

Risk Management System of Matáv

The procedure of risk management includes the identification, measurement and valuation of risks, including the development of necessary action plans, as well as the monitoring of performance and results. An efficient risk management is the result of a conscious risk handling in favour of business success. At Matáv, risk management is not equal to risk elimination or minimisation, but facing risks is rather an essential item of business activity in line with achieving the Company's objectives.

At the end of the year 1999, the Company's management decided to establish the current operating system of risk management and a co-ordinating department. This system was also integrated into the risk management system of Deutsche Telekom in 2002.

All risks of essential internal and external operations, financial and legal compliance and other risks are evaluated and managed adequately by a well-defined internal mechanism. Definition and elements of risk management are summarised in a risk management handbook as well as in a Chief Executive Officer directive, and a risk management training course was developed for the employees handling the risk management software in each operating area. Risk items influencing the operations of Matáv are reviewed regularly throughout the group. All the departments of Matáv Rt. and all subsidiaries are supposed to identify and report their activity-related risk on a quarterly basis. After evaluation of these risks, results are reported to Matáv's management and to Deutsche Telekom.

Following the release of the Sarbanes-Oxley Act, Matáv decided to enhance its risk management procedures. As this new regulation requires fast disclosure of all risk items influencing the investors' decisions, Matáv complemented its quarterly risk reporting system with an ad-hoc reporting procedure. In accordance with that all departments and subsidiaries of Matáv Rt. need to enter any fact, material information or risk that come to their attention on a real time basis in the risk monitoring software. Risk information created in the software is monitored daily by the risk management organisation, and the CFO should be notified about a material risk or information emerged.

In order to inform all Matáv employees about the importance of risk monitoring and management, a Chief Executive Officer directive was issued. In addition, an e-learning course was developed about the Sarbanes-Oxley Act, the Company's enhanced reporting and corporate governance obligations as well as the modified risk reporting procedures. The completion of this course was made compulsory for all Matáv employees.

The risk management system of Matáv is a unique one in Hungary due to its cover for the whole company and its extension to the substantial corporate risks beside financial risks.