the help of its partners. As a result of the hard work of the seven teams, the areas of Fellegvár, Paprét, Barátság park, Telgárthy-meadow, Mócsay farm, Mogyoróhegyi parking and Vándortábor were renewed. The teams painted the forest benches, tables and lavatories and cleaned up the designated fire places.

### Romaster Programme

One of the key points of the international vision of the Telenor Group is the appreciation and respect of the values and lifestyles of others. Keeping this in mind, in 2008, Pannon joined the Romaster Programme launched earlier upon the initiative of the Hungarian Business Leaders' Forum (HBLF). With this programme, Pannon undertakes

to support two disadvantaged roma students on a long term, meaning 4-6 years, until they obtain their university degree. Understanding the importance of the education of roma students of outstanding talent with a disadvantaged background therefore in need of support, Hungarian Business Leaders' Forum (HBLF) together with IBM first launched in 2007 the Romaster Programme. The primary goal of the programme is to allow the students to get acquainted with the operation and culture of the company and therefore be prepared to integrate in the corporate world of labour. As part of this cooperation, two employees of Pannon are appointed to be supporting mentors of the two students pursuing their university studies. As a result of such continuous mentoring, the employees of the company learn about the student's background, circumstances, culture which experience may help to create a tolerant and diverse working atmosphere.

### Pannon Role Model Foundation

In 2009, the activity of Pannon Role Model Foundation was continued along different guidelines. As of this year a new awarding procedure was implemented according to which the Role Models were chosen from pre-defined areas once every quarter year. Hence the awards for the laureates in the field of sports, science, culture, arts and those with achievements on bettering the opportunities of the

needy and the role models of the under 25 generation.

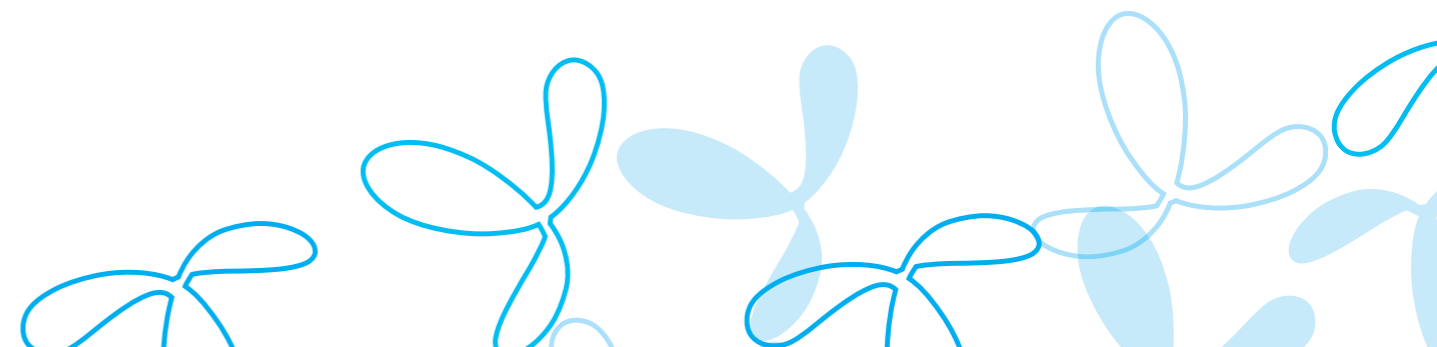
As of 2004, the Role Model Foundation salutes once every quarter year the people whose achievements can set an example in Hungarian society. The elected role models receive a custom designed role model statue and HUF 1 million each.

In the first quarter of 2009, the Board of Trustees of the Foundation awarded for their outstanding achievements in Hungarian sciences, culture and arts the following: Diana Ürgé-Vorsatz, energy efficiency researcher, László Góz, patron of Hungarian contemporary music and Dániel Rátai, a young inventor in the field of computer technology.

In the second quarter, the Board of Trustees of the Foundation awarded laureates under 25 who demonstrated outstanding achievements in matters essential for society. The following persons were elected as role models: Martin Bukovics, student journalist, Mónika Takács environment activist and Zsuzsanna Zöldi, senior mentor of the Erasmus Office at ELTE University. In the third quarter of 2009, the Board of Trustees of the Foundation was looking for candidates who are actively involved in integrating socially disadvantaged groups into majority Hungarian society. Barbara Czeizel, director of the Early Intervention Centre, Tibor Derdák, professor - sociologist and Gábor Dombi, civil activist were chosen as role models.

In the last quarter of 2009, the Board of Trustees of the Foundation was looking for candidates who struggle to improve Hungarian sport life and sports achievements and who are not so widely known as of date. The following persons were elected from the candidates as role models: Mrs. Angyal Józsefné (Ms. Erika), director of Hársfa Association for the Disabled, Géza Dávid, senior kayak-canoe coach and Tamás Pintér, national mountain bike champion.

Pannon's social investment in 2009			
	2007	2008	2009
Social investment	37 800 000	76 812 373	34 537 825
Sponsorship	225 647 221	264 250 023	205 050 110
Other expenditures	12 545 447	3 391 108	1 800 000
Total	275 992 668	344 453 504	241 387 935





## Responsibility for Culture

### Fine Art in the Pannon House

It is very important for Pannon to integrate contemporary fine art into the work culture and create harmony. The initial concept was to emphasize art by exhibiting innovative, unconventional and sometimes monumental pieces in the Pannon House. Pannon published a tender to make this come to life and almost one hundred pieces of artwork were sent in response. The artworks were selected in several rounds by a professional jury made of two judges: Gábor Kopek, the president of Moholy-Nagy University of Arts and Zsolt Petrányi, president of Műcsarnok (Art Gallery). The six meter high head profiles of István Kulinyi which are located around the Pannon House focus on communication and humanity. The led ribbons made by Ventus Graminis Art Group tangle all over the interior of the building and with the help of small cameras, these led ribbons transmit the animated movement of the people inside. These forms are also echoed on the gigantic painting located in the auditorium. The artist duo of Ravasz-Szarka created a unique and unconventional system of icons to mark the different premises in the building. These green lit figures and stylized signs all reflect the innovative and unconventional way of thinking which appears even in the smallest details.

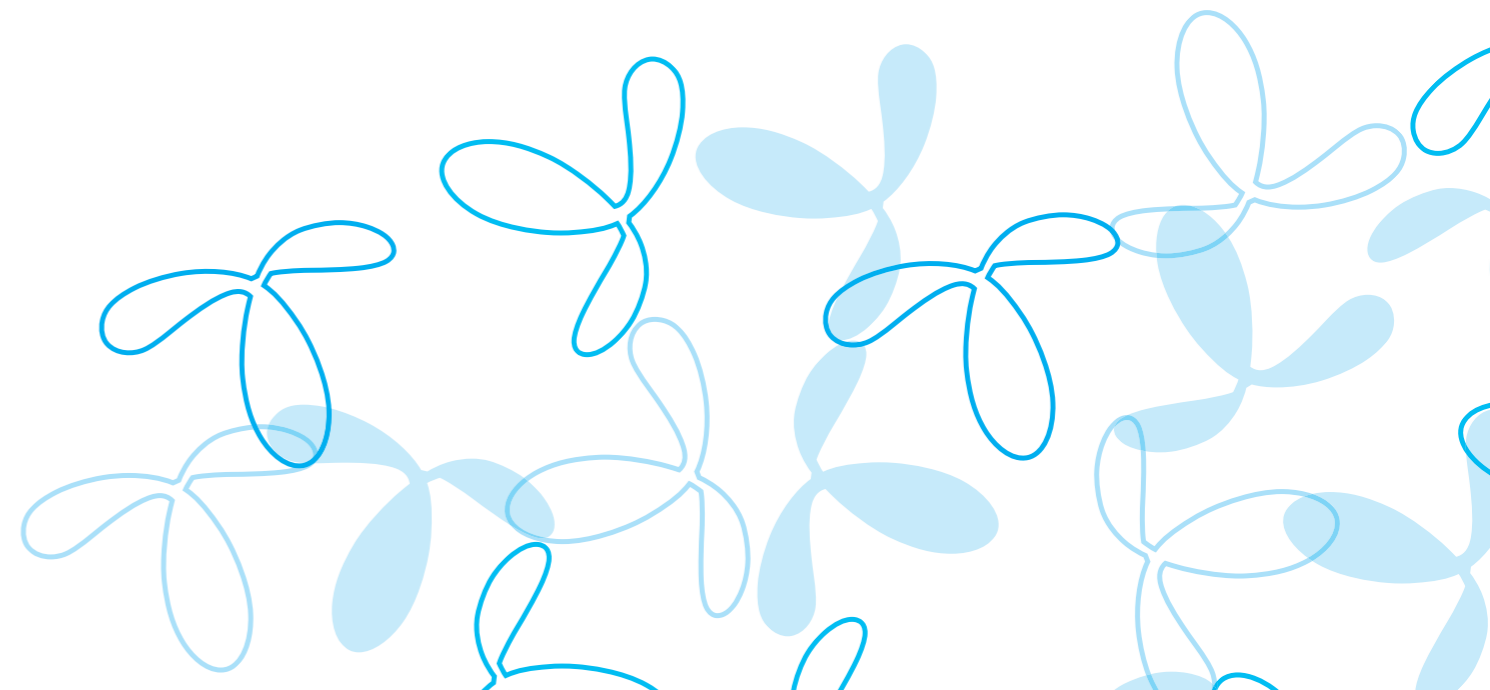
### Hungarian National Gallery

In addition to designing its own office building, Pannon intends to ensure that fine arts are more accessible for the general public. That is why the company has been the main sponsor of the Hungarian National Gallery for the past 15 years and has been helping the work of the Gallery in its own way. During the last fifteen years many classic and contemporary exhibitions have been brought to life with the help of Pannon, for example the exhibitions showing Mednyánszky, Munkácsy, the Hungarian Fauves, Vaszary, Zichy or the heritage of King Matthias, which worthily attracted hundreds of thousands of visitors. Pannon continued to support the Hungarian National Gallery in 2009. One of the main events of the Gallery was the opening of the exhibition called "Artist House 1909-1914". The company led by Miklós Rózsa organized approximately forty exhibitions in its four and a half years of existence which were designed to show the works of less known young artists and to allow them to present smaller, independent collections. Despite the fact that the Artist House was open only for a short period, it achieved what it was destined for: the Hungarian public became familiar with the most recent Hungarian and international initiatives and aroused curiosity regarding progressive trends. Furthermore, many artists had the chance to introduce themselves – and for some this

was the start and the first taste of success. The importance of the Artist House is well reflected by the fact that many of the artwork introduced on this exhibition are now part of the permanent exhibition at the Hungarian National Gallery and the Museum of Fine Arts, and are also displayed to the public in the permanent exhibitions in museums from St. Petersburg to Berlin, from Vienna to New York.

### Night of Museums

In 2008, Pannon was the main sponsor for the first time of the nationwide festival of events called the Night of Museums. At this event organized for the seventh time in a row, offering more than two thousand events in 200 museums, the company contributed as the main sponsor of the Hungarian National Gallery. Pannon provided visitors with help so that they could choose programmes and venues on the Pannon W@P page, moreover they could check the schedule of the buses running especially for this event. As our contribution to the design of the Gallery venue, modern information desks were available and projectors, mood lamps and deck chairs created a cosy atmosphere for those yearning to unwind. Video and photo footage was recorded at the event, of the night's cultural extravaganza and of the special guided tours and other programmes.





## Responsibility for Sports

### Ice Hockey

Pannon is the proud main sponsor of the Hungarian Ice Hockey Federation and of the Hungarian men's team 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 for years on so that they would have the chance to play against the world's best. The team took the first step on this road when it won the Division I World Championship in Sapporo and a place in Group A. After these impressive achievements, a year later unfortunately the qualifications for the 2010 Vancouver Winter Olympics did not end with such success. Nonetheless in April 2009, during the preparations for the World Championship organized with three participating countries, when playing against the giants of the sport, the Hungarian team proved that it rightfully owns a spot in the elite club of ice hockey. The Group A World Championships in Switzerland was a great adventure for the players, the coach and the fans – as this was the biggest event in the history of Hungarian ice hockey.

### Handball

Pannon signed another sports sponsorship agreement in the same year of 2004, becoming the main sponsor of the Hungarian Handball Federation. The company extended the sponsorship agreement with the Hungarian Handball Federation for a further two years so the cooperation was prolonged until 31 December, 2010, thereby providing assistance for the women's and men's team to prepare for the great international championships. 2009 was exceptionally successful, as both the men's and the women's team provided outstanding performance. The women's team won both Pannon Cups organized locally without any loss of points,

giving a one hundred percent performance. Furthermore this team finished first place in its group at the European qualification tournaments therefore qualifying for the European Championship to be held in Norway and Denmark. At the World Championships in China, the new coach, Eszter Mátéfi led the team made up of young players and won the ninth place. The men's team also closed this year with great success: after the sixth place at the World Championships in Croatia, it qualified for the World Championships to be held in January 2010 in Austria as second in their group at the European qualification tournaments. The team finished second at the Pannon cup – which was also a tournament in memoriam Marian Cozma, held in October with the participation of three other teams from Romania, Tunisia and Serbia.

### Teddy bear toss

Pannon and the Hungarian Ice Hockey Federation made the children in hospitals smile with a rather unconventional initiative. At the Pannon Hockey Gala held on 2 April, 2009, the fans were invited – in a previous notice – to throw teddy bears or other stuffed animals they have brought with them in the rink when the Hungarian team scores its first goal against Finland, as a result of which 4532 pieces were collected by the organizers. The toys were given personally by the players of the team and by the sister of Gábor Ocskay to the little patients of the Heim Pál Children's Clinic, the SOTE 1 Children's Clinic and the Children's Clinic in Tűzoltó Street.

### Safe use of mobiles

Pannon, together with Hungarian mobile operators signed a Self-regulatory Code in February 2007, intended to ensure the safe use of mobiles by children and teenagers. The Code was prepared pursuant to the Framework Agreement of the GSMA (GSM Association)

with the support of the European Commission. The European Framework for Safer Mobile Use by Children and Young Teenagers is the self-regulatory initiative of the European mobile operators which is implemented through individual codes of conduct in each country. With the signing of the Code, Pannon has undertaken to help and empower parents with various services and information so as to ensure safer use of mobiles for their children by determining what content may be accessible for them. In accordance with the undertakings of the Code, Pannon launched new services which limit access to premium rate services and adult content which are available via the various channels such as SMS, MMS, WAP, voice call or the internet. The access restrictions to adult content comprises of two service packages available together or separately. One of these is the restriction of SMS, MMS, WAP and voice call access, where the customer may restrict access to premium rate adult content, access to services over HUF 1000, SMS and MMS traffic from premium rate numbering ranges and the content accessible through the PannonGo website. The other package ensures that only those websites and Wap sites are granted access to which are contained in the so called white list, previously compiled by the subscriber, which does not contain adult content. The access control packages are available to Pannon customers free of charge. In addition to the above, Pannon published an information leaflet on the safe use of mobiles which contains useful information for parents about Pannon's safe content provision, restriction of certain content and useful services for minors. Furthermore, the leaflet provides information on where and how customers can acquire further information about the matters and how they can file a complaint concerning illegal content.



## Internal Regulations, Policies

Due to the increasing role of social responsibility, governance principles are becoming more and more important in the life of every company including Pannon. The regulations therefore fulfil several functions. First of all, they are destined to guarantee the lawful operation of the company by regulating the various applicable procedures. At the same time it is also an important goal to define common principles, values and concepts for the company and the entire company group which help to meet the demands of stakeholders in the business environment. Setting common principles and rules and raising awareness about them in the company culture are indispensable for Pannon to achieve the envisaged future, goals and values.

### Pannon's system of policies operates at three basic levels:

- Corporate governance principles: containing the Telenor Group policies and the local regulations derived therefrom. These are the most important policies which are binding for all (e.g. Code of Conduct, Anti-corruption Policy, Delegation of Competence, Procurement Handbook etc.).
- The policies prepared by Pannon independently which are binding upon all persons at the company and the policies pertaining to various business areas.
- Special internal instructions which help the daily operation of specific departments, offices and groups.

The senior executives of Pannon are responsible to regularly review the policies pertaining to the of specific business areas and to ensure that the provisions thereof are complied with. The internal audit group of Telenor supervises compliance with the policies at the subsidiaries (like Pannon) biannually. They specify the date and time of the audit of specific business areas. The senior executives appointed to supervise

the regulations discuss any related matters at the management meeting held each week.

### Scope of competence:

- Chief Financial Officer: accounting and financial reports, delegation of competence, risk management, tax, Treasury
- Chief Corporate Affairs Officer: regulatory and legal regulations, anti-corruption provisions, ethical and safeguarding of assets
- Chief Technical Officer: IT policies
- Chief Human Resources Officer: HR policies
- Procurement Director: Procurement Policy
- Chief Corporate Communications Officer: Communications Policy

### Important policies and programmes:

- Legal risk assessment policy - the policy aims to draw attention to the types of legal risks potentially arising during normal operation of the company and to prevent the occurrence of any legal problems arising therefrom. For the sake of prevention, the policy highlights the importance of training employees and of regular consultation to identify legal risks and to avoid them. The document is intended to raise employee awareness of the legal risks entailed by their work through practical problems in every field and to illustrate how they can avoid or resolve any such problems.
- Competition compliance programme - In this document, Pannon presents the prevailing legal regulations and emphasizes the importance of practical training: the document is intended to demonstrate through a list of examples permitted and prohibited conduct when contacting third persons or authorities.
- Intellectual property management policy – The aim of the policy is to ensure

consistent management of the various intellectual products elaborated in the course of the company's activity. This document defines the various types of intellectual property and the different procedures applicable to their handling within the company. Furthermore, the policy sets out in respect of the relation between the parent company and Pannon, the rules of allocating competence and the relevant procedures applicable to trademarks.

## Code of Conduct

All employees of Pannon, all other persons acting on behalf of the company and all members of the Board of Directors must comply with the provisions of the Code of Conduct and any other applicable regulations and procedures prepared pursuant to the provisions of the applicable Hungarian laws. The Code of Conduct of Pannon sets out the most fundamental and most important values, ethical norms of the company. The Code of Conduct regulates the behaviour of employees towards each other and third parties during or in connection with their daily work. In addition, all Pannon employees must ensure that all employees comply with the rules, directives and forms of conduct which are based on the values of the company. The respect of human rights, working conditions, health and safety are considered as vital values by Pannon. Respect of the values and the work of others is a key element of the company's philosophy. Loyalty to the company group and its interests is also of primary importance. The company's interests are best served if the decisions are adopted in accordance with the rules of competence. Therefore it is forbidden to undertake obligations on behalf of the company without express authority or to take measures or acquire interests that



potentially obstruct objective and efficient work.

The service rendered for Pannon must never be subjected to personal gains or advantages. Conflicts of interests are to be avoided when practically possible. Such conflicts of interest may potentially arise in connection with activities of customers, suppliers, entrepreneurs mandated by the company, present or future employees, competitors or third party businesses. All employees assess possible conflicts of interest individually and must inform their direct superiors immediately about the possibility of bias or a conflict of interest.

All persons working for Pannon should proceed with due diligence regarding confidentiality, the protection of personal data and the management of intellectual property and valuable assets. This includes information that may affect the stock exchange rate of Telenor and any publicly available information in respect of which only authorised persons are entitled to comment or disclose information.

Pannon's objective and task is to satisfy demand, in the course of which the company must obey the principle of respect, impartiality, fairness and professional competence. The company makes sure that the relationship with customers, suppliers, the competition and the authorities is dealt with along the above guidelines.

Pannon strongly condemns all forms of corruption. It is forbidden for company staff to offer or accept illegal or inappropriate pecuniary 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 a way that may be interpreted as corruption. Extreme caution should always be taken when 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 endorse political parties, neither in the form of direct financial support nor in the form of paid working time.

If an employee becomes aware of an infringement of any of the Pannon rules or guidelines, or if a question arises regarding the interpretation or application of the Code of Conduct, such query must be addressed to the employee's direct superior. If this is not possible, the case should be reported directly to the designated Compliance Manager of the company. Every colleague must be familiar with the provisions of the Pannon Code of Conduct. Newly employed colleagues confirm by their signature that they were made aware of the provisions of the Code of Conduct. The Code of Conduct is accessible electronically on the internal information website and e-learning material is also available to help with the practical implementation of the guidelines of the Code of Conduct. The learning material presents life-like and problematic practical situations that help colleagues identify possible ethical problems that they may eventually come across during the course of their work.

## Telenor Way

The Telenor Way connects the different elements of the corporate culture of Telenor Group and also defines and systematically organizes the basic elements of the business activity. The founding pillars of this system are specified by the Vision and Values, the Code of Conduct, the Group Policies and Procedures and the Leadership Expectation.

Telenor Way means that the company grants the freedom to the employees to make decisions and find solutions but requires on the other hand that they comply with the Telenor rules and that they understand clearly what is considered as a company value and what is unacceptable.

Telenor's goal is to enable and encourage its customers to take full advantage of the available telecommunication solutions. We are here to help.

Telenor serves the customers along the following guidelines:

- make it easy by bringing mobile communication closer to the user by developing simple and easy-to-use solutions.
- keep promises,
- be respectful our differences,
- be inspiring and encourage new ways.

The Telenor Group level Policies and Procedures determine the general requirements of business activity. The Leadership Expectations define the basic principles of attitude, approach and behaviour of our executives. The Code of Conduct defines the principles and ethical standards based on which the company creates value.





## 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 organisation 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	2009
3.2 Date of most recent previous report	July 2008
3.3 Reporting cycle	Yearly
3.4 Contact point for questions regarding the report or its contents	Dr. Krisztina Baracsi Telenor Magyarország Távközlési Zrt. sajto@telenor.hu
3.5 Process for defining report content	The content of the report, the order of the chapters were determined by the employees who have participated in the preparation thereof.
3.6 Boundary of the report	The report is applicable to Pannon GSM Telecommunications Plc.
3.7 State any specific limitations on the scope or boundary of the report	The report does not contain the balance sheet data pursuant to the guidelines of the parent company, however these information may be acquired individually at the Registry Court.
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 report does not contain the achievements of the two subsidiaries.
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	As a basic situation, the reported data are based on measurements. It is indicated if such is not the case in respect of certain data.
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Concerning certain elements of the report there were no changes compared to last year's report,
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	N/A
3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	The report was not certified by an external party.



## GRI content index

GRI ind.	Summary	Chapters
1.	Strategy and analysis	
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	Welcome note
1.2	Description of key impacts, risks, and opportunities	2-3-4. Introduction of the company, strategy and business performance
2.	Organisational profile	
2.1	Name of the organisation	2. Company Introduction
2.2	Primary brands, products, and/or services	4. Strategy
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	2.1.3 Governing Bodies and Corporate Structure
2.4	Location of organization's headquarters	2. Company Introduction
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	2. Company Introduction
2.6	Nature of ownership and legal form	2.1.3 Governing Bodies and Corporate Structure
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2. Company Introduction
2.8	Scale of the reporting organization, including the number of employees, the net sales, total capitalization broken down in terms of debt and quantity of products or services provided	2. Company Introduction
2.9	Significant changes during the reporting period regarding size, structure, or ownership	There were no substantial changes in 2009 at Pannon in respect of the said segments
2.10	Awards received in the reporting period	2.1.4 Awards and recognition
3.	3.6 Parameters of the report	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	12. Technical Information about the Report
3.2	Date of most recent previous report	12. Technical Information about the Report
3.3	Reporting cycle	12. Technical Information about the Report
3.4	Contact point for questions regarding the report or its contents	12. Technical Information about the Report

3.5	Process for defining report content	12. Technical Information about the Report
3.6	Boundary of the report	12. Technical Information about the Report
3.7	State any specific limitations on the scope or boundary of the report	12. Technical Information about the Report
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	12. Technical Information about the Report
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	12. Technical Information about the Report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	12. Technical Information about the Report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	12. Technical Information about the Report
3.12	Table identifying the location of the Standard Disclosures in the report	13. GRI content index
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	12. Technical Information about the Report
<b>4.</b>	<b>Management, Undertakings and obligations</b>	
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	2.1.3 Governing Bodies and Corporate Structure
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	2.1.3 Governing Bodies and Corporate Structure
4.3	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	2.1.3 Governing Bodies and Corporate Structure
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	2.1.3 Governing Bodies and Corporate Structure
4.5	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)	6.2.1 Training, Career, Performance Management
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	11.1 Management Directives in the Spotlight, Code of Conduct
4.7	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	11.1 Code of Conduct

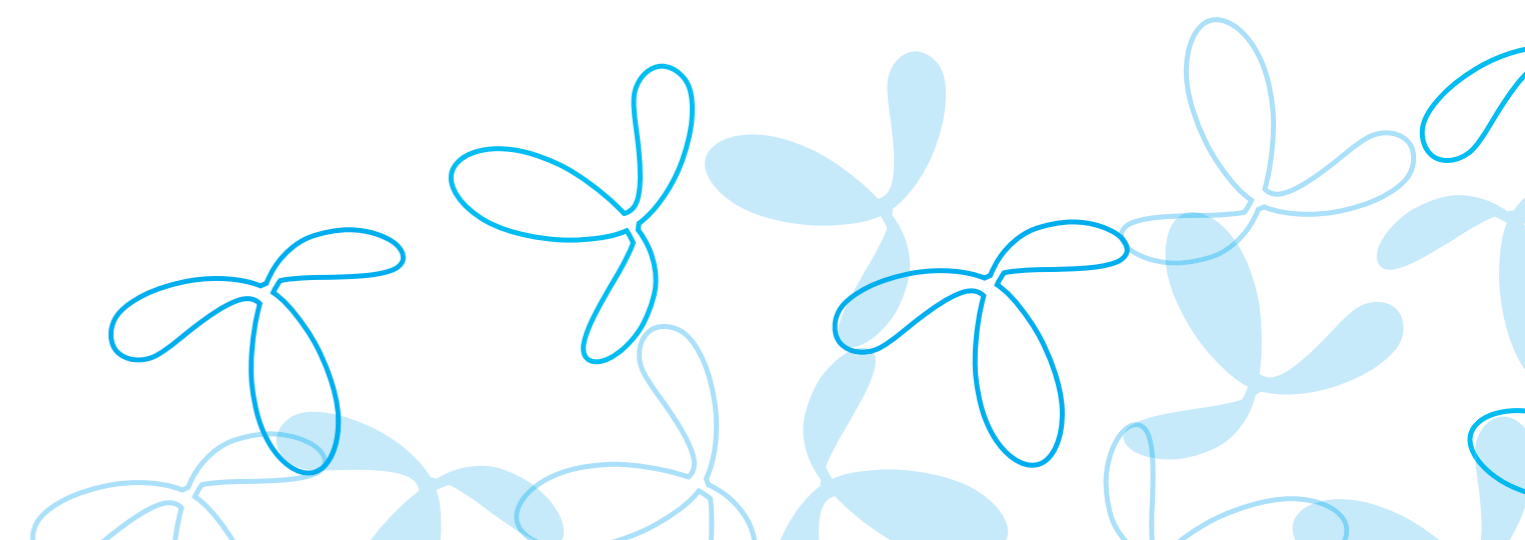
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	11.1 Code of Conduct
4.9	Procedures of the highest governance body for overseeing the organization's identification 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	11. Internal Regulations, Policies
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	6. Employees
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	10. Responsibility and Safety
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	10. The Pannon interests
4.13	Memberships in associations (such as industry associations) and/or ational/international advocacy organizations in which the organization	2.1.1 Associations, memberships
4.14	List of stakeholder groups engaged by the organization	5.1 Pannon's stakeholders
4.15	Basis for identification and selection of stakeholders with whom to engage.	5.1 Pannon's stakeholders
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	5.1 Pannon's stakeholders
4.17	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	5.1 Pannon's stakeholders
<b>EC</b>		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	2.1.3. Governing Bodies and Corporate Structure
<b>EN</b>		
EN1	Materials used by weight or volume	9.1.1. Energy Consumption And Carbon-Dioxide Emission
EN3	Direct energy consumption by primary energy source	9.1.1. Energy Consumption And Carbon-Dioxide Emission
EN4	Indirect energy consumption by primary source	9.1.1. Energy Consumption And Carbon-Dioxide Emission
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	9.1.1. Energy Consumption And Carbon-Dioxide Emission
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	9.1.1. Energy Consumption And Carbon
EN16	Total direct and indirect greenhouse gas emissions by weight	9.1.1. Energy Consumption And Carbon-Dioxide Emission
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	9.1.1. Energy Consumption And Carbon-Dioxide Emission
EN22	Total weight of waste by type and disposal method	9.1.2 Waste Management
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	9.1.4. Transport

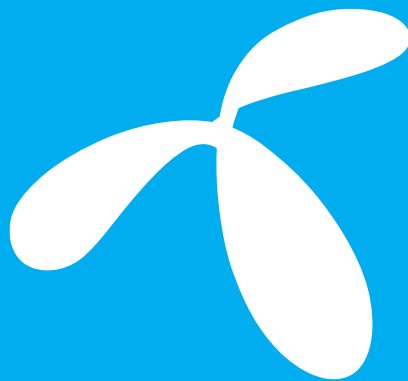
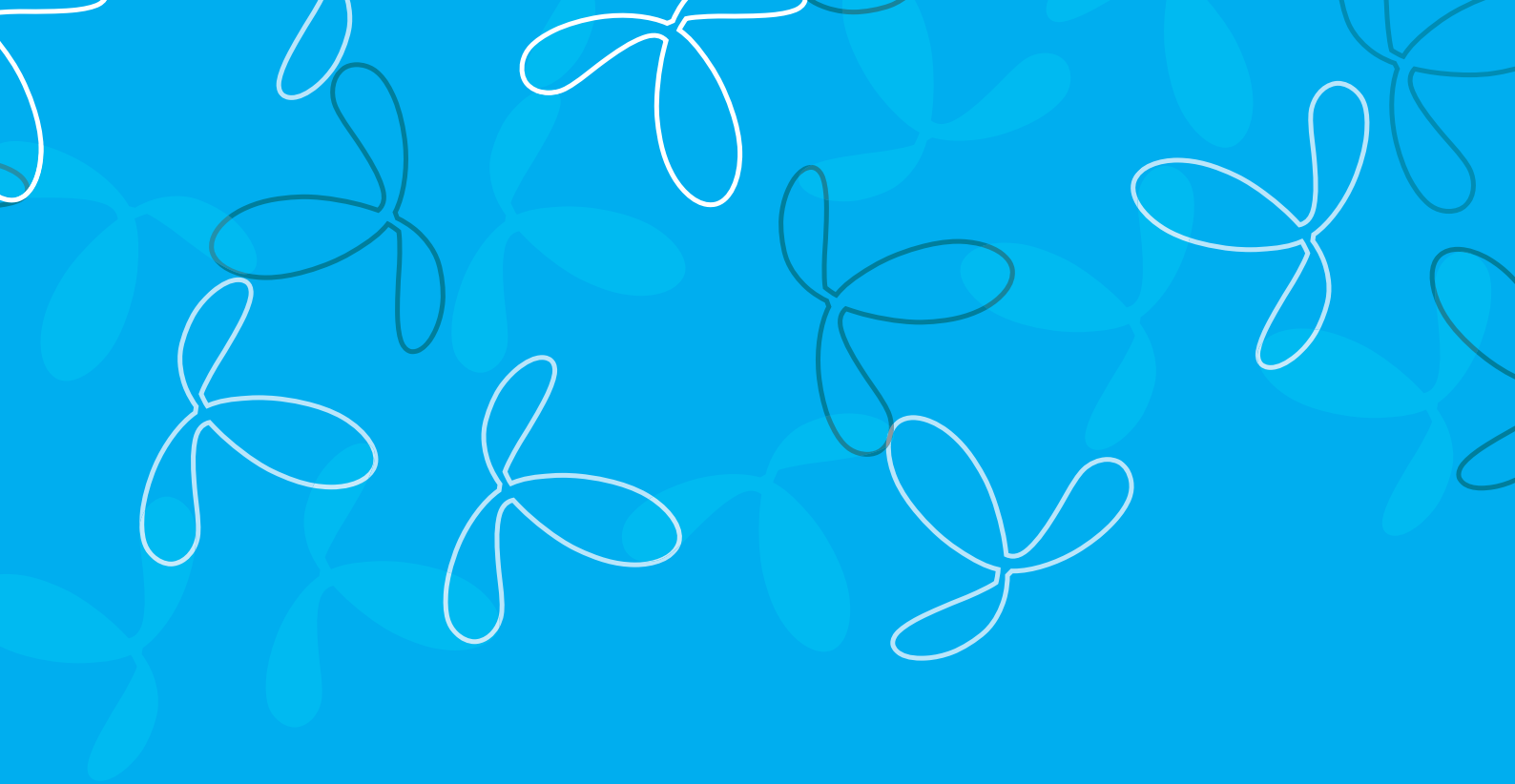
	Sociological performance indicators	
LA	Labour practices and fair working conditions	
LA1	Total workforce by employment type, employment contract, and region	6. Employees
LA2	Total number and rate of employee turnover by age group, gender, and region	6. Employees
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	6. Employees
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	6. Employees
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	6. Employees
LA10	Average hours of training per year per employee by employee category	6. Employees
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6. Employees
LA12	Percentage of employees receiving regular performance and career development reviews	6. Employees
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	6. Employees
HR	Human Rights	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	7. Suppliers
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	6. Employees
SO	Society	
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	10. Responsibility and Safety
SO4	Actions taken in response to incidents of corruption	11. Internal Regulations, Policies
SO5	Public policy positions and participation in public policy development and lobbying.	11. Internal Regulations, Policies
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	11. Internal Regulations, Policies

PR	Product liability	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	5.2.1. Customer Satisfaction Surveys
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	5.4 Responsible marketing
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	5.3 Data protection
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	5.3. Data protection
	Telecommunication sector indicators	
PA6	Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief	5.4. Responsible marketing
PA7	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	5.4. Responsible marketing
PA10	Initiatives to ensure clarity of charges and tariffs	5.4. Responsible marketing

Report Application Levels

		2002 in Accordance	C	C+	B	B+	A	A+
Mandatory	Self Declared							
	Third Party Checked							
Optional	GRI Checked			Report Externally Assured		Report Externally Assured		Report Externally Assured





This report has been prepared with the help of the employees of Telenor under the coordination of the Company Communication Department

Responsible publisher: Anders Jensen, CEO  
Editor in chief: Telenor Hungary Telecommunications Plc.  
Layout: Createam Concept Kft.  
Closure of the report: 22 October, 2010

Telenor Magyarország Távközlési Zrt. 2045 Törökbálint, Pannon út 1.  
**Phone: (20) 930 4000**  
**E-mail: [sajto@telenor.hu](mailto:sajto@telenor.hu)**  
**Web: [www.telenor.hu](http://www.telenor.hu)**