CORPORATE RESPONSIBILITY REPORT 2014

LIFE IS FOR SHARING.

CONTENTS

ABOUT THIS REPORT

Telekom has been providing extensive information to the general public about its objectives, its activities and the progress made in the relevant economic, ecological and social areas as part of corporate responsibility (CR) reporting since 1996.

The title "We take responsibility" is used for the seventh consecutive time since it is an expression of Telekom's long-term commitment to CR. It is our intention to become a leader in our industry as a responsible company. In this undertaking, the CR report is a central communication tool that informs our internal as well as external stakeholders of the progress we have made on this path between March 2014 and February 2015, and of the goals we are setting for the future.

ADDITIONAL SOURCES FOR CR-RELEVANT CONTENT
In addition to the online 2014 CR Report, we also provide information on our involvement in the community and in society in our Annual Report, and in our Data Privacy and Data Security Report. We report on Deutsche Telekom's current CR activities on the Group's website under the heading "Responsibility". The national companies provide information about their CR commitment on their Internet portals and in their own publications.

In order to reduce the complexity of our report, we have often provided links to other internal and external websites. Readers will find information provided by our national companies on their profile pages in the 2014 CR Report.

REPORTING PERIOD, SCOPE OF APPLICATION AND TARGET GROUPS
The 2014 CR Report is a Group report that includes many national companies in which Telekom holds a majority stake. This report ties in with the 2013 CR Report. The reporting period for the various topics spans from March 01, 2014 to February 28, 2015. All quantitative data and indicators refer to the 2014 calendar year. Any deviations are marked accordingly. This CR report is addressed to our stakeholders. These include analysts and investors, CR ranking and rating agencies and NGOs as well as all other groups interested in our corporate activities such as customers, employees and representatives from the worlds of science, research, education and politics.

LOOKING BACK: CR REPORTING AT DEUTSCHE TELEKOM
Deutsche Telekom has been reporting on its sustainability activities in various publications since 1996. From 2003 through 2006 we published a combined annual HR and Sustainability Report. An interim report issued in 2007 formed the transition to our current CR reporting. Since 2008 the Telekom Group has been publishing a comprehensive CR Report each year.

ONLINE REPORTING SINCE 2010
We have been publishing our CR Report exclusively online since the 2010/2011 reporting year to meet the increasing requirements and changing user preferences of our stakeholders. The online 2014 CR Report has been available since April 30, 2015 in German and English. Interest in our CR report is high. This can be seen in many ways including the fact that more than 2,700 people accessed our report even in March 2015, one month after the reporting period had ended.

The homepage gives readers a convenient introduction to this extensive report by highlighting three global topics that our stakeholders feel are very relevant: protecting customer data, environmental and social standards in the supply chain and enabling people to get involved in the information and knowledge society. We engage in open dialog on each of these topics and provide examples of how Deutsche Telekom is addressing these social challenges.

The start of every detailed page features a short introductory paragraph explaining why that particular topic is important to sustainable development and the ongoing business success of Deutsche Telekom. A download area, search and dialog functions and performance indicators displayed with interactive features make it even easier for readers to navigate the report. What's more, the info cart lets readers select different content and create a customized PDF file.

Most sections include a section on Deutsche Telekom's management approach. Here we explain how Telekom approaches key sustainability topics, contributes to positive development in these areas and works to prevent or reduce negative impacts. The introduction also contains consolidated information on topics such as our strategic approach and goals, management tools, policies and guidelines, internal and external standards and the latest organizational developments.

This year's report focuses on content relevant to the reporting period. The "CR facts" and "Socially responsible investment (SRI) facts" sections highlight further details. They provide background information on a variety of topics that can be accessed directly from the text via links. Readers can also access the "CR facts" section by clicking in the margin column.

Together with this online report we are also publishing an e-paper with a summary of selected developments in the reporting period. It is entitled "Corporate Responsibility 2014 – Overview. We take responsibility"

In addition to publishing the online CR Report, we have been using the We Care app magazine, which is published regularly, since 2014 to reach a wide target group, sparking their interest in corporate responsibility and inspiring them to get involved.

SELECTION OF THE MAIN TOPICS FOR THE 2014 CR REPORT

We conducted a multiple-phase materiality process to help us select our reporting topics. The process is a regular component of our annual CR reporting activities that helps us identify the topics with maximum relevance for us and our external stakeholders.

STRUCTURE OF THE CURRENT REPORT

The online 2014 CR Report has been designed as a progress report that focuses on the key developments of the reporting period. The reader can access the six main sections of the report by using the navigation bar:

- Networks
- Customers
- Society
- Employees
- Suppliers
- Climate and environment

These are complemented by three additional sections:

- The Strategy and management section describes the management of CR processes and the Group-wide integration of Deutsche Telekom's CR strategy.

- The majority of our national companies whose CR activities are described in this report have their own profile page. The profile pages can be found under the National companies menu option.

- In the Performance indicators section, consolidated and commented performance indicators provide information about our progress in the past few years.

ASSURANCE ENGAGEMENT

Selected KPIs in the 2014 CR Report from Germany as well as from our national companies T-HT Hrvatski Telekom (Croatia), Magyar Telekom (Hungary), OTE and Cosmote (Greece) and T-Mobile USA were audited by the auditing firm PricewaterhouseCoopers (PwC) as part of an assurance engagement.

As our reporting activities are based on the guidelines of the internationally recognized GRI-G4 (core) standards published by the Global Reporting Initiative, all of the indicators checkmarked in the GRI index have been reviewed by an independent auditing firm. The independent assurance report can be found under the assurance report menu item. All audited content of this report is marked with ⓘ and will remain effective until the next CR report is published.

IMPLEMENTATION OF INTERNATIONAL REPORTING STANDARDS

Deutsche Telekom's 2014 CR Report complies with the guidelines (G4 core) of the Global Reporting Initiative (GRI).

This 2014 CR Report also serves as a Communication on Progress (COP) from Deutsche Telekom as part of the United Nations Global Compact. The Global Compact communication on progress provides an overview of specific measures that we have taken to comply with the Global Compact principles. Deutsche Telekom also publishes an extensive annual compliance statement regarding the German Sustainability Code.

STATEMENT BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

Dear Readers,

2014 was a successful year for Deutsche Telekom. We invested, expanded and continued to improve the high quality of our networks. Our positive sales results are proof that Deutsche Telekom is on the best road to achieving its goal of becoming Europe's leading telecommunications provider. With this goal in mind, we rely on innovation and responsibility for sustainable development.

Our services connect people and enable everyone to get involved in the information and knowledge society. For this reason we continue to intensify our investment in the build-out of our network infrastructure. We also give people the tools they need to use our services safely and securely by offering extensive educational programs. Our "Yes, I can!" initiative helps children and young people from disadvantaged backgrounds learn personal skills and boost their confidence.

However, it is also important that we gain and retain our customers' trust. We have been in compliance with the highest data privacy standards for years. Our ten-point program has helped us specify these standards further to guarantee even better online security.

As a responsible company, we are also committed to helping find solutions to challenges in society. We develop pioneering solutions that help ensure universal healthcare and shape an energy-efficient society. By outsourcing their IT to our highly efficient data centers, for example, companies can reduce their energy consumption significantly.

We are committed to sustainability throughout our entire value chain. We have made considerable progress in managing our climate protection measures by including the indirect CO_2 emissions produced by our customers and suppliers. High environmental and social standards have priority in our supply chain and we review these extensively. We value long-term procurement relationships and work with our suppliers as partners to help them develop further.

After all, social responsibility is also a question of principles. With this in mind, I would once again like to underline our commitment to the principles of the United Nation's Global Compact and the German Sustainability Code. I would also like to invite you to read this report and learn more about how we put our commitment into practice.

Sincerely,
Tim Höttges

Timotheus Höttges, Chairman of the Board of Management, Bonn, Germany.

GROUP PROFILE

Deutsche Telekom is one of the world's leading integrated telecommunications companies, with some 151 million mobile customers, 30 million fixed-network lines, and more than 17 million broadband lines.

We provide fixed-network/broadband, mobile, Internet, and IPTV products and services for consumers, and information and communication technology (ICT) solutions for business and corporate customers.

Deutsche Telekom operates in more than 50 countries. With a staff of some 228,000 employees throughout the world, we generated revenue of 62.7 billion euros in the 2014 financial year, more than 60 percent of it outside Germany.

So that we can continue to be successful, we are already evolving from a traditional telephone company into an entirely new kind of service company. Our core business, i.e., the operation and sale of networks and connections, remains the basis. But at the same time we are proactively committing to business areas that open up new growth opportunities for us.

We believe that economic, social and ecological perspectives can be reconciled. Sustainability underpins all of our business activities. The fact that we are the first DAX-30 company to introduce a quota for women in management, or that we cover our entire power requirements in Germany from regenerative sources are just two examples of this. In other words, we have a clearly defined objective: We want to be a business enterprise that delights its customers, creates value for its investors, and in which employees enjoy their work.

BUSINESS DEVELOPMENT IN 2014

Group revenue increased considerably by 4.2 percent in the financial year 2014. The United States operating segment in particular contributed to this revenue trend as a result of the inclusion of MetroPCS since May of last year and continued strong customer additions. Our Germany operating segment sustained slight revenue losses. Decisions by regulatory authorities and competition-induced price reductions adversely affected our revenue in the Europe operating segment. The contribution to revenue made by our Systems Solutions segment decreased as a result of the realignment of the business model to generate sustainable growth.

Net profit/loss

Net profit increased substantially to 2.9 billion euros. The increase was due in particular to income from the sale of the Scout24 group totaling 1.7 billion euros. Income of some 0.4 billion euros from a transaction completed in the United States concerning the acquisition and exchange of mobile spectrum also had a positive effect. Expenses of some 0.3 billion euros from the decommissioning of the MetroPCS

CDMA network had a negative effect. Impairment losses recognized on goodwill and other non-current assets were down by 0.7 billion euros year-on-year at 0.1 billion euros. This decrease was partially offset by a 0.4 billion euros increase in depreciation and amortization, especially in the United States operating segment.

You will find more detailed information on Telekom's financial data in our 2014 Annual Report.

GROUP STRUCTURE AND OPERATING SEGMENTS

The following graphic provides an overview of organizational structure of our Group, which we will explain below.

The organizational structure at a glance

- **Germany:** The Germany operating segment comprises all fixed-network and mobile activities in Germany. In addition, it provides intermediate telecommunications services for the Group's other operating segments.

- **United States:** The United States operating segment combines all mobile activities in the U.S. market.

- **Europe:** comprises all fixed-network and mobile operations of the national companies in Greece, Romania, Hungary, Poland, the Czech Republic, Croatia, the Netherlands, Slovakia, Austria, Albania, the F.Y.R.O. Macedonia, and Montenegro. The EE joint venture in the United Kingdom, which had previously been assigned to the Europe operating segment, was transferred to the Group Headquarters & Group Services segment as of January 1, 2014. In addition to consumer business, individual national companies also offer ICT solutions to business customers. On May 30, 2014, we completed the acquisition of GTS Central Europe Group (GTS). Since then, GTS has been helping us to further develop the international business customer segment. The Europe operating segment also comprises the units International Carrier Sales & Solutions (ICSS), Group Technology, and the Global Network Factory (GNF): ICSS mainly provides intermediate telecommunications services

for other operating segments in our Group; Group Technology ensures efficient and customized provision of technologies, platforms, and services for mobile and fixed-network communications; and GNF designs and operates a global network for providing wholesale customers with voice and data communications.

- **Systems Solutions:** Drawing on a global infrastructure of data centers and networks, the Systems Solutions operating segment operates information and communication technology (ICT) systems for multinational corporations and public sector institutions. On this basis, T-Systems provides its customers with integrated solutions
- for the future of a connected business world and society. But it also offers small and medium-sized enterprises ICT solutions for an increasingly complex digital world. The offering primarily includes services from the cloud, M2M and security solutions, complementary, highly standardized mobile and fixed-network products, as well as solutions for virtual collaboration and IT platforms. They form the basis for the digital business models of corporate customers.

- **Group Headquarters & Group Services:** The Group Headquarters & Group Services segment comprises Service Headquarters and those subsidiaries of Deutsche Telekom AG that are not allocated to the operating segments.

AWARDS

We are very pleased about being listed in renowned sustainability rankings and ratings and about the numerous awards and certifications we have received during the reporting period. Our national companies were also recognized for their CR commitment in various areas. You can find an overview of this on the profile pages of the national companies. We discuss our current position in ratings and rankings in the "Strategy and management" section.

AWARDS

Strategy and management

Platinum for the 2013 CR Report in the Online Reporting category at the 2014 Econ Award for Corporate Communications.

Econ Award 2014
Unternehmenskommunikation **PLATIN**

RobecoSAM Sustainability Yearbook 2014:
Bronze Award

ROBECOSAM
Sustainability Award
Bronze Class 2014

Networks

connect (01/2015):
Network test passed with top score fourth year in a row

connect
TESTSIEGER
Deutsche Telekom
Mobilfunknetztest   Heft 1/2015
www.connect.de/netztest

connect (08/2014):
Deutsche Telekom is industry leader with best service

connect
TESTSIEGER
Telekom Deutschland
Festnetztest Heft 8/2014
www.connect.de/dsltest

Stiftung Warentest (06/2014):
First place for Deutsche Telekom two years in a row

Stiftung Warentest
test   GUT (2,2)
Im Test:
4 deutsche Mobilfunknetze
Ausgabe 6/2014
www.test.de   14CZ77

Chip network test (2014/2015):
Telephony and mobile Internet outdistance competitors

CHIP
Bestes Netz
2014/2015
Deutsche Telekom AG
Unabhängige Tests seit 1978
chip.de/netztest

Telecom Handel reader's choice 2014: Best mobile provider of the year for third time in a row

Bester
Mobilfunk-
Anbieter
Telecom Handel
LESERWAHL
2014

Customers

Winner of the Connect hotline test: Deutsche Telekom: Lead in customer trust.

2nd place for environmentally friendly truck management in Computerwoche magazine's Big Data Awards.

European Visionary Innovation Leadership Award 2014 for QIVICON smart home solution

Employees

Recognized by "trendence Graduate Barometer Germany" as one of the top 20 employers in Germany's IT business and special award for "Best in industry in Telecommunication and Networks"

1st place in the 2015 Online Talent Communication study for career sites and online career presence.

Recognized by the 2014 HR Excellence Award in the "Personnel diagnostics" category

Trendence Award – Employer Branding Innovation 2014 for blind applying - the 2014 HR innovation

Focus on women - 1st place in the Female Recruiting Award

Silver in the APRIORI study for 2014 for our innovate career site and mobile recruiting channels

T-Systems South Africa was recognizedfive-fold in the Gender Mainstreaming Awards for its efforts to promote equal opportunities: First place in the Women on Board, Gender and Poverty Alleviation and Investing in Young Women categories, second place in the Empowerment Initiatives Award category and, additionally, the Gender Mainstreaming General Award.

The diversity and inclusion practiced daily at T-Systems Singapore was recognized with the 2014 Exemplary Employer Award by the Tripartite Alliance for Fair and Progressive Employment Practices.

Recognized by the Corporate Health Award for excellence in corporate health management

Recognized by the Felix Burda Award for being a role model in colon cancer prevention

2nd place in the "German award for corporate pension schemes" in the Large Corporations category: T-Systems International "M&A deals and the desire for a standardized company pension landscape- trying to square the circle?"

Suppliers
1st place in the Sustainable Supply Chain Review study

Climate and environment
2014 Code of Conduct Data Centre Award.

INDEPENDENT ASSURANCE REPORT

INDEPENDENT ASSURANCE REPORT

To Deutsche Telekom AG, Bonn

We have been engaged to perform a limited assurance engagement on the description of the necessary materiality analysis and selected sustainability information of the Corporate Responsibility Report 2014 of Deutsche Telekom AG, Bonn (hereinafter: "the Company"), for the business year from 1 January to 31 December 2014 (hereinafter: "CR-Report").The sustainability information, which was selected by the Company and reviewed by us, is marked with the symbol 📷 in the CR-Report.

Management's Responsibility

The Company's Board of Managing Directors is responsible for the accurate preparation of the CR-Report in accordance with the criteria stated in the Sustainability Reporting Guidelines Vol. 4 of the Global Reporting Initiative (GRI). This responsibility includes the selection and application of appropriate methods to prepare the CR-Report and the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the report.

Our Independence and Quality Control We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA-Codex), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed as to whether anything has come to our attention that causes us to believe that:

- the description of the materiality analysis marked with the symbol 📷 as required for a sustainability report to determine its content and the boundaries of its aspects is not in accordance with the criteria "Stakeholder Inclusiveness", "Sustainability Context", "Materiality" and "Completeness" of the GRI's Sustainability Reporting Guidelines Vol. 4 or that they were not used during the CR-Report's preparation,

- the management approaches marked with the symbol 📷 in the CR-Report are not in accordance with the requirements of the standard disclosures G4-DMA of the Sustainability Reporting Guidelines Vol. 4 or that

- the quantitative information marked with the symbol 📷 in the Company's CR-Report for the business year 2014 is in material aspects not in accordance with the criteria „Completeness", „Comparability", „Accuracy", "Clarity", "Timeliness" and "Reliability" of the GRI's Sustainability Reporting Guidelines Vol. 4.

It was not part of our engagement to review product or services related information (e.g. CO_2 neutral services), references to external information sources, expert opinions and future-related statements in the CR-Report.

We also have been engaged to make recommendations for the further development of the sustainability management and the sustainability reporting based on the results of our assurance engagement.

e conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement, under consideration of materiality, in order to provide our conclusion with limited assurance. In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

The procedures selected depend on the practitioner's judgment. Within the scope of our work we performed amongst others the following procedures concerning the materiality analysis, management approaches and key data – for the aspects that are marked with the symbol 📷:

- Inspection of the documents describing the CR-Strategy and CR-Management as well as obtaining an understanding of the organizational structure of CR;

- Inquiries of personnel responsible for the preparation of the report regarding the process to prepare the reporting of sustainability information and the underlying internal control system;

- Recording the systems and processes for collection of sustainability data, inspection of their documentation and validation on a sample basis;

- Examination of selected quantitative information for following international group companies:

  - OTE A.E, Greece
  - Cosmote Mobile Telecommunications S.A, Greece
  - Magyar Telekom Group, Hungary
  - Hrvatski Telekom, Croatia
  - T-Mobile USA

- Analytical procedures on relevant data;

- Comparison with corresponding data in the Company's Annual Report 2014;

- Gaining further evidence for selected data of the report through inspection of internal documents, contracts and invoices by external service providers.

Conclusion
Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that

- the description of the materiality analysis marked with the symbol 🟣 as required for a sustainability report to determine its content and the boundaries of its aspects is not in accordance with the criteria "Stakeholder Inclusiveness", "Sustainability Context", "Materiality" and "Completeness" of the GRI's Sustainability Reporting Guidelines Vol. 4 or that they were not used during the CR-Report's preparation,

- the management approaches marked with the symbol 🟣 in the CR-Report are not in accordance with the requirements of the standard disclosures G4-DMA of the Sustainability Reporting Guidelines Vol. 4 or that

- the quantitative information marked with the symbol 🟣 in the Company's CR-Report for the business year 2014 is in material aspects not in accordance with the criteria „Completeness", „Comparability", „Accuracy", "Clarity", "Timeliness" and "Reliability" of the GRI's Sustainability Reporting Guidelines Vol. 4.

Emphasis of Matter - Recommendations
Without qualifying our conclusion above, we make the following recommendations for the further development of the Company's sustainability management and sustainability reporting:

- Enhancement of the representation of economical, ecological and social impacts of the Company as well as its influence on stakeholder decisions within the framework of the materiality analysis according to the GRI G4 requirements;

- Extended application of the GRI G4 Guidance in the presentation of management approaches

Munich, May 5, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer

ppa. Dr. Patrick Albrecht

THE SUSTAINABILITY CODE

Each year, as part of its Corporate Responsibility report, Deutsche Telekom publishes a comprehensive declaration of conformity with the German Sustainability Code. The German Sustainability Code aims to make companies' sustainability performance transparent and com-parable under a binding framework. Deutsche Telekom's declar-ations of conformity can be viewed here. The German Sustainability Code was approved by the federal government's Council for Sustain-able Development. Deutsche Telekom was one of the first companies to accede to the Sustainability Code.

The SUSTAINABILITY Code

USER HELP

We have included different service features to make it easier for you to read and use thisCR report. Below is a description of how to use these service features.

MAIN TEXT

Drop-down headings

The text contained in this CR Report has been structured with drop-down headings to make the content easier to navigate. If you would like to learn more about a certain topic, you can open the text by clicking on the appropriate heading. You can close the text by clicking on the heading again. This feature lets you open the text for several headings, one after the other.

Alternatively, you can select the "Open all lists" function located in the service box on the right-hand side below the header "This section" to make all of the text visible and then hide it again.

If additional information is available about a topic, the "CR facts" icon will appear below the main text. Click on the icon to view this background information.

Performance indicator graphics

Selected performance indicators of the Group are illustrated in diagrams under "Performance indicators." The upper right-hand corner of some diagrams contains a field that you can use to access the interactive company benchmarking tool. As a special feature for energy consumption indicators, there is a drop-down function that allows you to choose between display in MWh and Joules.

SERVICE FEATURES IN THE RIGHT MARGIN

This section

In order to enable barrier-free access to the report content as far as possible, we integrated the "Read page out loud" option under "This section."

We also included the following features:

- "Open all lists" – you can view the entire text on this page. Click again to hide the text

- "Print this page" – prints the current view

- "Save this page" - saves the current view as PDF

- "Add to info cart" – lets you add different pages to the info cart while reading the report

- "View info cart" – this link will take you to the info basket, providing you with an overview of the pages you have selected. You can download individual pages or several pages at one time as a PDF. You also have the option of saving all selected files on your computer as a compressed ZIP file. You need to have ZIP software installed on your computer to unzip the files. Cookies need to be activated on your browser in order to use this function.

My bookmarks

You can mark up to five pages of the CR Report in the right-hand column under "My bookmarks" and access them with a single click. Cookies need to be activated on your browser in order to use this function.

Link tips

You will find the following links to additional information and download options in the right-hand margin column under "Link tips":

- **CR 2014 overview: Selected** information from the reporting period summarized in our e-paper entitled "Corporate Responsibility 2014 – Overview. We take responsibility" (online or PDF).

- **Interactive benchmarking tool:** The interactive benchmarking tool lets you compare the Group's performance indicators over several years as well as those of selected national companies. You can view values in tables, bar or line diagrams. To view a benchmark of different national companies, open the scroll bar in the window at the top left and select the "National companies benchmark" option. The benchmark also includes important background information on the development of specific values for the years 2009 to 2014. Information will appear in a small window when you hover over the icon with your mouse. Click on the symbol to show the text below the table. The purpose of this option is to make it easy to track significant changes in the values. In addition, the relevance for various reporting standards is specified under each indicator.

- **We Care app magazine:** Entertaining information about CR for smartphone and tablet

- **CR facts:** Additional background information on different topics or terms included in the CR report – can also be directly accessed in the text by clicking on terms marked with the icon (view online)

SERVICE FEATURES IN THE LEFT MARGIN

Social media

Social network functions have been activated for the
CR Report pages. You will find the links at the lower end of the menu
column. Clicking on the icon of the respective network will allow you to
directly access the Telekom offer available at that network.

UPPER SERVICE BAR

English/German

The contents of the CR report are available in English or German. You
can switch from one version to the other by clicking on the language of
your choice.

Glossary

The glossary contains definitions of the most important terms used in
the CR Report. These are marked with the [i] in the text. You can view
the definition of a term by hovering your mouse over the icon. You can
also access the glossary in the upper service bar and view all terms
individually.

Overview

The "Overview" feature provides an overview of the structure and all the
content of the CR Report.

Search function

You can search for specific information in the CR Report by clicking on
the magnifying glass icon, entering the search term and clicking return
or on the magnifying glass again.

SERVICE COLUMN IN THE FOOTER

Your feedback

Under the "Feedback" heading we offer you various options for getting
in touch with the right contact person for your questions and sugges-
tions.

Find out more

Click on the "Find out more" column for additional information:

- **CR facts**: Additional background information on different topics or
  terms included in the CR report – can also be directly accessed in
  the text by clicking on terms marked with the 🎓 icon (view online)

- **Responsibility portal**: The Deutsche Telekom responsibility portal
  provides basic information as well as news on Deutsche Telekom's
  CR activities.

Publications

Click on "Publications" for additional reports such as the 2014 Annual
Report or 2014 Data Privacy and Data Security report.

Helpful links

- **Download center**: You will find the entire 2014 CR Report as well as
  individual sections and other important CR publications from past
  years to download as a PDF file in the download center.

- **Media archive**: This link will take you to a selection of videos from
  past CR reports.

STRATEGY & MANAGEMENT

We comprehensively audited all of our 111 fully consolidated Group companies in order to make sure that human rights are respected throughout our entire Group.

We are committed to taking active responsibility for our communities – within and outside of the Group. That is why we pursue a comprehensive strategic approach with responsible leadership principles, measurable targets and tried-and-true management tools.

We make a point of involving important stakeholders in our processes. As the basis for our sustainability management strategy, we therefore systematically collect the topics that are of material interest to our stakeholders and to us. You can view the results of our survey here (as of February 2015):

Topic weighting

Relevance for Deutsche Telekom
Relevance for stakeholders

- ⬤ Sustainability in core business
- ⬤ Protection of customer data
- ⬤ Human rights
- ⬤ Inclusion of stakeholders
- ⬤ Transparency in public
- ⬤ Compliance
- ⬤ Economic, ecological, social opportunities and risks
- ⬤ Values and standards
- ⬤ Certified management systems for occupational health and safety and the environment
- ⬤ Sustainable capital investments
- ⬤ Political advocacy
- ⬤ Marktregulierungsthemen
- ⬤ Protection of employee data
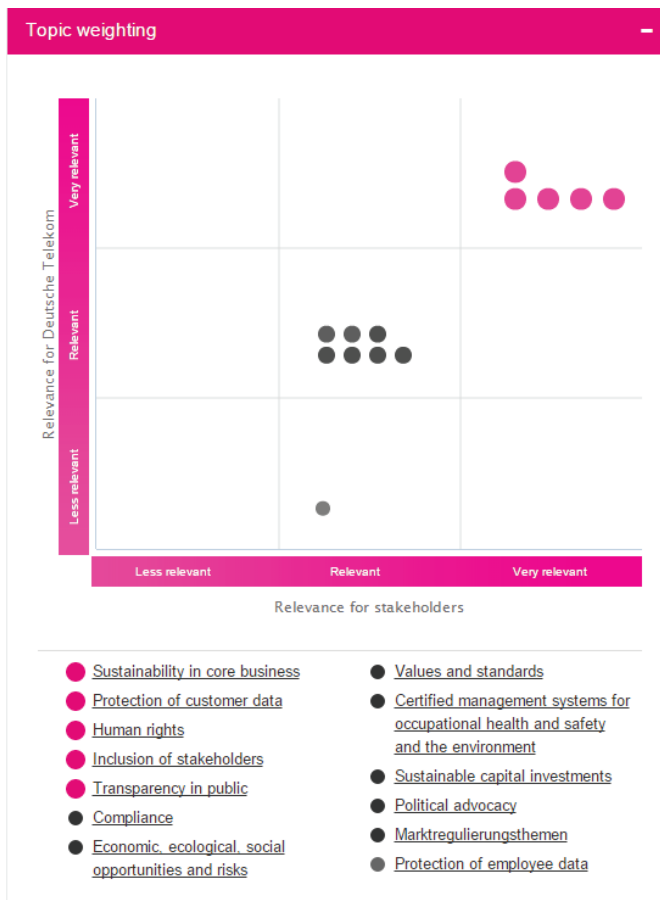
VISION

"SECURE NETWORKS FOR SUSTAINABLE DEVELOPMENT"

Thomas Kremer, Member of the Board of Management for Data Privacy, Legal Affairs and Compliance, acted as interim Board Member for Human Resources to during the reporting period. Consequently, Mr. Kremer was also in charge of corporate responsibility at the company. In an interview, Mr. Kremer talks about the challenges that Deutsche Telekom faces in this area and gives an outlook regarding the Group's future sustainability activities.

Mr. Kremer, telecommunications products and services play an increasingly vital role in our everyday activities. Is Deutsche Telekom really able to make these more sustainable?

Definitely. Take climate protection, for example. Telecommunications helps us reduce greenhouse gas emissions every day. Smart meters and smart home solutions, for example, make our homes more comfortable, secure and energy efficient. We also help companies significantly reduce their carbon footprint by outsourcing their data to the cloud. We even help reduce CO_2 emissions in the agricultural sector with intelligent networking.

But the environment is not our only concern. To us, intelligent networking means that data can be accessed quickly and reliably at any time. Our security standards here are higher than ever before. This is especially true for healthcare services. Our society is faced with the challenge of providing universal healthcare to an aging population. Our products can make a significant contribution to patients' wellbeing and support doctors and clinics at the same time. In 2014, for example, we collaborated with the Dresden University Hospital to develop an IT platform for healthcare services. The platform has set the bar throughout Europe. Protecting personal information from unauthorized access is naturally very important as well.

But our responsibility goes beyond providing our customers with sustainable products and services. We have set high social and environmental standards for our own company and expect our suppliers to comply with these standards as well. We reviewed compliance with these standards at 72 percent of our suppliers in 2014, based on procurement volume. We help our suppliers guarantee environmental standards throughout their own supply chain.

Only people who have the right skills and access to technology can benefit from the advantages of digital services. However, not everyone has the same opportunities to use these services. Is there a risk that digitization could lead to the exclusion of parts of our communities?

Yes, there is a risk. But we cannot let that happen. For that reason, Deutsche Telekom is working to provide fast, secure networks for everyone and is investing massively in this technology. But that is not enough. Close collaboration between politics and business is key here, too. That is why we have entered into more than 5,000 cooperation agreements for broadband expansion with a host of communities.

Use of our Internet portals and services offers many possibilities but hides dangers as well. That is why I feel it is important to teach children and young people how to navigate the web safely. Instant messaging, social networks and chat rooms are all a part of our children's everyday lives. As a father, I see it every day at home. Students need to be made aware of the risks and consequences of providing personal information at an early age. Our Teachtoday platform helps teachers, parents and children learn and teach media skills.

Media skills alone are not enough to protect people from online dangers. As a provider, how do you guarantee Internet security?

We have been a leader in data privacy and security in our industry for some time now. Although we will never be able to guarantee total security in the race against cyber crime, protecting customer data from unauthorized access is our top priority. We launched our Mobile Encryption App to the market in 2014. The app provides our business customers with a global encryption solution of the highest quality that can be used worldwide. We have considerably strengthened our team at our central Cyber Defense Center and, in collaboration with the German Chamber of Industry and Commerce, created a certified training offer for becoming a cyber security professional. Our efforts were recognized by the European Trusted Brands 2014 study. The study found that Deutsche Telekom is Germany's most reliable brand.

In addition to various individual solutions it is also important to guarantee at a political level people's right to determine for themselves what happens to their data. Just look at the espionage scandals over the past few years. For that reason, we are committed to translating our high standards into law in Europe and advancing these standards with technological progress. This is the only way to strengthen people's trust in the digital world.

Last year you acted as interim Board Member for Human Resources in addition to your Data Privacy responsibilities. How do you get employees involved in the company's commitment to sustainability and how do you define sustainable human resources management?

The only way a company can be successful is hand-in-hand with its employees. The same goes for sustainability. For me, it starts with training and study programs. We are currently one of the major companies offering training programs in Germany with almost 9,000 apprentices and students on cooperative study programs. Our "Responsibility wins" competition has been encouraging trainees to get involved in their communities and for the environment since 2009. We also encourage all of our employees to volunteer with events such as our Social Days, days on which we give our employees the chance to volunteer in community projects or activities to protect the environment. We also support initiatives in which our employees are active with donations. Volunteering is very beneficial when it comes to internal HR development. It strengthens identification with the company as well as social skills.

Those are only a few examples.

Sustainable human resources management is much more. Diversity is a key word you hear time and again. Everyone should have the opportunity to get involved in working life in line with their interests and skills, regardless of gender or age. That includes companies creating a framework that enables work-life balance in all phases of life. Fair pay, performance-based assessment, lifelong learning, modern work models and, of course, preventive healthcare are all part of this. We spend more than 400 million euros a year on training and development alone. However, it is also important to provide tools for socially acceptable staff restructuring so that we can effectively master changes, particularly when it comes to our employees. Good relationships based on trust between employer and labor representatives are key here.

What is Deutsche Telekom's long-term approach in terms of sustainability?

As Europe's leading telecommunications provider, we intend to assume a leading role when it comes to sustainability. For that reason we will push ahead with our activities in this area both within and outside of our company. We work together intensively with our suppliers throughout our supply chain to establish social and environmental standards in emerging markets as well. In view of the intricate structures in place in the information and telecommunications sector, that poses a real challenge, but we are on a good road.

We have set an ambitious but realistic goal with our climate protection strategy. We intend to reduce total CO_2 emissions at our Group (not including T-Mobile US) by 20 percent by 2020 compared to 2008.

With data volumes growing, it is not that easy. We will continue reducing our energy consumption through targeted efforts to increase the efficiency of our network infrastructure. Reducing energy consumption in facility management and our vehicle fleet remains a focal point of our efforts as well. We discuss other specific progress in this area in this report.

I am positive that positioning Deutsche Telekom as a sustainable company holds tremendous opportunity. As I mentioned at the start of our interview, we provide solutions to many challenges our society is faced with. It will be up to us in coming years to continue to advance these solutions. In doing so, we will secure the success of our business and position Deutsche Telekom as an innovative company ready to take on the future.

VALUES AND GUIDING PRINCIPLES

Corporate responsibility (CR) is based on shared values. We communicate our fundamental values to our employees within the scope of Guiding Principles as a way to effectively integrate these values into our corporate culture. Many of our employees once again contributed activities and ideas to put our Guiding Principles into practice in celebration of the fifth year of Guiding Principles Day.

Our Code of Conduct and our Social Charter are other tools that we use to ensure that our Group and our partners show corporate responsibility in their conduct. Our compliance management, which makes sure that our business activities are in compliance with laws and regulations, are based on these documents.

EMBRACING OUR GUIDING PRINCIPLES

Deutsche Telekom's Guiding Principles are a key tool in our human resources activities. They form the basis of reliable cooperation at the company and help us keep delighting our customers with our products and services. We regularly communicate the Guiding Principles via our internal media to help incorporate them into our employees' everyday work routines. To this end, we also host our annual Guiding Principles Day.

We have been conducting pulse surveys for several years now to find out what our employees think about different Deutsche Telekom topics. We use this tool to assess the effectiveness of our communication regarding the Guiding Principles as well as other activities. In the survey, we ask employees to rate the statement, "I experience the Guiding Principles being practiced in my day-to-day work," on a scale of one to five. We continue to receive positive feedback from our employees. 70 percent of our employees gave a positive response (a rating of four or five) in our November 2014 survey, similar to the previous year. These consistent results indicate that the Guiding Principles continue to play a prominent role.

GUIDING PRINCIPLES DAY

Deutsche Telekom held its fifth Group-wide Guiding Principles Day on September 25, 2014. All of our employees were called upon to think about the Guiding Principles and come up with ideas on how to effectively implement them in day-to-day work. The message was that we don't just live our Guiding Principles one day a year – we make them a basic principle behind our daily activities and continue to pursue them with determination.

Before the event, employees voted to decide which Guiding Principle should be the focal point on September 25. The majority of our employees chose the second Guiding Principle, "Respect and integrity guide our behavior." Our fifth Guiding Principles Day therefore focused on

what we as a team, what each individual can do to ensure that we treat each other and our customers with more respect and appreciation.

The 2014 Guiding Principles Day was a huge success throughout the different countries and cultures. With numerous activities, events and initiatives, Deutsche Telekom employees showed how they are motivated by our corporate values to let respect and integrity guide their behavior. At an event held at our headquarters in Bonn, for example, seven employees gave presentations on what the Guiding Principle, "Respect and integrity guide our behavior," means to them. The presentations were inspired by the TED talks, which focus on encouraging experts from a variety of disciplines to share ideas.

CODE OF RESPONSIBLE CONDUCT FOR BUSINESS

Deutsche Telekom was one of the first companies to sign the Code of Responsible Conduct for Business, which was presented to the public in November 2010. All of the members of our Board of Management signed the code, making an express commitment to responsible corporate governance in line with the principles of the social market economy, to fair competition, cooperation with employee representatives, business excellence and sustainability. We have incorporated this commitment into our conduct as a business and have assumed a leading role in putting our commitment into practice:

The code asks that we engage in sustainable business practices and responsible corporate governance for the good of the people. Deutsche Telekom consistently addresses these requirements in its core business and along its supply chain and takes responsibility for its employees and in society. We guarantee respect for human rights without exception.

Our products and services connect people and increase the productivity of numerous processes, helping Germany and Europe to remain competitive in international competition and bring prosperity. Our smart, digital solutions create new ways to effectively address social challenges such as climate change and to simplify our lives for the long term. Our network serves as a vital line of communication in our efforts: fast, reliable, secure and accessible to everyone. These efforts, just like all of our activities, are focused on people. We provide transparent information on our plans and technologies, engage in fair practices and are always open to dialog.

In line with the code, we continue to expand our leading position as a sustainable company as well as our ongoing efforts to optimize our value-added processes. We are making our networks, products and services more energy and resource-efficient and reducing the environmental impact and carbon footprint of our business activities. In 2014

our Board of Management approved a Group-wide climate protection target for 2020. We also help our over 30,000 suppliers engage in business practices that are just as sustainable as our own, e.g. with our supplier development program. Along with audits and pre-qualification measures, we rely on partnership and dialog throughout this process, as we do in our relationships with our many stakeholders.

Development through dialog and partnership is also a central concept in our human resources management activities. It served as guidance when creating our internal social network, TSN, and our MOOC (massive open online course) open educational platform. More than 3,600 Deutsche Telekom employees participated in our first MOOC. During the course, 140 interdisciplinary, international teams developed numerous business concepts that are tailored to the needs of our customers and will provide long-term benefits. Deutsche Telekom is currently considered to be one of the most attractive employers.

Our social commitment, however, is not just to our customers, partners and employees. We feel it is our responsibility to support the development of media skills in our community and help young people become more confident. Our efforts in this area include the Teachtoday initiative, which promotes learning with digital media. We have also been involved in the "Yes, I can!" initiative for some time now. Since 2010 this initiative has given more than 60,000 children and young people from disadvantaged backgrounds an opportunity to learn key skills for an independent and confident life.

T-SPIRIT – A PROJECT TO CREATE A NEW CORPORATE CULTURE

The telecommunication sector and business are changing rapidly. This affects not only the commercial side of the business and how a company is organized, but also its internal culture. This was the reason behind the launch of a company-wide T-Spirit project in 2014, which aims to explain T-Mobile's strategy and create a corporate culture that is consistent with the company's brand promise and today's dynamic conditions. Through the T-Spirit project T-Mobile Netherlands wants to shape the company in the way it is envisioned to be, and thus make a clear mark on the telecom sector.

Volunteers from the company are now engaged in four working groups: New Way Of Leading, New Way Of Working, Live The Brand, and Creative Deployment a group that is going to develop initiatives. Instead of clear roles and responsibilities with defined milestones for firmly set goals right from the start, the project is working with initial ideas and a committed approach to co-create.

The T-Spirit Day on 30 September 2014 was the kick-off event for the T-Spirit program. 800 employees participated in 40 different creative sessions to promote the T-Spirit, learn about T-Mobile's projects, exchange knowledge, and develop ideas. The sessions included for example workshops named "How to build the best mobile network?", social hangouts, blind dating for employees or "The best sales training ever".

CR STRATEGY

Deutsche Telekom aims to be the leading telecommunications provider in Europe. We also want to be at the forefront of our industry when it comes to taking social and ecological responsibility.

With our Group-wide CR strategy, we have committed ourselves to sustainable corporate governance. Deutsche Telekom's Board of Management first approved the CR strategy in 2008. The CR strategy is based on our Group strategy and also provides a framework for the international subsidiary when it comes to implementing CR in their areas of responsibility. Central components of the CR strategy include our CR action areas and our CR program, in which we have specified our targets and the measures to achieve them. Deutsche Telekom's stakeholder involvement strategy is another important part. Implementation of our CR strategy is facilitated by organizational and management structures which allow the Group Board of Management and the top management at our international subsidiary to embrace this strategy.

- Deutsche Telekom's central CR unit, Group Corporate Responsibility is responsible for strategic CR management and communication activities.

- The CR board with its broad organizational basis within the Group helps to keep our CR strategy in line with our Group and brand strategies as well as with our corporate values.

- The HR Leadership Team (HR LT), an advisory and decision-making body within the Human Resources (HR) Board department, is responsible for generic aspects of corporate responsibility.

- The CR managers from the different business areas and international subsidiaries are responsible for operational implementation of the CR strategy. They established the CR Manager Network at Group level to facilitate decisions and information exchange regarding key developments.

Regularly reviewing the effectiveness of our CR strategy and determining to what extent we have been able to lead the way are important aspects in assessing and managing our CR program. That is why we use key performance indicators (KPIs) to regularly gauge our CR performance. We conducted a review of our KPIs in 2014. Instead of using the term CR KPIs, we now refer to ESG KPIs (environmental, social and governance key performance indicators) in order to emphasize their importance in Deutsche Telekom's business success.

CR POLICY ADOPTED FOR THE ENTIRE GROUP

In March 2014, the works council also approved our first Group Policy on Corporate Responsibility, which had previously been approved by the Board of Management. This policy is now being gradually introduced at all of our national companies. The process has already been completed at Group headquarters as well as at Telekom Deutschland and T-Systems International. In 2014, the first international subsidiaries began submitting the policy to their decision-making bodies for approval so that implementation could begin.

The CR Policy emphasizes how important corporate responsibility has become at our company over the years. It specifies the rights and obligations of corporate entities and functions and addresses the following: governance structures, sustainable business practices, a responsible supply chain, resource and energy efficiency, climate protection, social commitment and involvement in the community, and providing sustainable products and services to our customers. The policy also describes the Group's CR organization, with the Group Board of Management assuming overall responsibility for CR.

CR ACTION AREAS

Knowledge that is available to everyone and a society that is becoming increasingly connected open up new ways for people to tackle global challenges like climate change and living in an aging society. Deutsche Telekom lays the foundation for this with its extensive network infrastructure and its products and services based on this network. In this way, we facilitate connected life and work, connect the unconnected, and contribute to a low-carbon society. Our customers and employees, suppliers, investors, our environment and society are just some of the stakeholders that benefit from Deutsche Telekom's involvement in these three CR action areas, all of which are directly connected to our core business.

... FOR CONNECTED LIFE AND WORK

We are helping shape the change in the increasingly digitized work and living environment. Deutsche Telekom supports cultural change with innovative products and solutions toward greater self-determination and quality of life both in our professional and personal lives. Our goal is to be a driving force for sustainable life and work.

... FOR CONNECTING THE UNCONNECTED

Irrespective of their social or economic opportunities, we try to get as many people as possible involved in the development of the society they live in. With this in mind, we promote numerous community initiatives and support projects for media skills development.

... FOR A LOW-CARBON SOCIETY

Global warming and its consequences are one of the greatest challenges facing mankind. We have launched large-scale initiatives to reduce our own emissions for the long term. At the same time we are also empowering our customers and partners to make their contribution to climate protection with our solutions.

ESG KEY PERFORMANCE INDICATORS

We use the ESG KPIs as a management tool in our CR activities. They help us to systematically improve our services, and some are included in our Annual Report due to their relevance in value creation. We reviewed the KPIs extensively during the reporting period and updated some of them in order to make sure that these KPIs continue to contribute to effective corporate management and meet the expectations of our stakeholders. Following this review, we changed the term CR KPI to ESG KPI as an indication of their role as a management tool for environmental, social and responsible governance within and outside of our Group. For the purpose of integrated financial and sustainability reporting, the KPIs also map the six types of capital addressed in these reports and therefore also reflect the essential aspects of the sustain-able value of our company (see graphic).
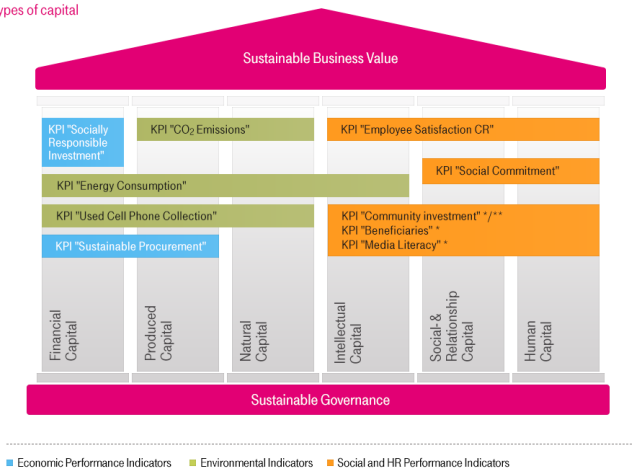
The two ESG KPIs, Used Cell-Phone Collection and CO_2 Emissions have been revised. For the sake of comparability, we will additionally report the previous KPI on cell-phone recycling this year. We are also currently piloting three new ESG KPIs to gauge the effectiveness of our social commitment and are preparing a revised version of our Energy Consumption ESG KPI.

ESG KPIS

In order to manage its CR performance, Deutsche Telekom uses seven key performance indicators, that apply throughout the Group: the ESG [i] key performance indicators (ESG KPIs):

- Socially Responsible Investment (SRI) ESG KPI
- CR Employee Satisfaction ESG KPI
- Sustainable Procurement ESG KPI
- CO_2 Emissions ESG KPI
- Energy Consumption ESG KPI
- Social Commitment ESG KPI
- Used Cell-Phone Collection ESG KPI

All international subsidiaries of Deutsche Telekom are required to record data on the Group-wide ESG KPIs. These represent 99 percent of the Group's net revenue.

We extensively reviewed the KPIs in terms of relevance for management practices and updated some of them. The reference for comparison of the Used Cell-Phone Collection ESG KPI was changed from "number of customers" to "number of mobile phones in circulation." This makes it possible to more precisely illustrate the ratio of the number of cell phones sold to the number of those returned. When customers use the devices for longer periods of time, the environment benefits from this decision and, as a result, this has a positive impact on the KPI. We also adjusted our CO_2 Emissions ESG KPI in line with our international climate protection target. We expanded the KPI to include all Group entities that participate in helping us realize our climate protection target. The extended scope affects the current volume of CO_2 emissions as well as the figure recorded in 2008, on which our climate protection target is based. In 2014 we piloted three new KPIs to measure our social commitment and have begun reporting these externally for the first time in this report. Our activities are based on the methods employed by the London Benchmarking Group (LBG), which incorporate the aspects, "input," (effort/involvement), "output" (results) and "impact" (change).

- The Community Investment ESG KPI illustrates activities in which Deutsche Telekom was involved in the community either financially, through its employees, or through donating materials.

- The Beneficiaries ESG KPI reflects the number of people who got involved in community activities and the number of people in the target group that benefited from such activities.

- The Media Literacy ESG KPI reflects the number of people we have reached through programs addressing this topic. This KPI establishes a direct correlation between these activities and our core business.

In order to increase the relevance of the Energy Efficiency ESG KPI for management practices, we want to introduce an adjusted KPI for the target-oriented management of energy efficiency in all relevant corporate areas, including Technology, Procurement, and Sales, in the near future. One possible approach would be to calculate energy consumption per product group (customer equivalent). Despite these adjustments, we plan to continue to report on the previous ESG KPIs so that our readers will be able to compare the data.

ESG KPI REPORTING IN THE ANNUAL REPORT

In our 2013 Annual Report, we forecast trends for three of our ESG KPIs – Energy Consumption, CO_2 Emissions, and Sustainable Procurement – for the first time in compliance with the German Accounting Standard GAS 20. In the case of all three ESG KPIs, actual developments in the 2014 financial year exceeded our forecast. Both the Energy Consumption and CO_2 Emissions ESG KPIs improved slightly instead of remaining constant as predicted. This is due to the fact that revenue grew more strongly and energy consumption less strongly than anticipated. The ratio between actual emissions and our climate target base year 2008 also improved as a result of extending the scope for the CO_2 Emissions ESG KPI. The Sustainable Procurement ESG KPI increased more than planned as a result of further suppliers being audited for compliance with our social and environmental standards. In future, we expect these ESG KPIs to develop as follows:

- Over the next two years we expect our Energy Consumption ESGKPI to fall or fall slightly, i.e., a positive development. Network migration to IP technology and consolidation of the T-Systems data centers will be the main factors helping us to achieve major energy savings. These savings will be partly counterbalanced by the expansion of T-Mobile USA and the accompanying rise in energy consumption.

- Since our CO_2 emissions are largely driven by our power consumption, the resulting positive trend is similar to the development described for the Energy Consumption ESG KPI. We will also strive to achieve a slight reduction in our CO_2 emissions ESG KPI for the years 2015 and 2016. Our expectation for the Group units participating in the climate protection target is that, in 2020, CO_2 emissions will lie 20 percent below the rate of the base year 2008 (excluding T-Mobile USA). The CO_2 Emissions ESG KPI figure will, however, also include emission figures for T-Mobile USA. Since strong business growth will continue to increase power demand in the foreseeable future, the KPI will only improve slightly in the period up to the year 2016.

- In 2015 we expect to reach the forecast target of 75 percent for the Sustainable Procurement ESG KPI. In subsequent years, we assume that the ESG KPI will only rise slightly since audits focus on strategic suppliers and those with an increased CR risk.

Our Social Commitment ESG KPI shows that in 2014 our performance was again rated significantly higher than the level of importance attached by the public to the subject.

DEMOGRAPHICS MANAGEMENT: ANALYSIS OF RELEVANT PERFORMANCE INDICATORS

Large companies like Deutsche Telekom employ up to four generations, some of whom have very different backgrounds, values and education. In view of the demographic shift, the way we live, work and learn is going to change considerably in the coming decades. Based on the age structure at our corporation, this is particularly going to impact Deutsche Telekom in Germany. We are prepared for this development because our company's success depends on the contribution of every person and every generation. For that reason, we have developed a comprehensive demographics management process that includes concepts for training, health, leadership and different working models. Our workforce structure management is aligned with demographic aspects.

To help us effectively conduct and manage our demographics management activities, we have intensified our monitoring of such HR indicators as well as of qualitative indicators with a high relevance for demographics. We consider it important to take both objective HR indicators as well as subjective assessments, e.g., from our employee survey, into account.

INTERNATIONALIZATION

Putting a shared CR strategy into practice is particularly challenging for an international corporation and requires a coordinated, collaborative approach at all Group units. To help this process along, we established CR managers at various Group entities who have the necessary skills and resources to support us in realizing our key CR targets worldwide. CR manager meetings and web conferences are held regularly. We focus on three action areas in our CR strategy internationalization efforts. Most of the 28 national companies represented in our CR Manager Network have already embraced these action areas and included them in their local CR strategy.

INTERNATIONAL COOPERATION IN THE CR MANAGER NETWORK

The CR Manager Network provides a forum for its members to cooperate internationally and to discuss and approve the Group's CR activities at regular conferences and conference calls. The 13th and 14th CR manager meetings were held in Bonn on May 5 and 6 and November 13 and 14, 2014.

The focal point of the spring meeting was how specific CR activities can contribute to the success of our business. At workshops on energy, waste and recycling, the supply chain, and the protection of young people from unsuitable media content, participants assessed the respective contributions these activities can make. Participants also discussed national CR strategies and best practice cases at the international subsidiaries, for example, in areas such as corporate volunteering.
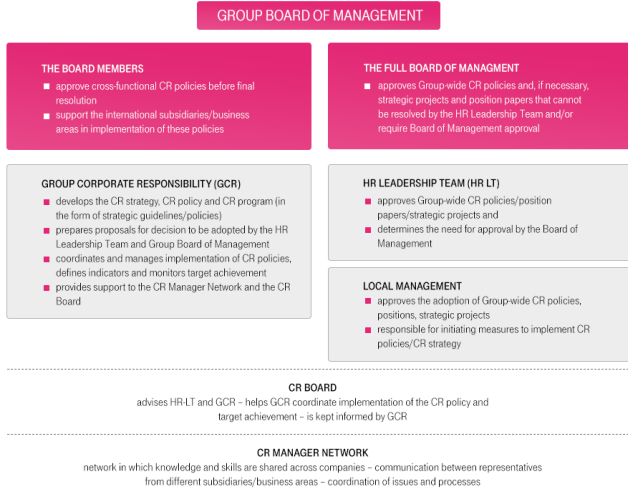
The November meeting focused on Opportunities and Risks of Sustainability at a panel discussion and in various workshops. Dr. Robert Pojasek from the Harvard Extension School talked about risk management and sustainability. At the workshops that followed, participants discussed how to turn risks into opportunities.

CR GOVERNANCE

Deutsche Telekom has created an integrated governance structure for CR in order to closely link strategic management and operational implementation throughout the Group. The Deutsche Telekom Board of Management carries general responsibility for CR. The Group has developed this structure to make sure that sustainability is part and parcel of all business activities, emphasizing its commitment to society.

CURRENT ORGANIZATIONAL STRUCTURE

Current organizational structure

GROUP BOARD OF MANAGEMENT

THE BOARD MEMBERS
- approve cross-functional CR policies before final resolution
- support the international subsidiaries/business areas in implementation of these policies

THE FULL BOARD OF MANAGMENT
- approves Group-wide CR policies and, if necessary, strategic projects and position papers that cannot be resolved by the HR Leadership Team and/or require Board of Management approval

GROUP CORPORATE RESPONSIBILITY (GCR)
- develops the CR strategy, CR policy and CR program (in the form of strategic guidelines/policies)
- prepares proposals for decision to be adopted by the HR Leadership Team and Group Board of Management
- coordinates and manages implementation of CR policies, defines indicators and monitors target achievement
- provides support to the CR Manager Network and the CR Board

HR LEADERSHIP TEAM (HR LT)
- approves Group-wide CR policies/position papers/strategic projects and
- determines the need for approval by the Board of Management

LOCAL MANAGEMENT
- approves the adoption of Group-wide CR policies, positions, strategic projects
- responsible for initiating measures to implement CR policies/CR strategy

CR BOARD
advises HR-LT and GCR – helps GCR coordinate implementation of the CR policy and target achievement – is kept informed by GCR

CR MANAGER NETWORK
network in which knowledge and skills are shared across companies – communication between representatives from different subsidiaries/business areas – coordination of issues and processes

As one of the innovation drivers at our company, the CR unit is part of Group Transformational Change & Corporate Responsibility (GCCR). GCCR, which directly reports to the Member of the Board of Management responsible for Human Resources, is responsible for advancing our corporate culture with a focus on innovation, individual responsibility, entrepreneurship, and social responsibility.

Another pillar of our CR governance structure is the HR Leadership Team (HR LT). The team is an advisory and decision-making body for the Human Resources (HR) Board department. It is made up of managers reporting directly to the Board Member for HR and makes decisions regarding Group-wide policies and guidelines, CR positioning and the strategic focus of the CR department.

The CR unit and the HR LT are advised and supported by the CR Board when it comes to CR management and strategy enhancement.

The CR managers from the different business units and international subsidiaries are responsible for operational implementation of the CR strategy. They collaborate intensively within the international CR Manager Network where they coordinate their activities and share best practices.

INTEGRATED HSE MANAGEMENT SYSTEM

We want to make sustainability a component of all our business processes and of our employees' everyday lives. Our health, safety and environment (HSE) management system helps us make this possible. The system is based on the international standards OHSAS 18001 for occupational health and safety and ISO 14001 for environmental management. Around 72 percent of our employees across the Group are currently employed at an ISO14001-certified company (as of February 2015). Around two-thirds of our employees outside Germany work at an OHSAS18001-certified company. Through our compliance with legal regulations, we meet the essential requirements for OHSAS18001 certification in Germany. In order to get as many employees as possible involved in our HSE management activities, our goal is to have all of our companies located outside of Germany with more than 50 employees certified in compliance with both standards by the end of 2015.

CR CONTROLLING AND INTEGRATED REPORTING

Deutsche Telekom's CR controlling system plays a key role when it comes to steering our CR activities. It has been supported by an IT-based data collection system for the past five years. The system guarantees transparent reporting on ESG (environmental, social, and governance) data and KPIs. It supports standardized, mandatory processes at the Group and national level and enables Group-wide benchmarks. This IT support gives us additional capacities to conduct extensive analyses of ESG data. For example, it makes it easier for us to assess whether we have achieved our CR targets. Ten additional T-Systems international subsidiaries collected ESG data for the first time during the reporting period. The first step for them was to report on the energy data relevant for the climate protection target. The entities covered by the Energy Consumption and CO_2 Emissions ESG KPIs represent 99 percent of the Group's net revenue.

We use the data to calculate our ESG KPIs, which we then use to measure our CR performance throughout the Group. In 2014, we reviewed the KPIs in terms of their suitability for managing and reporting our CR activities and adjusted them where necessary. As part of the review, we also worked on preparations for introducing new KPIs. In order to improve the significance of the Energy Consumption ESG KPI, we are planning to map our energy consumption in relation to the average consumption per product group ("customer equivalent"). We are also planning to introduce three new KPIs to gauge the effectiveness of our social commitment activities. These are scheduled to be included in our reporting processes as of 2015 and will reflect our efforts, the activities we support, and their results.

Reporting on ESG KPIs outside the CR report

We also use the Energy Consumption and CO_2 Emissions ESG KPIs as important performance indicators in our internal reports. These KPIs are included in two reports addressed to the entire Board of Management. Once every quarter, relevant CR information is included in the DT Group HR Management Report using these two KPIs. As of 2015, we will also be using an annual climate protection report and a controlling report, which will be issued several times a year, to inform the Group Board of Management of our progress in achieving our climate protection target.

We have also integrated ESG KPIs into our Annual Report within the scope of gradually combining our financial and CR reporting processes. Further information on this can be found in the Finance section.

FINANCE

Investors interested in sustainability often prefer to focus on long-term yields instead of short-term profits because companies who rely on sustainable business practices tend to be more competitive in the long term. That makes their investment (socially responsible investment, SRI) an important component when it comes to securing capital for Deutsche Telekom AG in the long term.

SRI investment products generally consist of securities from companies that have been declared compliant with ESG (environmental, social and governance) criteria. The trend in demand for T-shares in this category therefore serves as an indicator helping us assess our sustainability performance. We use our Socially Responsible Investment ESG KPI to analyze how the financial markets perceive our CR activities.

Investors concerned with sustainability often refer to ratings published by specialized SRI analysts. That gives these ratings influence on our company's reputation in the finance industry. This is why the rating given to our company by SRI analysts plays a role in determining whether or not we will be able to win over and retain long-term investors and achieve our goal of keeping our company's medium and long-term cost of capital at a low level.

We use different formats – both in our reporting as well as in direct dialog – to inform SRI analysts and investors of our CR activities.

SOCIALLY RESPONSIBLE INVESTMENT (SRI) ESG KPI

Following last year's KPI review we decided to keep our Socially Responsible Investment ESGKPI in its current form. At the end of 2014, around 21 percent of T-Shares were owned by investors who consider SRI criteria in their investment decisions at least to some extent. Two percent of T-Shares were held by investors who give priority to SRI aspects when managing their funds. Increasingly, our efforts toward more sustainability and social commitment therefore pay off in terms of reputation.

Investor communication expanded

We have been publishing relevant Deutsche Telekom ESG KPIs in our Annual Report for several years now, also providing forecasts regarding their future development. Financial market players interested in sustainability can also review ESG information in the Socially Responsible Investment (SRI) section of our investor relations portal. Interested parties can also find additional information on these topics in the SRI facts info box provided as a supplement to this CR report.

In addition to our reporting activities, we also engage in targeted dialog with investors. Our CR and Investor Relations (IR) units, for example, conduct joint SRI roadshows on the topic. The first SRI webinar was

also hosted during the reporting period with the participation of several major financial institutions. We also responded to numerous direct requests for information made by analysts and investors, covering the entire spectrum of ESG criteria, from climate protection and human rights to data privacy and diversity.

CURRENT POSITION IN RANKINGS AND RATINGS

More and more investors are looking at our company's sustainability performance when deciding whether or not to invest. Deutsche Telekom's ESG (environmental, social, and governance) performance is assessed in CR ratings, which offer investors a reliable basis for their investment decisions. As in previous years, the T-Share was once again listed in important sustainability ratings in 2014. Rating agency oekom singled us out as the world's best telecommunications company in terms of ecological and social performance. Deutsche Telekom was again rated among the top ten in the SAM rating and, as a result, was awarded the Bronze Award in the SAM Yearbook. We have also been listed in the STOXX Global ESG Leaders Index for four years and in the UN Global Compact 100 Index and the Climate Disclosure Leadership Index for two years. The FTSE4Good Index again listed our share in the reporting period. You will find an overview of these ratings in the section on KPIs.

INTEGRATED REPORTING

CR is becoming increasingly important to our core business. This can be seen in the internationally emerging trend toward intensified integration of financial and non-financial reporting. More and more companies are including sustainability aspects that are highly significant to the company's value creation, such as environmental protection, employee interests, and sustainable products, in their traditional management reports. Deutsche Telekom welcomes this development. Integrating this information encourages people from various Group functions to discuss CR topics and paints a more consistent picture of our company's financial and non-financial performance.

Responsibility is an integral component of our business activities, which is why we report on the responsibility we assume in different sections of our Annual Report and make reference to how sustainability contributes to value creation in our corporate processes. We have been reporting on our ESGKPIs in our Annual Report since 2011. Since 2013, we have also included a qualitative trend forecast for the two upcoming financial years for our Energy Consumption, CO_2 Emissions, and Sustainable Procurement ESG KPIs. As a result, we were in a position to compare trend forecast and actual developments in our KPIs for the first time in our 2014 Annual Report and in this year's CR Report. You can find more information in the section on ESGKPIs.

By integrating financial and non-financial content, we intend to meet the requirements of SRI investors on the one hand and more effectively incorporate cross-functional issues, such as ESG aspects, in different areas of the Group on the other. We held a cross-department workshop on integrated reporting in November 2014 to intensify the link between CR and annual reporting activities.

TAX POLICY GUIDELINES

The Group Tax department is responsible for ensuring that the Deutsche Telekom AG Group pays taxes and duties at national and international level in accordance with the applicable statutory provisions. This involves maximizing the scope available for optimizing taxes on the one hand, and fulfilling the social and community responsibility of a multinational company on the other. Group Tax makes sure that the Deutsche Telekom Group complies with all its tax obligations in Germany and abroad, in particular that it pays the taxes in accordance with the local laws and regulations applicable to the individual Group entities. This includes the Group's income taxes, which must also be regularly reported in our IFRS financial statements, as well as VAT and income tax payable within the context of customer transactions and for Group employees. Group Tax also ensures that the corporation has an efficient tax structure within the framework of German and foreign tax law as applicable in each country, i.e., that the Group does not carry any unnecessary tax burden. The goal is to achieve sustainable tax efficiency for the corporation, something in which transparent, reliable cooperation with local tax authorities is deemed to be indispensable.

In addition, Group Tax also has the ambition to contribute as much as possible to the success of Deutsche Telekom's operations, e.g., by providing detailed tax advice regarding new business models or innovative technological developments. In such matters, the department is particularly focused on immediately clarifying any unresolved tax law-related issues as well as providing practical solutions to meeting all applicable tax requirements.

CR PROGRAM

As part of its CR program, Deutsche Telekom specifies targets to be implemented throughout the Group in the relevant processes of its core business.

The CR program defines specific measures and a timeline for implementation. We also provide information on the implementation status in the CR program. Detailed information on the ESG KPIs, which we use to quantify our performance in each area, is provided in the CR Report.

CR-PROGRAMM 2014

Strategy and management ▾

Goals	Scheduled completion date	Measures	Status
Further development of CR governance	2015	• Have Corporate Responsibility Policy approved by works council and gradually roll the policy out at the national companies • Continue to integrate CR into the Group's central business processes • Integrate CR into the Group strategy	• Corporate Responsibility Policy approved by works council. • Group Policy rolled out at Telekom Deutschland. • Transition to integrated reporting continued via an internal workshop • Forecasts regarding the development of three ESG KPIs for 2015 and 2106 submitted for the Annual Report.
Embrace corporate values, accompany the transformation process	Ongoing	• Promote new forms of collaboration at the Group • Participate in dialog on topics relevant to society	• Group-wide implementation of programs and formats – as virtual or face-to-face events – also on the Guiding Principles' five-year anniversary.

Enhance KPI structure and content	2015	• Regularly review all KPIs for the benefits they provide, make them mandatory throughout the Group with target values
		• Create new Energy Efficiency KPI.
			• ESG KPIs extensively reviewed and advanced in 2014:
			  ○ Calculation basis for the CO_2 Emissions KPI adjusted in line with the Group climate protection target.
			  ○ Definition of the Used Cell-Phone Collection KPI adjusted: "Number of cell phones in circulation" now used as reference
			  ○ Three new KPIs developed to gauge the effectiveness of our social commitment and internal pilot tests conducted: Community Invest, Beneficiaries and Media Literacy KPIs
			• Two workshops conducted to develop the Energy Efficiency KPI.

Stakeholder involvement ▾

Goals	Scheduled completion date	Measures	Status
Systematic stakeholder involvement	Ongoing	• Implement a stakeholder involvement strategy based on the principles of the Global Reporting Initiative (GRI G4) and AA1000	• New stakeholder involvement formats developed: CR newsletters introduced for all employees and an app magazine for all stakeholders
Establish a materiality process	Ongoing	• Conduct annual materiality analysis (materiality processes) • Further develop the materiality process	• Materiality analysis conducted for 2014 • Materiality process further developed with ongoing survey

Climate protection ▾

Goals	Scheduled completion date	Measures	Status
Reduce CO_2 emissions throughout the Group by 20 percent1 compared to 2008 (climate mitigation)	2020	• Roll out climate protection activities internationally • Introduce Group-wide monitoring	• Group-wide climate protection target approved by Group Board of Management in 2013 • Annual status reports to Board of Management implemented.
Develop an integrated climate protection strategy and adapt it to climate change developments	2020	• Identify CO_2 reduction potential from using renewable energy • Increase energy efficiency • Identify and use business potential from climate-friendly services (enabling) as well as opportunities in terms of product development and offers.	• First workshops conducted to develop a "green mobile rate plan"
Group-wide recording of Scope 3 emissions	2016	• Develop methods for company and product-related carbon footprint and integrate these into the reporting process	• Scope 3 emissions fully recorded and reported for business in Germany.
Identify business potential based on implementation of the SMART 2020 and SMARTer 2020 studies	2020	• Identify growth areas and significantly increase their contribution to the Group's revenue compared to 2011	• Dialog between the Group CR department and the new business areas of energy, healthcare and connected car institutionalized • Close collaboration with T-Laboratories established.

Management systems ▾

Goals	Scheduled completion date	Measures	Status
Implement an occupational health, safety and environmental management system in compliance with ISO 14001 and OHSAS 18001 at all national companies with more than 50 employees	2015	• Implement an integrated management system based on both standards and harmonize the different management process levels at the national companies	• Group-wide ISO 14001 certification covering around 72 percent all employees. • OHSAS18001 certification covering around two-thirds of all employees outside Germany. • Main requirements for OHSAS 18001-certification met in Germany through compliance with legal regulations.

Sustainable consumption and lifestyle ▾

Goals	Scheduled completion date	Measures	Status
Evaluate products and solutions regarding their contribution to sustainability	2020	• Implement the criteria and indicators developed in collaboration with external and internal stakeholders in company processes • Integrate product-based sustainability controlling in business processes and ensure Group-wide harmonization • Integrate the topic of sustainable products into corporate processes and develop a comprehensive strategy • Analyze products in terms of how they contribute to sustainability and what this can do for our business; include results in customer communication	• Workshop planned • Focus on strategic guidance and providing information on local implementation at the Group companies • Guidelines for relevant process participants developed • Internal committee created for strategic orientation in the sustainable products area with participants from all relevant departments; two workshops conducted. • Three products – Smart Metering, Connected Car, Dynamic Workplace – analyzed in detail in a pilot project for their contribution to sustainability and business potential. • Pilot project findings incorporated into customer communication.
Stakeholder involvement and customer information	2020	• Conduct regular stakeholder dialog on specific topics • Develop sustainability-related customer orientation policies • Drive international standardization, e.g., via seals of quality or certification in the ICT sector • Get more products certified with the Blue Angel and TUEV Green Certified Product environmental labels.	• Conduct regular stakeholder dialog on specific topics • First products certified with the TUEV Green Certified Product and Blue Angel labels.
Integration of life cycle assessment and usage behavior (sustainable consumption)	2020	• Tap efficiency potential in the product life cycle and enhance products and solutions to include sustainability criteria • Blacklist on environmentally harmful materials (not prohibited by law) contained in our products	• Successful advancement of lease model for devices (e.g., Media Receiver) to increase recycling share and length of use • Voluntary materials blacklist developed in collaboration with the Fraunhofer Institute for Reliability and Microintegration.

Sustainable innovation and entrepreneurship ▾

Goals	Scheduled completion date	Measures	Status
Develop innovative, sustainable business models	2020	• Establish general requirements to promote innovation in the sustainability field and identify and evaluate young companies and start-ups (partnering) • Promote innovative business ideas through the Telekom Innovation Contest	• Sustainable innovation workshop conducted with internal and external stakeholders • Telekom Innovation Contest held in 2014 for the second time in a row.

Socially responsible investment ▾

Goals	Scheduled completion date	Measures	Status
Increase share of socially responsible investors in freely tradable stock	2015	• Further enhance rating results • Engage in direct dialog with investors at SRI roadshows and via SRI calls • Improve communication with investors regarding our sustainability efforts	• Share of green investors in freely tradable shares increased from 20 percent to around 23 percent in 2014 • First SRI webinar conducted with mainstream investors.
Develop sustainable investment strategy for Deutsche Telekom pension funds	Completed	• Implement criteria that guarantee that Deutsche Telekom pension funds invest in sustainable shares and assets	• Finalized, criteria defined and implemented. • Regular reviews will be conducted, the first in 2016.

Sustainable supply chain ▾

Goals	Scheduled completion date	Measures	Status
Increase share of risk-evaluated purchasing volume (first supply level) to at least 75 percent	2015	• Pre-qualification • Risk self-assessments • Supplier audits	• 72 percent of procurement volume covered in 2014.
Integrate sustainability into Group-wide procurement processes	Ongoing	• Successive integration of sustainability aspects into new vendor management system • Harmonize sustainable procurement management at all national companies via the Sustainable Procurement Working Group (SPWG) • New design for the Sustainability in Procurement e-learning tool	• Concept to integrate sustainability aspects into vendor management system developed • Face-to-face meetings, regular calls and an SPWG (Sustainable Procurement Working Group) roadshow introduced • 490 participants trained via the e-learning tool by the end of 2014
Improve sustainability in our supply chain	Ongoing	• Establish a supplier development program • Anti-corruption training for suppliers in Germany	• Pilot phase of the Together for Sustainability supplier development program completed with three suppliers

Social commitment ▾

Goals	Scheduled completion date	Measures	Status

Integrate people into the knowledge and information society	2015	• Continue to expand "Yes, I can!" initiative as a flagship project
		• Expand efforts to encourage the development of media skills and responsible use of media
		• Continue to make the effects of our social commitment more transparent:
		  ○ Regularly measure the effectiveness of our social commitment
		  ○ Demonstrate effectiveness for at least one flagship project as an example
		  ○ Enhance the Social Commitment ESG KPI
		• Expand internal framework to strengthen social responsibility (e.g., donation policy)
			• "Yes, I can!" initiative: More than 700 projects supported with a sponsorship volume of over 4 million euros since 2009, reaching more than 60,000 young people.
			• Evaluation of engagement@telekom activities continued
			• Three new KPIs to measure effectiveness developed and internal pilot tests run
			• First "Media, aber sicher" competition and first Cyber Security Summit for Kids held
			• Teachtoday online platform relaunch containing course material for how to use media safely and responsibly.

Networks ▾

Goals	Scheduled completion date	Measures	Status
Around 80 percent broadband coverage of the German population by 2018.	2018 (target adjusted)	• Expansion of fiber optics and installation/upgrading of distribution boxes with vectoring technology.	• Expansion of vectoring structure continued.
Providing LTE coverage to 95 percent of the population in Germany	2018	• Set up additional base stations • Continue to expand the LTE 1800 and LTE 800 network	• LTE coverage of around 80 percent achieved (end of 2014)
Migration to IP in Germany completed by the end of 2018	2018	• Expansion of VDSL vectoring	• Around 5.8 million households in Germany switched to IP technology by the end of 2014

Employees ▾

Goals	Scheduled completion date	Measures	Status
Human resources policies adjusted to different life phases	Ongoing	• Continue to improve work-life balance offer • Promote part-time study programs (Bologna@Telekom)	• Family care support and consultation as well as course offers offered throughout Germany (also for 2014) • The number of parent-and-child offices increased from eleven to a total of 18 (at 15 locations) • More flexible worktime models expanded • "Stay in ContacT" network set up for employees to stay in contact with the company during parental leave • Flexible offers for trainees further expanded, e.g., part-time or entry-level (EQ project) training • Return to original working hours guaranteed for part-time employees as of January 1, 2014 as part of the HR Moves initiative • Flexible Working initiative started with 82 managers as ambassadors - conducted from June through December 2014.
First DAX-30 company to introduce a quota of 30 percent for women in middle and upper management	2015	• Ensure equal opportunity, freedom from discrimination and competitiveness • Introduce target quotas along the entire talent pipeline • Design and implement Managing Diversity module for manager training • Improve work-life balance	• Percentage of women in managerial positions throughout the Group increased from 19 percent (February 2010) to 25 percent (December 2014) • Quota development monitored, measures aligned, evaluated and redesigned where necessary • Mentoring program started in November 2014 to prepare women to be appointed to supervisory boards at German and international companies • Managing Diversity pilot trainings evaluated and adjusted for standard use • Mentoring program started in October 2014 for experts and managers on parental leave
Define and use demographic development as an opportunity	2013/2014 and ongoing	• Successively roll out measures that were developed in 2013 as part of the HR unit's Demography as a Chance initiative and develop and implement additional demographics-related measures • Engage in regular dialog with employee representatives regarding demographics-related topics • Increase the awareness and acceptance of the current product portfolio for work-life balance	• Continuing education offers adjusted in line with learning preferences of older employees based on the findings of a study conducted by Telekom Training. • Guaranteed return to original working hours for part-time employees implemented • Negotiations with employee representatives initiated regarded work time accounts and a new part-time model to create up to 20 additional days off per calendar year • Mobile fitness trainer offer developed for employees (exercises and practical tips) • Competence Group of top HR executives set up to deal with action areas and requirements for systematic demographic management • Communication campaign started in September 2014 to raise awareness and acceptance of our work-life balance offers
Room for development and advancement	Ongoing	• Introduce new forms of internal and external collaboration, agile work and improved service orientation and encourage entrepreneurial thinking and action • Structured participation of Telekom in discourse on relevant topics within society	• Group-wide Future Work program launched to establish a pioneering concept for a communicative work environment that promotes innovative strength and agility • First massive open online course (MOOC) conducted with more than 3,600 employees on the topic "Share your entrepreneurial spirit." • Part-time training program for cyber security professionals launched in September 2014

STAKEHOLDER INVOLVEMENT

Companies are constantly balancing the expectations of a variety of stakeholders when managing their business. That is why a company's success depends on recognizing the interests and demands of its stakeholders and meeting and addressing these whenever possible and reasonable. One basic expectation stakeholders have is that the company keeps them informed of how it is meeting their demands. Deutsche Telekom goes even further by actively surveying its stakeholders and involving them in its management processes.

Precise knowledge of our stakeholders' interests and views is a basic prerequisite. We use tried-and-true market research tools to conduct systematic stakeholder surveys to learn more about these interests and views. It is Deutsche Telekom's conviction that sharing information with its stakeholders promotes the company's innovation processes. It helps us solidify existing alliances, evaluate collaboration options, and enter into new partnerships. This is particularly important in terms of our sustainability targets, which we can only achieve in collaboration with partners from the worlds of politics, society, science and research, and industry.

MANAGEMENT APPROACH

We take the interests of our stakeholders seriously and work to effectively involve them in our business activities. In 2011 we developed our stakeholder involvement strategy to assist in this process. The strategy is based on the AA1000 standard, an internationally recognized guideline for evaluating sustainability management and CR reporting. We reviewed and in part redesigned our strategy in 2013.

During the reporting period we used different and, in some cases, new formats to implement our strategy. One of these formats is publication of the We Care app magazine. We also introduced an internal CR newsletter that provides our employees and managers with information roughly every two months on CR activities within the Group.

The Figure of the Week is another new format we introduced in 2014. We use it as a concise way to keep Deutsche Telekom employees and visitors up-to-date on sustainability topics. Each week we use a figure to highlight an aspect of our activities. This information is presented on our intranet and on a display in the foyer at our Headquarters in Bonn.

In order to ensure that our CR activities are structured effectively, we regularly assess how our stakeholders perceive and rate these activities. We take a multifaceted approach here:

▪ Within the scope of our materiality process, we systematically ask our stakeholders about their expectations when it comes to successful dialog. This tells us how we can most effectively include them in our management processes through our dialog efforts.

▪ We use CR topic monitoring activities developed for us by an independent research institute to identify and analyze what our stakeholders currently feel are the most important topics. This helps us continue to develop our expertise in current CR-relevant discourse and support our stakeholders as well-informed dialog partners in addressing issues that are relevant to the community.

▪ We ask our stakeholders to weight our focal points in the context of our CR action areas using a phased materiality process. We also ask to them to tell us how well our sustainability messages fit their perception of the Deutsche Telekom Group and thus evaluate our communication efforts.

IMPLEMENTING OUR STAKEHOLDER INVOLVEMENT STRATEGY

We provide our employees with six stakeholder involvement principles to help integrate stakeholder involvement into our corporate culture. We also organize internal network meetings with the CR managers at the international subsidiaries and with employees from other departments. At these meetings, we talk about our experiences in working with stakeholders, share best practice cases and work together to come up with joint activities.

"Good to know" – internal CR newsletter launched

We also introduced an internal CR newsletter in 2014 under the title "Good to know" to provide information on new and key developments. Published every two months in German and English, it is distributed internationally to members of the Board of Management, managers, and interested employees. Close collaboration between CR and our core business is a key focal point. In the first two issues, we featured the following topics: leveraging business potential with CR, Scope 3 emissions, sustainable supply chain and socially responsible investment. The newsletter already has 500 subscribers since publication of its first issue.

We Care: New app magazine covering CR topics

We created the new We Care app magazine in 2014. The first magazine issue focused on "Change". The second issue will cover "Confidentiality", explaining the pitfalls in the digital world and showing how exposed users are to these risks.The magazine, which features entertaining content such as "Why cows are sending text messages and how life will be smarter in the future," is scheduled for regular publication. Another new feature is a quiz that lets readers test their knowledge and compete against their friends. The app magazine shows how Deutsche Telekom lives its social commitment and provides succinct information on important sustainability topics. Readers will also find all kinds of tips and tricks to help them act more responsibly. The We Care app magazine is available for free at the App Store for all Android and iOS smartphones and tablet PCs. In March 2015, our app magazine was downloaded around 38,000 times.
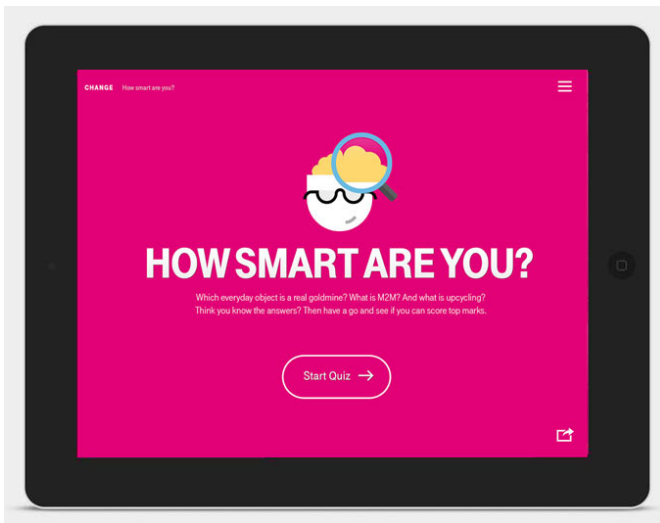
We also used a number of additional formats to involve our stakeholders during the reporting period. We focused on different offers ranging from information and dialog through to participation.

STAKEHOLDER EXPECTATIONS

Precise knowledge of our stakeholders' interests and views is a basic prerequisite for an informed design of stakeholder relationships. This concerns the topics that our stakeholders consider important on the one hand, and their expectations of successful communication with us on the other hand.

Science, research and education	• CR and sustainability research institutions • Political and business research institutions • Universities • Schools • Day care centers • Student organizations and university associations • ICT, sociology and design research institutions
NGOs and special interest groups	• Humanitarian organizations and charities • Business ethics groups • Multi-thematic organizations • Churches and their relief organizations as well as other religious and social groups • Foundations • Environmental protection organizations
Media	• CR and sustainability • Players from politics and business • Education • Radio broadcasters, daily press, press agencies • Online media and social networks • Publishers • Journalist associations/media groups • ICT and communications
Politics	• Players at national level • Embassies and consulates • Supervisory and regulatory authorities • Communities and their representatives • International organizations • Players at EU level
Employees, potential employees and their representatives	• Employees • Managers • Board of Management • Applicants and prospective employees • Trade unions and works councils • Employees and students • Endowed chairs • Apprentices/trainees
Suppliers	• Auditors and certification bodies • Sub-suppliers • Consultants • First-tier suppliers
Analysts, investors and their representatives	• Private investors • Funds, asset managers and analysts • (SRI) rating agencies • Analyst organizations and associations • Institutional investors

Deutsche Telekom stakeholders

Customers, potential customers and their representatives	• Youngsters and young adults • Families • Middle-aged people • Senior citizens • Small and medium-sized enterprises • Large corporations • Public authorities • Consumer organizations and segment-specific interest groups • Telekom Supervisory Board members
Business sector and its representatives	• DAX-listed companies • Other large corporations • Small and medium-sized enterprises • Trade and industry associations • Cooperation partners • Competitors

MANAGEMENT APPROACH

To be able to focus our CR activities effectively, it is important to determine how these are perceived and assessed by our stakeholders. That is why we engage in comprehensive CR topic monitoring and use market research methods to regularly compare our CR activities and dialog processes with our stakeholders' expectations.

Meeting dialog expectations strategically

When developing our stakeholder involvement strategy, we asked our stakeholders what they expect from their dialog with us in order to help us more effectively meet their expectations. The result:

- Binding rules
- Practical opportunities to help co-design our activities
- Goals that are clearly defined at the start of each dialog process
- Information on how the results are being implemented

Based on our stakeholder involvement principles, we put these stakeholder expectations into practice to a large extent. Our principles are based on the basic idea that stakeholder relationships call for a dialog on an equal footing.

CR MARKET RESEARCH

In addition to engaging in open dialog with our stakeholders, we also use market research tools to learn about stakeholders' expectations. Since 2013 we have included indicators on Deutsche Telekom's CR performance in terms of our social commitment and the supply chain in our Group CRQI (corporate reputation quality indicator) survey.

The results of this survey help form the basis for our Social Commitment ESG KPI. It determines the public perception of Deutsche Telekom's CR activities as a ratio of the general perception of how important it is for companies to get involved in social issues. Although our performance was rated just as high in 2014 as it was in 2013, the topic continues to lose its importance for the general public. The value of our Social Commitment ESGKPI increased again in 2014 as a result. We began revising our Social Commitment ESGKPI within the scope of the KPI review we conducted during the reporting period to help us more effectively assess the success of our activities.

For the sake of comparability, we will continue to collect data for and report on the previous version of the Social Commitment ESG KPI. In addition our KPIs, our analysis of the market research results showed that the following topics are important to Deutsche Telekom stakeholders: involvement in the community and education, access for all generations, employee-friendly working conditions, responsible conduct, customer orientation, and data privacy. The survey results give us valuable information that helps us structure our CR activities in accordance with topics that are important to stakeholders and helps us further develop our CR communication and CR controlling.

RESULTS OF THE MATERIALITY PROCESS

RESULTS OF THE MATERIALITY PROCESS

The purpose of our multi-phase materiality process is to identify topics that are relevant to our sustainability management practices. During the last reporting period, we held an internal workshop and conducted a two-week, external survey (previous year's CR report). We have further refined the process since then.

Materiality process 2014/2015

The first step was to take stock of the most important topics for us and our stakeholders. This was based on the materiality results from the previous years. We included the following sources in our analysis in order to complete this list and incorporate the concerns of stakeholder groups whose participation in our survey has been limited:

- Our own NGO radar (to include civic organizations)

- Questionnaires from companies such as RobecoSAM and Sustainalytics (to more effectively include analysts)

- The materiality analysis conducted by the Global e-Sustainability Initiative (GeSI) in 2014. This materiality analysis, which was conducted for the entire IT industry, is based on expert interviews with stakeholders and online surveys of GeSI members. It provides guidance for the entire ICT industry.

We also weighted the topics internally. To do this, we looked at the results of an internal, cross-departmental materiality workshop conducted in 2013 and statements made by topic owners at our Group in 2014 on topics such as human rights, the supply chain and energy and emissions. The purpose of the interviews conducted with these experts was to further accentuate the materiality analysis from Deutsche Telekom's perspective and consolidate the list of topics. Reporting boundaries for the different topics were also included in the discussion for the first time. This is particularly important due to changing stakeholder expectations as companies are increasingly being expected to assume responsibility beyond the scope of their own structures.

We then compared the consolidated topics with the GRI aspects. Since December 2014, we have also been offering our stakeholders the chance to participate in an online survey on our homepage for an unlimited period of time. This gives them the opportunity to give us feedback at any time and helps us identify changing expectations at an early stage.

Results of the stakeholder survey

We changed the structure of this year's stakeholder survey. Instead of sending out standardized questionnaires to all of our stakeholder groups, we decided to let participants decide for themselves which topics they wished to address. The survey also includes numerous opportunities to add comments. Group-specific, open questions invited stakeholders to contribute their own thoughts and suggestions.

By the end of March 2015, 233 people had taken the survey, in particular Deutsche Telekom customers (102) and employees (70). Investors (13), potential employees (13), analysts (5), NGO and business representatives (4 each), employee representatives and suppliers (3 each), media and research (2 each) as well as political representatives (1) also took the survey. An additional nine participants could not be classified into any of these groups.

When asked in which areas they felt Deutsche Telekom should be particularly active, most participants voted for network expansion, customer satisfaction, data privacy, human rights and climate and environment. Weighting within these topic areas showed a focus on our sections "Customers," "Networks" and "Strategy and management."

The results confirm our original findings. On average, participants gave the suggested topics the same ratings we saw in the stock-taking phase, with only a few exceptions. "Employee data privacy" and "investment volume for network expansion," for example, were rated as "somewhat relevant" instead of "less relevant." You will find all of the survey results in the diagrams below. We consider topics that we and our stakeholders rate as "somewhat relevant" or "very relevant" to be material. We regularly analyze this ongoing feedback and incorporate the results into our sustainability management practices.

MORE PARTICIPANTS, MORE DONATIONS

We want to encourage our stakeholders to get involved with our online survey, which we have made available for an unlimited period of time. As an additional incentive, we donate 3 euros to the "Yes, I can!" initiative for every person who participates. We had donated 699 euros by March 2015.

TEN TOPICS OF GREAT RELEVANCE IDENTIFIED

We used the results of our multi-phase materiality process to identify ten topics with particular strategic relevance over all chapters. Our reporting on these topics received external assurance, indicated by a check mark in the report. Of great relevance are:

- Group-wide climate protection
- Enabling customers' sustainability
- Sustainability in the supply chain
- Digital inclusion
- Compliance with human rights
- Data privacy and data security
- Responsible network expansion
- Customer satisfaction
- Diversity, health and other HR issues
- Waste and recycling

STRATEGIE & MANAGEMENT

- Sustainability in core business
- Protection of customer data
- Human rights
- Inclusion of stakeholders
- Transparency in public
- Compliance
- Economic, ecological, social opportunities and risks
- Values and standards
- Certified management systems for occupational health and safety and the environment
- Sustainable capital investments
- Political advocacy
- Marktregulierungsthemen
- Protection of employee data

NETWORKS

- Economic responsibility for network expansion
- Energy savings and efficiency
- Status of network expansion
- Social benefits of network expansion
- Computer and network security
- Dismantling legacy network technology; cable recycling
- Awards for network quality
- Investment volume for network expansion

CUSTOMERS

- Help consumers to have a sustainable lifestyle by providing them with ICT technology
- Transparency of product features
- Inclusion of customers in product design
- Sustainability rating of products and services
- Protection of consumers and minors in the media
- Protection of privacy
- Customer feedback / satisfaction
- Accessible products and services
- Innovation and research
- Customer communication about sustainability
- Obsolete cell phone and telephone collection campaigns
- Conserving resources by leasing out products

SOCIETY

Relevance for Deutsche Telekom (Very relevant / Relevant / Less relevant) vs. Relevance for stakeholders (Less relevant / Relevant / Very relevant)

- ● Improving media competency
- ● Minimize the digital divide ("digital inclusion")
- ● Social commitment strategy
- ● Cooperation with non-profit organizations
- ● Corporate volunteering
- ● Engaging local communities
- ● Commitment to education
- ● Support for children and youth
- ● Disaster relief
- ● Promotion of sports and culture
- ● Transparency of financial contributions

SUPPLIERS

- ● Promoting sustainability in Procurement
- ● Supplier controls
- ● Development programs for suppliers
- ● Commitment to standards
- ● Dialogue with stakeholder groups
- ● Commitment to and initiatives for sustainable extraction of raw materials
- ● Sustainability management in the BuyIn joint venture

EMPLOYEES

- ● Human resources strategy
- ● Employee involvement
- ● Employer/employee relations throughout Telekom
- ● Cooperation with employee representatives
- ● Promotion of health, safety and environmental protection
- ● Improving employee diversity
- ● Work-life balance
- ● Employee training for all age groups
- ● Initiatives to attract new employees
- ● Human resources development
- ● Human resources and organizational restructuring
- ● Wage justice between men and women
- ● Remuneration and pension plans
- ● „Outsourcing and Offshoring"

CLIMATE AND ENVIRONMENT

- ● Group-wide management of climate protection
- ● Waste and recycling
- ● Energy efficiency in telecommunications networks
- ● Energy efficiency in buildings
- ● CO_2 emissions from the vehicle fleet
- ● Lobbying for climate protection
- ● Tracking/reducing indirect CO_2 emissions (Scope 3)
- ● Water consumption at Telekom sites
- ● Protection of biodiversity at Telekom sites

FORMATS OF INVOLVEMENT

The type and extent of our stakeholder involvement is based on the results of a case-related relevance analysis. The more relevant a stakeholder group is to the topic or project concerned, the more intensive stakeholder involvement will be. Depending on the intensity, we make a distinction between three types of involvement: information, dialog, and participation.

Overview of memberships and collaborations   **−**

▸ **GRI-Indicator G-4 26**

Business and industry associations

▸ American Chamber of Commerce in Germany

▸ Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA, the Confederation of German Employers' Associations)

▸ BITKOM industry association

▸ European Telecommunications Network Operators Association (ETNO)

▸ Forum Nachhaltige Entwicklung der Deutschen Wirtschaft e.V. (econsense – Forum for Sustainable Development of German Business)

▸ GSM Association (GSMA)

▸ International Chamber of Commerce (ICC)

▸ Bundesverband der Deutschen Industrie e.V. (BDI)

Climate protection and environmental organizations

▸ B.A.U.M. e.V.

▸ Global e-Sustainability Initiative (GeSI)

▸ Stiftung 2° – Deutsche Unternehmer für Klimaschutz (2° Foundation – German CEOs for Climate Protection initiative)

▸ Sustainability Leadership Forum (in collaboration with B.A.U.M.)

▸ European School of Management and Technology (ESMT) (Sustainable Business Roundtable)

▸ Global Compact

▸ Global Compact LEAD

▸ Caring for Climate

▸ Joint Audit Cooperation (JAC)

Selected collaborations with humanitarian and social aid organizations

▸ Bundesnetzwerk Bürgerschaftliches Engagement (membership and Demographics working group; member of coordination committee since March 2014)

▸ CCCD – WIE (Corporate Volunteering working group, Evaluation working group)
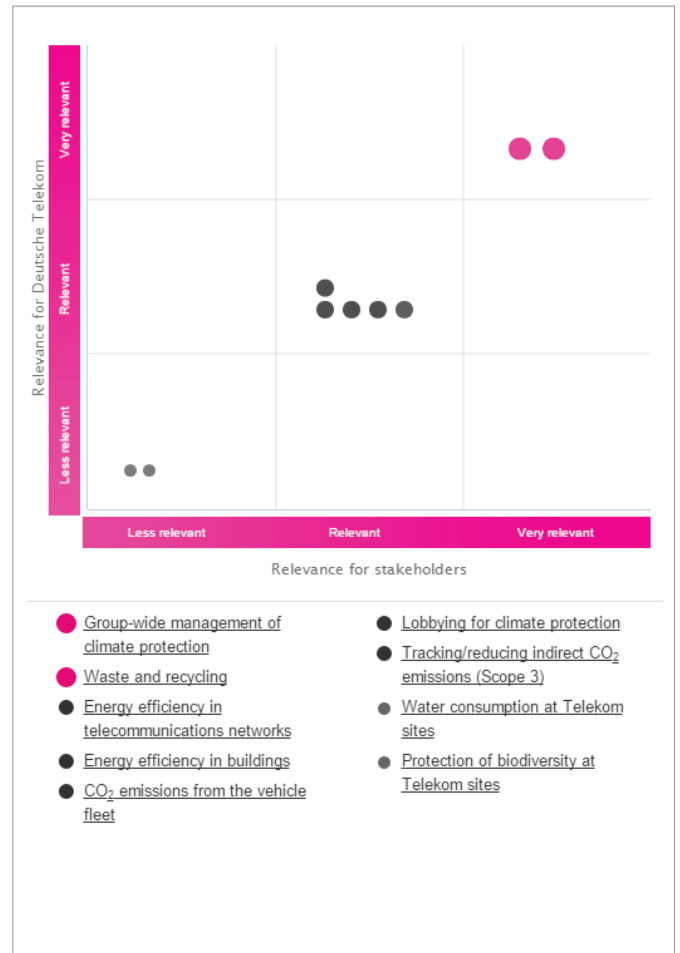
▸ Aktion Deutschland Hilft e.V. (alliance of German aid organizations)

▸ DRK (German Red Cross)

▸ DKMS Deutsche Knochenmarkspenderdatei gemeinnützige Gesellschaft mbH (German Bone Marrow Donor Center)

▸ Lebenshilfe e.V. aid organization

▸ SOS-Kinderdorf e.V. (SOS Children's Villages)

▸ Nummer gegen Kummer youth counseling line

▸ TelefonSeelsorge crisis counseling helpline

▸ Deutsche Telekom Foundation

▸ Deutschlandstiftung Integration (German Foundation for Integration)

▸ The "Yes, I can!" initiative

▸ Bundesarbeitsgemeinschaft der Senioren-Organisationen (BAGSO – German Association of Senior Citizens' Organizations)

▸ Friedrich-Ebert-Gymnasium secondary school in Bonn

▸ Teachtoday

▸ Code of Responsible Conduct for Business

▸ GIZ Private Sector Advisory Board

Stakeholder □ involvement formats – highlights
Highlights

PARTICIPATION

- Materiality survey
- Supplier development program
- Training on human rights

DIALOG

- Procurement Dialog Days
- Fairphone study
- 7th Sustainability Day at Magyar Telekom
- Cyber Security Summit for Kids

INFORMATION

- We Care: new app magazine
- "Good to know" internal CR newsletter
- Online guide: Living securely in the digital world
- Teachtoday promotes media skills

POLITICAL ADVOCACY

The political sector and regulatory authorities influence the development and availability of the network infrastructure, technologies and services. Not only does this directly impact the competitiveness of telecommunications companies, it also impacts business in general, which relies on having a fast network infrastructure as well as state-of-the-art telecommunications services. In addition to economic factors, networks and services are of considerable importance for maintaining a sense of community in society. That is why we engage in active, ongoing dialog with interested stakeholders from politics and the general public.

Many governments, parliaments, authorities and non-governmental organizations worldwide consider Deutsche Telekom to be a valued dialog partner when it comes to ICT and innovation. As a company seated in Germany, we are in particularly high demand with institutions located in Germany. We have also set up offices in Brussels to ensure constant dialog with the institutions of the European Union as well as associations and other community organizations. We engage in active dialog with similar institutions in countries in which Deutsche Telekom is active, particularly in the European markets and in the United States.

LOBBYING INSTRUMENTS

Our partners from parliaments, governments, and non-profit organizations need to uphold their independence and integrity. This principle is codified in Deutsche Telekom's Guiding Principles. For example, they prohibit donations to political institutions in Germany as well as non-transparent attempts to exercise influence. Instead, these guidelines recommend basing our political communication on facts, expertise, credibility, and integrity. In the interest of credibility, Deutsche Telekom is also registered in the public Transparency Register for lobbyists in Brussels, where all required information is documented. This is the basis for recipients to experience information provided by Deutsche Telekom as authentic and trustworthy, so that it can be assimilated in opinion-building processes in the political arena and society.

Deutsche Telekom' lobbying activities are based on ethical principles and legal regulations. Every Group employee is required to comply with Group policies. These policies form the basis for open, transparent lobbying that is in compliance with the law. These regulations also apply to the representation of our interests within the scope of collaboration in associations and any relevant committees.

INVESTMENT INCENTIVE NEEDED FOR BROADBAND NETWORKS

Fast broadband networks have become a central infrastructure feature as well as a factor for site selection and success in all business sectors. Germany needs a high-performance, reliable and secure broadband infrastructure, ideally with nationwide coverage. Deutsche Telekom has been making considerable contributions for years by investing heavily in the infrastructure for fixed-network and mobile Internet. For years the

company has been investing billions of euros in broadband in Germany and has been more involved than any other company in closing gaps in broadband coverage, particularly in rural areas.

Building out nation-wide, next-generation access networks (NGA) requires joint efforts of politics and business. In view of the ambitious broadband goals at both the national and European level, the main purpose of telecommunications and regulatory policies needs to be improving planning reliability and, in particular, the financial power of companies willing to invest in the market as well as maximizing the potential for economically viable network build-out by the private sector using all technologies available. In areas where broadband roll-out is not economically feasible, it is up to the public sector to develop technology and provider-independent development programs to help finance these efforts. Forward-thinking regulatory policies need to actively support investment in modern broadband networks and prevent unnecessary financial burdens and red tape for the network operators investing in networks. The successful liberalization of the telecommunications market has created self-sustaining, functional infrastructure competition in Germany. We need to continue to strengthen the investment capacity and competitiveness of the German and European telecommunications industries in response to global competition.

As the result of many years of regulatory policy that has focused exclusively on price reduction, the industry is lacking the funds needed to realize the investment being demanded by the political sphere. Regulated charges need to reflect cost and price trends and create effective incentives to invest in new networks. Regulated companies need price flexibility, particularly for NGA networks that are set up under competitive conditions. This is the only way to guarantee competitiveness and full capacity utilization and, therefore, economic efficiency.

Updating regulatory policies continues to be an important task. In view of the fact that the competitive landscape, the technologies and demand are all highly dynamic, market regulation needs to be reviewed, modified and, in some cases, reduced. Regulatory intervention need to be based on proven market failure to keep them from unnecessarily limiting innovative rate plans and products. Open access needs to be embraced as a basic principle so that competition and the ability to choose are guaranteed for consumers in connection with all network build-out projects.

Regulatory policy needs to be rebalanced along the entire digital value chain. In view of the fact that the Internet and telecommunications market are converging rapidly and in light of the growing market power of a few global Internet players, sector-specific regulation of telecommunications is creating more and more of an imbalance. The same laws and regulations that apply to telecommunications companies also need

to apply to Internet companies providing the same services. The objective here needs to be creating equal competitive conditions and enabling fair distribution of the financial burden involved in broadband roll-out. It is also high time that the European legal framework for telecommunications, which has been in place since 2002, be revised in detail to address the pressing issues that the sector currently faces.

PROTECTING THE OPEN INTERNET

The topic of net neutrality continues to draw political attention. EU Commissioner Neelie Kroes, who is responsible for the European ICT sector, presented a draft regulation to harmonize the legal framework to the EU Parliament in September 2013. This "EU telecoms package/ digital single market package" also aims to harmonize regulation on net neutrality throughout the EU. Rules on traffic management, transparency and allowing or prohibiting online commercial product and service differentiation are planned.

Deutsche Telekom remains committed to preserving an open Internet. Content and services will continue to be available online in accordance with the best effort principle, meaning they will be available to the extent permitted by the available resources. Deutsche Telekom will continue to expand and optimize its infrastructure so that we are able to cope with rapidly increasing amounts of data traffic and constantly upgrade our network. This is the only way for us to meet our customers' increasing demands and live up to the requirements of online content and application providers who also want to provide their services in high quality in the future. However, telecommunication networks cannot be operated without an effective network management system.

That is why Deutsche Telekom is developing business models based on the "best effort" Internet principle that online businesses can use to offer innovative services that pose specific demands on transmission quality and quality of service. This will include managing the rapidly growing volumes of different types of data streams in the net. Content will in no way be controlled. Deutsche Telekom supports the freedom of the Internet and does not influence user or provider content in any way. Deutsche Telekom will continue to take a non-discriminatory approach to marketing services with different quality-of-service levels in competition with other network operators. This gives consumers greater choice and guarantees a high quality level.

CONSUMER DIALOG

One of Deutsche Telekom's aims is to become the most highly regarded service company in the industry. That is why we again gave high priority to consumer-related topics in 2014. We further strengthened internal functions dealing with consumer relations in order to improve exchange between Deutsche Telekom's product and service development areas and our external stakeholders from politics and civil society.

Central topics in legislation and in stakeholder dialog as well as efforts to create voluntary regulations for the industry beyond legal provisions included:

- Maintaining consumer data privacy, for example in the online advertising business,

- Improving comprehensive, cross-technology protection of young people at national and EU levels, in particular by continuing to advance a comprehensive, Group-wide minimum standard within the EU and continuing to engage in dialog with organizations involved in the protection of minors both nationally and at EU level,

- Improving customer service standards and customer protection in the telecommunications sector, for example when switching providers for fixed-network and mobile services, and

- Encouraging improved transparency toward our customers and in collaboration with the entire industry.

Deutsche Telekom once again made progress in 2014 in regard to switching fixed-network providers - both internally as well as in collaboration with other telecommunications providers in Germany. The goal is to make it easier for both fixed-network and mobile consumers to switch providers without any service interruptions. In all these areas, Deutsche Telekom stands for a constructive and solution-oriented approach that is geared to both the consumers' interests and the interests of our company.

In order to provide better transparency to customers, Deutsche Telekom took the initiative in 2014 and revised its rates in Germany (see the new Magenta1 portfolio). Deutsche Telekom thus took an important step in improving transparency and simplifying its products and communication, giving customers a clearer picture of what they can expect from their fixed-network and mobile rate plans.

COMPLIANCE

Deutsche Telekom's business is based on the principles of integrity and respect. Compliance, which is understood as the lawfulness of corporate activities, therefore plays a significant role in the Group's business activities.

MANAGEMENT APPROACH

Deutsche Telekom has clearly expressed its commitment to complying with ethical principles and current legal standards. This commitment has been incorporated in our Guiding Principles and Code of Conduct. Deutsche Telekom has been practicing comprehensive compliance management since 2005 to make sure conduct throughout the Group is ethical and complies with legal provisions. All compliance management activities are in line with legal regulations and with Deutsche Telekom's Privacy Code of Conduct, a policy on handling personal data within the Deutsche Telekom Group.

Responsibility for the compliance management system lies with the top management level at Deutsche Telekom in the Board department for Data Privacy, Legal Affairs and Compliance. The compliance organization is comprised of the Chief Compliance Officer (CCO) as well as central and local compliance units. The compliance organization helps employees live compliance every day at work. A policy database makes it easy for employees to access policies quickly. Employees of Group companies can use the database to get an overview of which policies apply at their company. The compliance organization also helps policy publishers implement policies throughout the Group and document as defined by the process. We regularly conduct general compliance and extensive anti-corruption trainings, which the majority of our employees attend.

Deutsche Telekom conducts wide-scale measures to raise employee awareness of compliance issues. Managers also act as facilitators and discuss the topic with their employees. We thoroughly analyze their feedback and use it to come up with different measures including expanded compliance training offers tailored to the information needs of our employees as well as accompanying communication initiatives.

Deutsche Telekom has set up two online portals called Ask me! and Tell me! for questions and tips on the topic of compliance. Employees can find reliable information on laws, internal policies and codes of conduct relevant to their daily activities on the Ask me! portal. The Tell me! portal helps clear up cases involving violations of statutory or internal regulations. Both employees and external parties such as business partners and customers can notify us of any violations by e-mail, phone or fax.

MATURITY-BASED COMPLIANCE IMPLEMENTED

The ICT industry is characterized by dynamic change. Companies need to constantly update their core business, tap into potential in growth markets, realize innovative business ideas, and open up new business fields. As a result, Deutsche Telekom Group companies that have to

tackle these challenges are extremely varied. Depending on the business model, size, and risk situation, these companies need different compliance management solutions.

That is why we have created a toolkit for maturity-based compliance. The purpose of the toolkit is to define compliance management system requirements at the different Group companies, taking their economic development, business strategies, and risks into account. We classified the companies based on their current life cycle phase (from start-up to market leader) and their specific compliance risks in a matrix. In addition, we defined five clusters along with minimum standards for each aspect of the compliance management system. For example, we determined which compliance policies need to be implemented by our subsidiaries, how often the subsidiaries need to participate in the compliance risk assessment, and how often they need to submit a compliance report.

In 2013 and 2014 we grouped our subsidiaries based on the concept and assessed to what extent their current compliance management systems met our expectations. One area we assessed was whether a company was doing too much or too little with regard to individual compliance activities. We used these findings to more effectively structure how we use our resources. The concept was also used in developing compliance activities at newly acquired or newly founded subsidiaries.

COMPLIANCE MANAGEMENT CERTIFICATION

The compliance management system helps guarantee compliance, i.e., the lawfulness of our corporate activities. Key system components include:

- Establishing a compliance organization in all major Group units

- Risk-based derivation of a compliance program and its consistent implementation through policies, training, consulting offers, and communication measures

- Compliance controls and compliance due diligence (analyzing compliance risks involved in acquisitions)

- Making sure that the company responds appropriately to violations

In addition to the eight Deutsche Telekom companies in Germany that have already been certified, we also had auditors evaluate compliance management systems at international subsidiaries. In 2013, 13 international subsidiaries were certified in compliance with the IDW 980 auditing standard with another two followed suit in 2014. The audits focused heavily on anti-corruption. This certification is proof that the certified compliance management systems used by the companies listed below is effective when it comes to identifying corruption risks and preventing violations.

Companies were selected based on materiality and risk aspects and include the following:

- Deutsche Telekom AG
- T-Systems International
- T-Deutschland
- DT Customer Service (KS)
- DT Network production
- DT Technischer Service
- Telekom Shop Vertriebsgesellschaft
- Detecon International
- Magyar Telekom
- Makedonski Telekom
- T-Mobile Macedonia
- Crnogorski Telekom
- Slovak Telekom
- T-HT Hrvatski Telekom
- OTE
- Cosmote
- Romtelecom
- Albanian Mobile Communications
- T-Mobile Czech Republic
- T-Mobile Polska
- T-Systems Iberia
- T-Systems South Africa
- T-Systems do Brasil

INTERNATIONAL COLLABORATION ON COMPLIANCE

Different legal practices and cultural values in the countries where Deutsche Telekom is active represent a significant compliance challenge. The increasingly dynamic development of global ICT markets and intensified international competition also influence Deutsche Telekom's compliance strategy.

In line with the Group's international structure, strategic issues are discussed with an international compliance advisory team and a shared compliance approach is defined. The team is a trend-setter of sorts, as it provides an impetus for designing and implementing balanced compliance structures at the Deutsche Telekom Group.

We have also been promoting Group-wide compliance collaboration for years through meetings of the representatives of all compliance organizations from our international subsidiaries. The International Compliance Days celebrated their tenth anniversary in 2014. More than 100 people responsible for compliance from 27 countries met at Magyar Telekom in Budapest on April 2 and 3, 2014. Under the slogan, "Compliance today and tomorrow," they discussed compliance strategies and trends as well as new approaches to collaboration.

PREVENTING AND FIGHTING CORRUPTION

All Group units regularly audited for risk of corruption

We take a wide spectrum of internal measures to prevent and fight corruption. The compliance risk assessment forms the foundation of our compliance management system. The assessment helps us identify and evaluate compliance risks and develop appropriate prevention measures. Deutsche Telekom created a tool-based process that has to be applied every year throughout the Group. For the process, we assigned

responsibilities and defined straightforward assessment criteria that are clearly documented. Companies are selected to participate in the compliance risk assessment process based on the maturity-based model described above. 81 companies participated in 2014 and a total of 94 Group companies undergo the process at least every two years.

The Deutsche Telekom Compliance department has introduced a Group risk map that takes an extensive, systematic approach and illustrates risks that could be significant to our company. This risk map is extensive and enables globally active companies to conduct systematic risk analyses of their business models. It currently covers 30 risk categories. Each subsidiary can add additional categories specific to their business needs.

This involves defining which specific threat each risk poses to the subsidiary and stating which measures have already been implemented to mitigate this risk. If necessary, additional measures are developed to reduce the risks to a manageable level, as defined by the risk strategy. Responsibility for the compliance risk assessment lies with the respective Group company. Our central compliance organization provides support and advice in these matters.

They inform the subsidiary's management of the results of the compliance risk assessment. These results are used in the subsequent year's compliance program, which includes defined measures and responsibilities. The local management has to adopt a documented resolution to approve program. The compliance program measures are monitored closely.

Investigation based on clear criteria

Deutsche Telekom has specified clear criteria for investigating suspected cases of corruption. The company only starts investigations if a violation of legal or internal regulations is reported with a sufficient degree of detail. We thoroughly investigate any tips that meet these requirements. Any violations we uncover during our investigation are sanctioned appropriately— measures may include the termination of employment relationships and asserting claims for damages. Any weaknesses identified in the internal control system during the investigation are systematically analyzed and remedied.

International recognition for transparency

Deutsche Telekom is a global leader in transparency. This was confirmed in a study conducted by Transparency International. We came in seventh place among the 124 largest corporations worldwide covered by the study and even landed first place in a Germany-wide comparison. The study was based on company information available to the public regarding the scope of company anti-corruption programs, disclosing economic ties, and disclosing financial expenses and income in specific countries.

MAJOR ONGOING LITIGATION

Deutsche Telekom is party to several proceedings both in and out of court with government agencies, competitors, and other parties. The proceedings mentioned in the 2014 Annual Report are of particular importance from Deutsche Telekom's point of view.
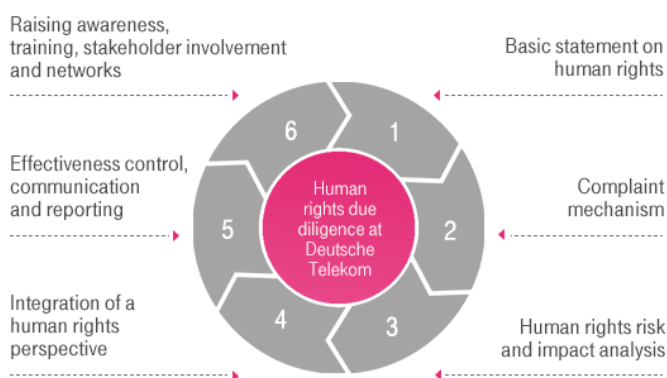
HUMAN RIGHTS

As an international player, the Deutsche Telekom Group assigns high priority to human rights compliance, especially since the ICT sector is frequently criticized for deficiencies in its supply chain. That is why we have established comprehensive social standards at Deutsche Telekom and implement these using appropriate methods. We attach particular importance to granting the right to collective agreements and supporting diversity and equal opportunities. We expressly require our suppliers to also assume responsibility as a way of making sure human rights are also protected outside of our Group.

MANAGEMENT APPROACH

Deutsche Telekom has made an express commitment to the UN Guiding Principles on Business and Human Rights published by the United Nations Human Rights Council in 2011. These principles require businesses to systematically identify the impact their operations have on human rights, and to prevent, neutralize or compensate these where necessary. In order to meet these requirements, we have developed an extensive program to implement the guiding principles and introduced an ongoing process comprised of several interconnected measures and tools as illustrated in the graphic below.

Human rights due diligence at Deutsche Telekom

We have incorporated this obligation to respect human rights in Deutsche Telekom's fundamental policies, our Guiding Principles, the Code of Conduct and the Social Charter. The Employee Relations Policy and our Diversity Policy also play a key role for the respect for human rights.

Tools for assessing the possible impact on human rights

During the reporting period we conducted our first extensive human rights impact assessment with stakeholder consultations at one of our international subsidiaries in order to assess our human rights activities and the possible impact on human rights within a country. We also continued the process launched in 2013 to integrate human rights issues into the typical company valuations conducted in the context of mergers and acquisitions. To implement our Group Policy on Employee Relations, we also conduct special assessment processes to assess employer-employee relationships.

REVISED SOCIAL CHARTER APPLIES WORLDWIDE

Our Social Charter is applicable at all Deutsche Telekom Group units worldwide. The Social Charter is our way of implementing the recommendations contained in the UN Guiding Principles and we have expressly committed ourselves to respecting human rights throughout the Group and requiring our suppliers to do the same. During the 2013 revision, we created a central point of contact at Group level for human rights issues.

The Social Charter comprises two tools that we use to assess compliance with our policies. Every year we draw up a central Social Performance Report with the participation of all 111 fully consolidated Deutsche Telekom subsidiaries. This report did not record any violations of our Social Charter during the period from October 2013 to September 2014. We have also been offering a central point of contact for human rights issues since 2013. Eleven reports regarding human rights issues were submitted to it in 2014. One communication channel used for this purpose was a special e-mail address: humanrights@telekom.de. Others used our anonymous whistleblower system which allows them to submit their information anonymously. The information we received involved cases of discrimination and alleged violations of labor standards and the right to freedom of expression. After careful investigation, some of the reports did not prove to be justified. We introduced countermeasures in one case to remedy the situation. The information we receive is always treated as confidential and with respect.

Communicating the Social Charter

We hosted different dialog events in 2014 to communicate the contents of our Social Charter to our employees and suppliers. Through direct dialog with our contacts at our international subsidiaries, we discussed the results of the amendments we made to our Social Charter and talked about current human rights topics.

We used our sixth Sustainable Procurement Dialogue Day on March 26, 2014, in Bonn to get our suppliers more involved in our human rights efforts. One of the three working groups at the event focused on Deutsche Telekom's human rights due diligence in its supply chain. You can find more information and details on the event in the section on Suppliers.

COMPREHENSIVE HUMAN RIGHTS IMPACT ASSESSMENT FINALIZED

In 2014, we pursued a country-specific approach in assessing the impact of our business activities on human rights. With the help of a specialized consulting firm, we conducted a human rights impact assessment at a T-Systems subsidiary. The assessment featured various stakeholder consultations including dialog with suppliers and a government representative as well as interviews with rights-holders. The impact assessment is based on the UN Guiding Principles on Business and Human Rights and assesses at a national level the impact of business activities on human rights within and outside of the Group. The objective is to pinpoint the opportunities and risks involved in our business activities, identify people potentially affected by these, develop measures and introduce an ongoing improvement process.

TRAINING ON HUMAN RIGHTS

We offered targeted training and conducted campaigns to raise awareness during the reporting period to implement the UN Guiding Principles on Business and Human Rights. Human rights webinars were held for Human Resources, Risk Assessment and Procurement units to focus on their specific issues. We also engaged in dialog at different units, including Data Privacy, to raise awareness for these issues and asked those responsible to rate their own performance in terms of human rights.

The implementation of the UN Guiding Principles also requires us to assume responsibility for the supply chain. That is why we created training materials on our Social Charter and the human rights principles it entails and integrated these materials as a module in our e-learning tool for suppliers in Germany during the reporting period.

CROSS-INDUSTRY COLLABORATION

Deutsche Telekom has been participating in the German Global Compact Network's business and human rights peer learning group to analyze and improve related management skills since 2013. Members keep each other up-to-date regarding the latest developments and design measures for engaging in human rights due diligence. In 2014 we collaborated on the creation of training materials and conducted case studies on human rights violations. We also shared ideas and experiences with the UN working group on business and human rights.

In addition to the peer learning group, we also participate in other working groups that address the topic of human rights. Platforms include the ecosense Forum for Sustainable Development of German Business, which is hosted by Deutsche Wirtschaft e.V., the Global eSustainability Initiative (GeSI) a working group run by the Global Industrial Relations Network, and the Joint Audit Cooperation (JAC).

RISK AND OPPORTUNITY MANAGEMENT

For us, comprehensive risk and opportunity management also includes considering the risks and opportunities of corporate responsibility (CR). As part of our CR management, we pursue a strategy in which different stakeholder groups are systematically involved in identifying current and potential risks and opportunities. To this end, we participate in a number of committees and initiatives. Continuous monitoring of CR topics enables us to systematically identify stakeholder positions on relevant sustainability issues. To this end, we use, for example, our NGO Radar, which summarizes the activities, research projects, publications and opinions of relevant non-governmental organizations (NGOs) and assesses them for Deutsche Telekom. In addition, we ask our stakeholders on an annual basis as part of our CR reporting which sustainability issues are important to them.

CLIMATE PROTECTION

At present, we do not see any severe risks to the achievement of our climate protection targets within our reference period. Deutsche Telekom sees climate protection above all as an opportunity. ICT products and services have the potential to save seven times as many CO_2 emissions in other industries as the ICT industry emits itself (SMARTer2020 study). Examples of resulting external opportunities include changed customer expectations, political measures to implement the energy revolution, the growing consideration of sustainable criteria in tenders and in procurement, as well as the interest of sustainable investors (socially-responsible investing – SRI). The Carbon Disclosure Project, for example, advises 767 institutional investors (approx. USD 92 trillion) on selecting investments in climate-friendly assets. Opportunities that Deutsche Telekom can develop itself are the continuous reduction in its own electricity, as well as a reduction in carbon emissions by means of climate-friendly products and services, thus also tapping into new target groups.

SUPPLY CHAIN

We see more sustainability in our supply chain as an opportunity. It helps to enhance our reputation and our economic success. Thus through a development program, we help strategic suppliers to introduce business practices that are socially and ecologically acceptable and economically efficient. The program launched in 2014 has already produced measurable initial successes and is to be rolled out further in 2015. At the same time, our global procurement activities can expose us to country- and supplier-specific risks. These include, for example, the use of child labor, the conscious acceptance of environmental damage or inadequate working and safety conditions in the local supplier factories. Reports by NGOs or the media can give rise to risks to the company's reputation, but also to supply risks. We reduce these risks by systematically auditing our suppliers.

HEALTH AND ENVIRONMENT

Mobile communications, or the electromagnetic fields used in mobile communications, regularly give rise to concerns among the general population about potential health risks. There is intense public, political, and scientific debate of this issue. Acceptance problems among the general public concern both mobile communications networks and the use of mobile devices. In mobile communications, this affects mobile infrastructure build-out and the use of mobile devices. In the fixed network, it affects sales of conventional DECT (digital cordless) phones and devices that use WiFi technology. There is a risk of regulatory interventions, such as limiting electromagnetic radiation or the implementation of precautionary measures in mobile communications (e.g., amendments to building law or labeling requirements for end devices).

Over the past few years, recognized expert organizations such as the World Health Organization (WHO) and the International Commission on Non-Ionizing Radiation Protection (ICNIRP) have repeatedly reviewed the current limit values for mobile communications and confirmed that if these values are complied with the use of mobile technology is safe based on current scientific knowledge. In 2011, despite a lack of scientific evidence, the International Agency for Research on Cancer (IARC), a WHO agency, classified high-frequency electromagnetic fields as "possibly carcinogenic" as a precautionary measure on the basis of isolated indications. This is the weakest category indicating a potential carcinogenic effect. Drinking coffee is also included in the same category. However, the classification provoked an increase in media coverage, as well as controversy among experts. The German Commission on Radiology Protection criticized the IARC's classification on the basis that there is insufficient scientific evidence for it in the Commission's view. There is still agreement among all institutions and expert committees that there is so far no scientific evidence of a health risk from high-frequency electromagnetic fields but there is a need for more research into this issue.

We are convinced that mobile communications technology is safe if current safety standards are complied with. We are supported in this conviction by the assessment of the recognized bodies. The basis of our responsible management of mobile communications is Deutsche Telekom's EMF Policy. With this policy we are committing ourselves to more transparency, information, participation, and financial support of independent research on mobile communications, far beyond that which is stipulated by legal requirements. We aim to overcome uncertainty among the general public by pursuing an objective, scientifically well-founded, and transparent information policy.

We also remain committed to maintaining our trust-based, successful collaboration with local authorities over and above the statutory requirements. This will not change even after the longstanding cooperation with local authorities in connection with the build-out of the mobile network, which in the past was implemented on the basis of voluntary commitments by the network operators, was regulated by law in 2013.

DATA PRIVACY

Millions of customers entrust Deutsche Telekom with their data. In order to live up to this responsibility, we place the highest priority on protecting our customers' personal information. Deutsche Telekom's activities in the areas of data privacy and data security set the standard for numerous companies. That is why more and more companies are asking us to share our experiences and information on this topic. We plan to expand our role as an in-demand expert and solutions provider for data privacy and data security.

Making our data privacy measures transparent to the public is a principle of utmost importance for us. We are the first DAX-30 company to publish an annual data privacy report, which documents all relevant processes at the Group. We have been publishing an integrated report on data privacy and data security since 2011.

In addition to publishing this annual report, we provide information on all internal incidents involving data theft and abuse that have been reported to investigating authorities at www.telekom.com/dataprotection. The website also features our latest measures to improve data privacy as well as tips for keeping personal information safe.

TRANSPARENCY REPORT PUBLISHED

Deutsche Telekom strictly enforces compliance with the regulations concerning the secrecy of telecommunications within its area of responsibility and makes sure that data privacy is guaranteed. Wherever the authorities encroach upon these basic rights with requests for interception activities and data, we make sure that they are processed strictly in accordance with the law. Without exception, Deutsche Telekom only takes action when the necessary legal preconditions are met. Deutsche Telekom has been publishing its annual case figures since 2014 to ensure greater transparency. We published our first transparency report during the reporting period. This report indicates the number of telephone lines intercepted by order of the authorities during the 2013 review period. It also contains information on the number of traffic data records, subscriber data, and IP addresses provided to the authorities.

NETWORKS

We achieved a new speed record of 580 Mbit/s in the LTE network in a field test conducted under real conditions.

Our network infrastructure enables economic performance and participation in the knowledge and information society. As a result, demand for faster, full-coverage data services is immense. That is why we continue to rapidly expand our infrastructure and improve transmission speeds with new, secure technology.

We make a point of involving our stakeholders in our processes. As the basis for our sustainability management strategy, we therefore systematically collect the topics that are of material interest to our stakeholders and to us. You can view the results of our survey here (as of February 2015):

Topic weighting −

- Economic responsibility for network expansion
- Energy savings and efficiency
- Status of network expansion
- Social benefits of network expansion
- Computer and network security
- Dismantling legacy network technology: cable recycling
- Awards for network quality
- Investment volume for network expansion

NETWORK AND INFRASTRUCTURE EXPANSION

Many people today consider fast, secure, full-coverage telecommunications networks to be an indispensable part of their everyday lives. These networks make new forms of communication and collaboration possible, make it easier for people to get involved, and boost economic development. They also facilitate the emergence of new business models. Production processes and services become more efficient and decision-making processes are enhanced due to the wide range of information available on the Internet. Our response to this increasing demand is to provide attractive offers. That is why we continue to push the expansion of our infrastructure and increase data transmissions speeds in both our mobile communications and fixed-line networks.

MANAGEMENT APPROACH

The globally generated data volume will increase tenfold by 2020 compared to 2013, according to a study conducted in 2014 by US-based IT company EMC. That would mean 44 billion gigabytes in the networks a year instead of 4.4 billion. The amount of digital data being produced in Germany alone is expected to grow from a current 230 billion gigabytes to 1,100 billion. Networks need to be continually expanded to be able to handle this volume.

Deutsche Telekom has been the largest investor in this area in Germany for years now and will continue to drive network expansion. The main objectives of our pan-European integrated network strategy (INS) form the basis for these activities: growth, efficiency and quality. We will continue to expand our networks, increase the efficiency of our systems and further strengthen our role as a leader in network quality. Our integrated network strategy is in line with the network expansion goals specified by the EU Commission and the German federal government [Digital agenda and Broadband strategy].

Network expansion based on four pillars

Deutsche Telekom's integrated network strategy (INS) for Europe is based on the four pillars LTE, fiber optics, VDSL vectoring and hybrid. In addition to expanding the LTE mobile network, fiber-optic expansion in combination with VDSL vectoring technology is the short and medium-term focus of Deutsche Telekom's INS for Germany. In March 2015 we launched our integrated hybrid offer, a combination of LTE and fixed-network line, thereby considerably increasing bandwidths throughout Germany.

We have defined two goals as part of our INS in Germany that we plan to achieve by 2018: Firstly, we plan to be able to offer LTE connections to 95 percent of the population. Secondly, progress of the fiber-optic network rollout should allow VDSL vectoring lines with bandwidths of up to at least 50 Mbit/s for around 80 percent of all households. This is subject to regulatory changes.

Upgrading and simplifying our network architecture

We intend to make our networks faster and more efficient. In order to achieve this, we are going to deactivate all analog PSTN (public switched telephone network) platforms that we no longer need and switch our entire telephone network to IP-based lines by 2018. Thanks to this switch, Deutsche Telekom will reduce the carbon footprint of its fixed and mobile networks in Germany by around 40 percent by 2020 compared to 2008. The switch to IP technology, which requires considerably less energy compared to earlier network technologies, will contribute significantly to the overall reduction of CO_2 emissions.

Further, we will rely on fiber optics when updating our network architecture in order to meet our customers' demands for fast network connections. Using VDSL vectoring technology, which is based on fiber optics, [Implementing our INS strategy in the fixed network] will increase download speeds up to 100 Mbit/s, and upload speeds even up to 40 Mbit/s. But vectoring requires more energy. To reduce this need for energy, we are working on control solutions for energy-efficient operation of our systems when data traffic is low. The combination of IP technology and VDSL vectoring is already considerably more energy-efficient than conventional PSTN technology.

And by simplifying our network architecture, we will also reduce energy consumption significantly, for example by introducing a broadband access server. The server assumes the role of several conventional network elements, e.g., routers, which can then be deactivated.

Mobile workplaces, multimedia applications and high-quality online services continually boost the demand for higher bandwidths. We are taking fiber optics closer to our customers in order to ensure the long-term success of our business.

With our network rollout we plan to make ultra-high-speed Internet available to 80 percent of the German population by 2018. This is subject to regulatory changes. This means that we will considerably expand the fiber-optic network using FTTC, or fiber to the curb. For FTTC, fiber-optic cables are installed in the main cable up to the cable distribution box (the gray street cabinets found on sidewalks in German cities). From there, customers can be provided with large bandwidths via VDSL vectoring using the existing copper cable.

With FTTH, or fiber to the home, the fiber-optic cables are taken into the home. This will enable products with up to 200Mbit/s for downloads and up to 100Mbit/s for uploads, for example. FTTC alone already provides download speeds of 50 Mbit/s, which doubles to up to 100 Mbit/s when FTTC is combined with vectoring. Upload speeds are even quadrupled to up to 40 Mbit/s through vectoring.

We have been driving our vectoring infrastructure rollout since November 2013. Expanding the fiber-optic network, however, involves a great deal of time and financial expense. That is why expansion is currently not economically feasible in some regions and will only be possible through close collaboration between politics and business.

IMPLEMENTING OUR NETWORK STRATEGY IN THE MOBILE NETWORK (LTE)

All of the Deutsche Telekom Group's national companies made considerable investments in 2014 in expanding their LTE networks and continue to make rapid progress in network rollout: More than 35 percent of our mobile base stations were equipped with LTE technology in the Europe segment (12 European countries besides Germany) by the end of 2014. That means that 62.5 million people could theoretically use LTE to make mobile calls in their hometown as long as they have signed a contract for these services and have an LTE-capable device. Depending on the region, our national companies provide between 30 and 79 percent coverage. We are planning to increase this to between 75 and 95 percent by the end of 2018.

LTE expansion has been well on track in Germany too. We achieved approx. 80-percent coverage by the end of 2014 and plan to increase this to 95 percent by the end of 2018.

We are also making considerable progress with transmission speeds in mobile communications. We set the standard throughout Germany in early 2014 with LTE Plus, a service based on the Cat 4 standard. The service in the LTE 1.800 network attains download speeds of up to 150 Mbit/s, 50 Mbit/s more than conventional LTE networks More than 150 German cities benefit from this service. Speeds of up to 300 Mbit/s have even been possible since fall 2014 with LTE Advanced based on the Cat 6 standard. Radio antennas have also been set up in many rural regions to enable LTE via the 1,800 MHz frequency. In trade journal connect's network test, readers voted our mobile communications network the "best network" for the third time in a row.

As an innovation leader, we continue to advance our products and services. We achieved a new speed record of 580 Mbit/s in the LTE network in early 2014 in a field test conducted under real conditions. These speeds are made possible thanks to a new type of interplay between frequency bundling and MIMO (multiple input multiple output) technology.

ONE ROUTER, TWO NETWORKS: THE HYBRID CONNECTION

The hybrid connection is another pillar of our integrated network strategy that literally integrates networks. In fall 2014 we began offering our customers in Germany a combination of IP fixed-line and LTE mobile communications in a single fixed-line product thanks to hybrid technology. When customers require more bandwidth for their DSL connection, our hybrid service automatically activates LTE using a special hybrid router. This means that the transmission rates of both networks are added together. This is particularly useful in areas where we have only been able to offer limited Internet bandwidths via the fixed network.

In 2014 we became the first mass-market provider worldwide to offer this type of hybrid solution Hybrid connections have been available in selected German states since fall 2014. We expanded the offer to customers throughout all of Germany in spring 2015.

COLLABORATION FOR BROADBAND EXPANSION

Deutsche Telekom collaborates with a number of local governments in its efforts to expand the fiber-optic broadband network. We signed our five-thousandth collaboration agreement in May 2014 within the scope of the More Broadband for Germany project. Since the project first started in 2008, we have extended broadband coverage to almost two million additional households alongside our regular broadband network expansion in this way. Rural communities in particular benefit from our partnership approach in which we work with them to come up with shared solutions.

MIGRATION TO IP TECHNOLOGY

All signs point to IP, the universal code of the 21st century. Thanks to IP technology phone calls are no longer transmitted via analog channels or using ISDN technology but in the form of data packets, a method that has been the standard in online and mobile communications services for some time now.

By setting up a pan-European IP fixed network we converge the previously separate networks and make them more efficient and higher-performing at the same time.

We had switched around 5.8 million households in Germany to IP technology by the end of 2014. In the other EU countries we increased the share of IP connections from 27 percent to 39 percent over the course of 2014. IP technology is also a requirement for VDSL vectoring with download data rates of up to 100 Mbit/s and upload rates of up to 40 Mbit/s.

AWARD FOR MOBILE NETWORK IN GERMANY

connect (01/2015): Network test passed with top score fourth year in a row

- The testers from the connect trade journal put Deutsche Telekom in first place when it comes to speed (telephony and mobile Internet). We were the only provider to be rated "very good." Around 150,000 separate measurements were conducted and evaluated along 45,000 kilometers for the test.

connect (08/2014): Deutsche Telekom is industry leader with best service

- connect magazine conducted its fifth major network test in August 2014. They tested the quality and performance of DSL and broadband cable connections. Based on roughly 1.6 million measurements of voice and data traffic, Deutsche Telekom received 454 out of 500 points and received an overall score of "very good."

Stiftung Warentest (06/2014): First place for Deutsche Telekom two years in a row

- According to Stiftung Warentest, Deutsche Telekom's test-winning network provides the best coverage, reliable connection set-up and good voice quality. The jury was also impressed with our mobile Internet coverage and fast load times. The test comprised a tour of Germany using eight smartphones hooked up to a measurement system. Voice and data connections were constantly evaluated on freeways, highways and in city centers.

Chip network test (2014/2015): Telephony and mobile Internet outdistance competitors

- First place despite tighter evaluation criteria and an even greater distance between us and our competitors according to the results of the 2014/2015 Chip network test. After undergoing extensive measurements, Deutsche Telekom's mobile communications network was at the head of the pack in almost all categories tested, receiving an overall score of 1.7 (with 1 being the highest). Deutsche Telekom was the only provider to receive a score better than 2.

Telecom Handel reader's choice 2014: Best mobile provider of the year for third time in a row

- Retailers and partner store owners rated mobile communications providers in 23 disciplines. The focus was placed on the most important factors for retail such as involvement in the contract renewal process, commission rates and accessibility of the retailer hotline. The result: Deutsche Telekom is the best mobile communications provider of 2014.

CYBER SECURITY

Hacker attacks are increasingly becoming more professional and the damage they cause more serious. Every day roughly 100,000 new kinds of malware are identified, more than twice as much as a year ago. As a responsible ICT provider, we are fighting this trend. Our business model includes guaranteeing our customers a high degree of security and effectively protecting the data and infrastructure of the people and companies who use our services from unauthorized access.

MANAGEMENT APPROACH

We are particularly concerned with protecting our customers from online dangers, as well as warning them and helping them should they fall victim to online crime. We bundle our expertise in our Cyber Security business area, giving us the capacities necessary not only to identify cyber attacks early on but also to respond quickly with countermeasures. We are developing new ways to prevent attacks on an ongoing basis. In April 2014 we opened our own Cyber Defense Center where we analyze online behavior patterns and develop defense strategies.

Collaborating in the name of security

Cyber security is a shared responsibility. We work with research institutes, industry partners, public institutions and other online service providers worldwide to fight cyber crime and improve online security. For example, we regularly exchange information on new malware developments with anti-virus providers. We have also entered into a partnership with California-based cyber security specialist FireEye for our business customer segment. Together, we offer a comprehensive service to business customers in Europe that gives companies fast, effective protection against IT espionage and cyber attacks.

With the goal of improving collaboration revolving around digital security, we regularly host the Cyber Security Summit in collaboration with the Munich Security Conference. The third of these summit meetings between major politicians and business players took place in November 2014 at our Group Headquarters in Bonn.

CYBER DEFENSE CENTER OPENS

Cyber criminals focus their attacks on valuable patents, technologies and other corporate knowledge. In many cases, it is difficult to determine the extent of the damage caused by these attackers. At our new Cyber Defense Center, which opened in Bonn on April 16, 2014, we bring together our cyber defense expertise under one roof, enabling us to more quickly identify, ward off and track cyber attacks. We use the knowledge gained at the Cyber Defense Center to not only protect our own infrastructure but also to develop IT security solutions for our customers.

At the heart of the center is a system that analyzes attacks. We use this system to pursue a focused defense strategy, which is based less on broad-based prevention measures and more on the targeted analysis of behavioral patterns potentially related with cyber attacks. This focused

approach significantly reduces the amount of data we need to analyze and makes it possible for us to initiate countermeasures more quickly. We also use an intelligent early warning system in our analyses that fabricates weaknesses in different devices connected to the Internet. These honeypots provoke attacks, identify their origin and document the type of attack. Telekom currently operates 180 honeypots, which recorded more than one million attacks daily in 2014. This number only came to 300,000 in 2012. Every day we publish the latest figures and other statistical analyses at http://www.sicherheitstacho.eu.

The new center is an advancement of our Telekom Cyber Emergency Response Team (CERT), which manages security incidents for all of Deutsche Telekom's information and network technologies internationally.

In creating the Cyber Defense Center, we are continuing to expand on our own cyber security expertise. We developed a continuing education program for our employees to become Cyber Security Professionals. The program was certified by the Cologne Chamber of Commerce and Industry.

WORKING TOGETHER TO FIGHT CYBER CRIME

The Munich Security Conference and Deutsche Telekom held their third joint Cyber Security Summit (CSS) on November 3, 2014. Around 180 experts and decision makers attended the event, which was held at Group Headquarters in Bonn as in past years, to discuss digital defense in an increasingly connected world. In addition to representatives of the German federal government, the EU, NATO and the U.S. federal government, a number of top managers from major international corporations took part in the discussions.

The CSS gave leaders from the worlds of business and politics the chance to talk to each other about future cyber threats and about how to further improve the security strategies needed to defend against those threats. Topics included protecting critical infrastructures, the tension between data privacy and data security, the need to raise awareness and prevention. Participants also used the CSS as an opportunity to bring fresh impetus into the concept of digital defense collaborations.

Cyber Security Summit for Kids

Following the CSS, we hosted the first ever summit especially for kids on November 4, 2014. The purpose of the event was to teach kids on a secure use of modern communications technology.

MOBILE COMMUNICATIONS AND HEALTH

Electromagnetic fields (EMF) are a prevalent element in our connected world, even if we are not able to perceive them directly. Their effects on our health remain a topic of discussion. It is very important to make sure that they do not present a problem for people or the environment when we use them in mobile communications.

The effects of electromagnetic fields have been thoroughly researched over past decades in numerous scientific studies. The World Health Organization (WHO) analyzes the findings of scientific research and recently made a statement regarding the results in October 2014. In its statement the World Health Organization concludes that the current threshold values for electromagnetic fields ensure that mobile communications technology can be used safely but that further research is required. Deutsche Telekom has made a commitment to actively address scientific research on mobile communications and health, and provides detailed information on the Group website regarding the latest technology and scientific risk assessments published by expert committees and organizations.

MANAGEMENT APPROACH

Our goal is to make our mobile communications infrastructure and our new products, as well as the processes on which they are based, as resource-efficient, environmentally friendly and safe for health as possible. In Germany these activities are based in particular on voluntary commitments by mobile communications providers and an agreement with local authorities' associations. Compliance with these voluntary commitments is reviewed every two years. The German federal government's Information Centre for Mobile Communications e.V. (IZMF) published an extensive expert report on the topic in May 2014.

Our Group-wide EMF Policy, which we adopted in 2004, plays a pivotal role. The policy specifies standardized minimum requirements in the area of mobile communications and health, requirements that by far exceed those set forth by national laws. Our policy provides our national companies with a mandatory framework that makes sure that the topic of mobile communications and health is addressed in a consistent, responsible way throughout the Group. All of our national companies have officially accepted the EMF Policy and implemented most of the required measures.

Our EMF Policy stipulates the following principles and measures:

▪ **Transparency:** We place importance on discussing issues involved in mobile communications openly. We make all relevant information regarding our mobile communications equipment in Germany accessible to the public, e.g., on the EMF databases operated by the German Federal Network Agency.

▪ **Information**: We provide consumer information that is easy to understand and pursue a fact-based, sound information policy. On our Group website we provide the latest information to those interested. We also provide our customers with information on the SAR levels of their devices. In addition, customers can get information on SAR levels at many of our shops, via our free environmental hotline or via e-mail.

▪ **Participation**: We rely on close collaboration and constructive dialog with all those involved, including communities, when it comes to network expansion. Our goal is to find amicable solutions and negotiate acceptable compromises, which can only be achieved by responding fairly to critical arguments and being ready to learn from mistakes.

▪ **Research and partnerships**: Our guidelines call for funding targeted research, scientific excellence, transparency, objectivity and intelligibility.

We conduct quarterly reviews of compliance with our EMF Policy. The findings are used to improve individual aspects and develop solutions in different working groups such as the EMF Core Team and the EMF Technical Working Group.

EVALUATING AND IMPLEMENTING THE EMF POLICY

Our goal is to put our EMF Policy into practice seamlessly throughout the Group. We help our national companies do this by providing specific tools. We developed standardized policies for funding research, for example, and published these on the Deutsche Telekom website in November 2014. Our national companies are using these policies in their funding programs. We also rely on the independent initiative of our national companies and encourage them to continue to improve their measures even if they have already effectively introduced the EMF Policy. The dialog conducted by the Deutsche Telekom national companies with other network providers and with consumers, politicians and scientists plays a central role in this context.

Regular monitoring activities show us that the EMF Policy is being implemented in all of our action areas. We also continue to optimize current measures being employed at national-company level.

▪ T-Mobile Austria is working to improve transparency regarding EMF. Within the scope of these efforts, for example, the Austrian national company is helping the Austrian industry association, Forum Mobilkommunikation, create classroom material for schools.

- We trained around 5,700 employees in Germany in 2014 on consumer protection/SAR levels so that we could provide our customers with more information on mobile communications and health at our Telekom shops.

- We also support the efforts of the Information Centre for Mobile Communications (IZMF) to provide the population and stakeholders with information on EMF in Germany. During the reporting period, IZMF offered training measures including a certified online program for doctors. The focal topic was "Mobile communications from the perspective of doctors and patients."

- Cosmote Greece began offering information on SAR levels at shops for the first time during the reporting period.

CUSTOMERS

More than 30 partner companies for the QIVICON smart home platform.

Today, mobile Internet is our constant companion. There are many ways in which information and communications technology can make life more efficient, more convenient, and more sustainable. Deutsche Telekom's role in all this is to make these advantages available to as many people as possible while also protecting them from online dangers.

We make a point of involving our stakeholders in our processes. As the basis for our sustainability management strategy, we therefore systematically collect the topics that are of material interest to our stakeholders and to us. You can view the results of our survey here (as of February 2015):

Topic weighting

Legend:

● Help consumers to have a sustainable lifestyle by providing them with ICT technology
● Transparency of product features
● Inclusion of customers in product design
● Sustainability rating of products and services
● Customer feedback / satisfaction
● Accessible products and services
● Innovation and research
● Customer communication about sustainability
● Obsolete cell phone and telephone collection campaigns
● Conserving resources by leasing

SUSTAINABLE PRODUCTS

Technological progress offers many ways to address the challenges posed by climate change, scarcity of resources, and nationwide healthcare. Information and communications technology (ICT) plays a key role in this context. Our products and services make climate-friendly consumption a reality for our customers and offer new approaches to healthcare.

MANAGEMENT APPROACH (SUSTAINABLE PRODUCTS)

ICT helps industry, service providers, and consumers pursue a more sustainable approach and holds tremendous market potential for that very reason. According to the Smarter2020 study, for example, 16.5 percent of all greenhouse gas emissions worldwide could be cut by the year 2020 through targeted use of ICT. But sustainability is more than just protecting the climate. It also means reducing resource consumption, stabilizing power grids, simplifying work processes and further improving medical care. ICT makes a considerable contribution to all these tasks.

We are committed to systematically leveraging the vast sustainability potential of ICT. To do this, we focus on the growth areas of smart energy, connected car, and e-health. In 2014 we also developed our own assessment tool to analyze sustainability impact commercial opportunities of selected products.

Managing sustainable products also calls for systematic measures to be implemented throughout the supply chain. That is why we have already developed extensive processes to guarantee compliance with sustainability criteria. We use our Design Principles as a guideline when developing new products. We also use recognized environmental labels such as the Blue Angel and the TUEV Certified Green Product label. The requirements behind these labels show us how we can further improve our products and help us keep our customers informed about the sustainability benefits our products offer. We address our customers with a variety of measures and offers in order to make sure that our products are reused or disposed of professionally at the end of their life cycle.

BUSINESS POTENTIAL THROUGH SUSTAINABILITY

In order to systematically tap the opportunities presented by sustainable products and to create a sustainable product portfolio, we identified 68 potentially sustainable products and solutions in our current portfolio in a pilot project conducted in 2014. We selected Dynamic Workplace, Connected Car, and Smart Metering as pilot products to be tested for their contribution to sustainability and the resulting business potential they hold. We identified their benefits in view of all three pillars of sustainability: environmental, social, and economic. We found, for example, that Dynamic Workplace, a cloud-based offer for business customers, makes it possible for a company with 35,000 employees

to reduce CO_2 emissions by more than 16,000 metric tons per year and reduce costs by more than EUR15 million. Dynamic Workplace lets employees work outside of the office from any location. Among other benefits, around two million hours previously spent commuting can thus be used for more productive or more pleasant activities. You will find other advantages and further details in the illustration below. This example shows how sustainability criteria can give us a competitive advantage. That is why we intend to systematically address these criteria when marketing our products. The next step will be to review other products on the same basis.

SUSTAINABILITY BENEFITS
OF DYNAMIC WORKPLACE IN GERMANY

FOR EMPLOYEES

Employees of B2B clients can reduce their commuting time to work activities, thereby achieving:

ECONOMIC
Commuting time & cost savings

A ←------→ B
€ 271

of costs can be saved and € 723 of income equivalent can be achieved due to reduced commuting*

*calculated benefits on average per employee per year

SOCIAL
Work-life balance improvement
56 hours
can be freed up for more productive and enjoyable use*

Health quality increase
9 hours
of the 56 hours, are freed up due to reduced sickness caused by stress*

FOR B2B CLIENTS

B2B clients can improve IT infrastructure energy balance and benefit from reduced commuting time, thereby achieving:

ENVIRONMENTAL
CO_2 emissions reduction
> 16,000 tons
of CO_2 emissions can be saved per year, thereby contributing to climate protection**

ECONOMIC
High employee cost savings
> € 15 Mio
can be saved per year due to reduced idle time and sickness days of employees**

SOCIAL
Employer attractiveness

clients can profit from communicating the calculated benefits for each employee

**calculated benefits for a client with 35,000 employees

FOR SOCIETY

ENVIRONMENTAL
Natural capital increase
e.g. by contributing to reaching Germany's CO_2 emissions reduction targets

ECONOMIC & SOCIAL
Social capital increase
e.g. by contributing to a better quality of life and less health costs, due to a reduction in sickness days caused by stress

Detailed list of underpinning assumptions is available from T-Systems Dynamic Workplace.

INNOVATION IN GROWTH AREAS

By developing smart solutions in the areas of smart energy, connected car and e-health, Deutsche Telekom has been able to tap new, high-growth business areas over the past few years. Cloud computing and machine-to-machine communication are other areas in which we have developed sustainable products.

By focusing on these areas, we contribute in different ways to creating more efficiency and convenience for our customers as well as helping them reduce their impact on the environment and their carbon footprint. This also positions us as a modern technology group that is able to anticipate and influence future developments. It is for this reason that we invest in wide-ranging research and development activities, in particular at our main research institution, the Telekom Innovation Laboratories (T-Labs). We invested at total of EUR95.6 million in research and development throughout the Group in 2014. We are also committed to financing professorships and cooperate with universities in the creation of pioneering ideas.

SMART ENERGY
Climate-friendly energy supply calls for smart solutions for the measurement and control of energy flows. On the one hand, consumers need to be able to see how much energy they are using and when so that they are motivated to cut back their consumption. Smart meters create the basis for this. Within the scope of our pilot project to identify business potential through sustainability, we also studied the sustainability advantages of smart metering in detail. Households can reduce their electricity consumption by up to 8 percent by using smart meters. According to our calculations, installing smart meters in 7.8 million households in Germany would reduce CO_2 emissions by up to 1.2 million metric tons by 2020.

On the other hand, natural fluctuations in the supply of wind and solar power need to be balanced in order to regulate grid loads and prevent power failure. This requires a smart grid that uses ICT to flexibly regulate power storage or decentralized combined heat and power stations. Managing the demand of millions of end-consumers, for example, by switching devices on and off as needed, can also help stabilize the grids. Smart meters provide energy providers with real-time information on power consumption and power generation at homes and companies.

That is why using smart meters will be a key prerequisite for restructuring the energy market. The German federal government paves the way for large-scale installation. It is planning to install eight million smart metering systems connected to the ICT network by 2029 and another 40 million meters that can be hooked up to the network by 2032, making smart metering a business area with strong development potential for our company.
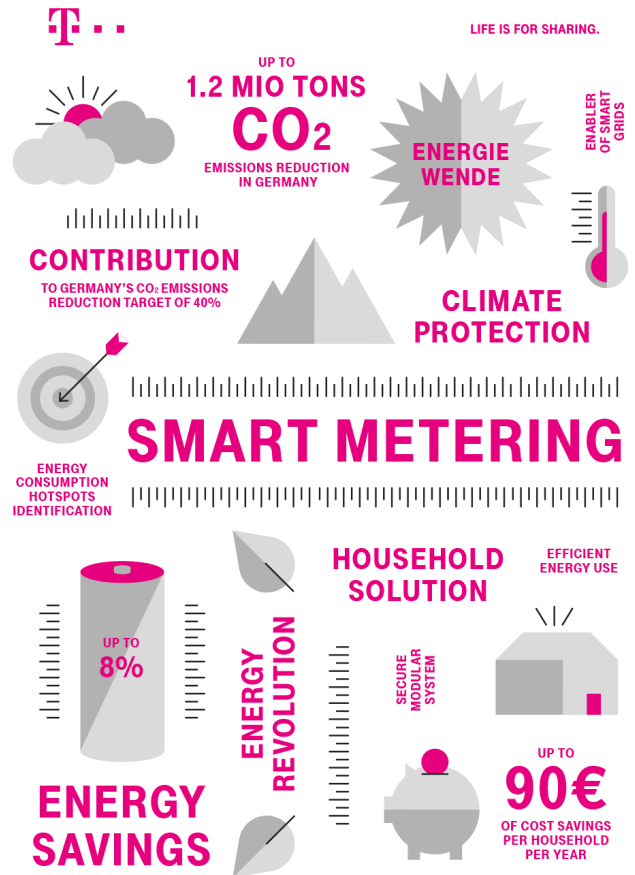
At the same time, we are aware of our responsibility to protect our customers' data. Deutsche Telekom complies with the requirements specified in the Federal Data Protection Act. This includes recording and transferring only data that is genuinely required. If a distribution network operator requires the data for network or load management purposes, anonymized data will suffice. Deutsche Telekom also transmits the data encrypted through a public key infrastructure in compliance with the specifications passed by the German Federal Office for Information Security (BSI). Our gateway administration service makes sure that only authorized parties who require the data for their services get access to the data.

Energy transparency and efficiency for business customers
Deutsche Telekom also provides businesses with solutions to reduce their energy consumption. The visualization of energy consumption can help a company's facility management identify and realize reduction potentials. This information is provided through smart metering, supplemented by appropriate KPIs such as energy consumption per square meter and a comparison of consumption at different locations. Experience has shown that companies can reduce their consumption by around 15 percent.

QIVICON – LIVING IN A SMART HOME

There are many ways in which a smart home can make life easier. It lets residents conveniently control and monitor a large number of building and security technology devices and functions, including home entertainment. If in the past customers bought a smart-home solution, they could only use the functions and devices of their particular provider and not those offered by other providers. The challenge therefore was to come up with a multi-vendor smart home solution. Deutsche Telekom and other key players together developed the QIVICON platform on which any company, regardless of their industry or size, whether they are a utilities company or a building technology vendor, can offer their own solutions. This platform gives consumers the option to customize their own combination of different offers. More than 30 partner companies and brands currently offer their solutions on the platform. Offers in the energy sector, for example, include consumer products from EnBW, Vattenfall, RheinEnergie, and Deutsche Telekom. Solutions like smart radiator thermostats can reduce energy consumption by up to 30 percent. Partner companies offer other security and convenience products, and the range of QIVCION-based offerings and devices is growing constantly.

To accelerate the smart home standardization process, we joined the international open-source community Eclipse Foundation in 2014, an association founded to encourage the development of open-source software. We are going to open our platform to developers and start-ups so that we will be able to offer our users an even greater variety of products and services in the future. We intend to also offer our open, multi-vendor platform at international level in future.

QIVICON's open, non-proprietary approach was recognized by the international corporate consulting firm Frost & Sullivan in the reporting period. Frost & Sullivan named QIVICON the most innovative smart home solution and presented it with the European Visionary Innovation Leadership Award 2014.

Readers of Chip computer magazine rated QIVICON as "good" in 2014. One of the aspects they praised was the fact that the platform is so easy to install. Users can use apps developed by QIVICON partners to individually or automatically manage, monitor, and combine connected devices via any Internet-enabled computer, smartphone, or tablet. To help conserve resources, QIVICON partners, for example, offer products including a feature that automatically turns down the heat as soon as a window or door is opened.

Data in safe hands

All communication via the QIVICON Home Base, which is connected to the Internet via servers, is encrypted. Any user data related to QIVICON is stored exclusively on Deutsche Telekom servers in Germany. All devices from partner manufacturers that are controlled via QIVICON employ wireless technology based on state-of-the art security functions. Data security was confirmed during the reporting period by an independent IT security test conducted by AV-Test GmbH. The test rated QIVICON as "secure" and verified that the encryption technology used provided effective protection against non-authorized access.

MACHINE-TO-MACHINE COMMUNICATION AND CONNECTED CAR: SOLUTIONS FOR MORE EFFICIENCY

Machine-to-machine (M2M) communication and Connected Car are important growth areas for Deutsche Telekom. We offer our customers numerous benefits by connecting machines digitally. The technology quickly synchronizes the work processes of customer devices and cars or even entire industrial systems. This increases industrial productivity, makes transportation more reliable (and more accurate) and helps reduce energy consumption and conserve resources.

We support the German federal government's Industry 4.0 initiative through our involvement in M2M communication. The initiative's objective is to make Germany more competitive as a technology business location. At the same time, we are also involved internationally in promoting efficiency through connectivity, for example, as part of the Smart Wine M2M project.

The Smart Wine project is a collaboration between our subsidiary in the FYRO Macedonia and the Ss Cyril & Methodius University in Skopje to optimize wine cultivation processes. The technical basis for the project is a sensor-supported system that monitors grape development and controls all of the production processes. It helps winegrowers lower their consumption of energy, water, and chemicals. Besides this, the system provides information on plant disease, weather problems, and optimal harvesting dates. The product has already been launched on the market. It can easily be adapted to other agricultural production sectors.

M2M solutions for more efficient transportation: Examples

There is considerable potential for using M2M in the logistics sector. Within the scope of our Connected Car Group business area, we develop customized solutions that tap this potential. We collaborated with logistics
company DB Schenker in 2014, for example, to develop an application for more efficient fleet management that uses a traffic light system to give drivers tips in real-time on how to optimize their driving behavior.

In addition, we will continue the Smart Port Logistics pilot project for the Port of Hamburg in 2015 and gradually incorporate it into commercial operations. The goal of the project is to improve truck traffic flows at the Port of Hamburg and in its vicinity. Large amounts of data are used to analyze the current traffic situation and create short-term forecasts. Among other things, this provides truck drivers with information on waiting times and alternative routes.

In late 2014, we also signed an agreement to found a joint venture with the world's largest mobile provider, China Mobile. Both partners will hold a 50-percent share in the company. The joint venture will use the platform technology and some of the services from our Connected Car business area to develop innovative solutions for the Chinese market from 2015 onwards. These solutions are to help customers plan their routes more effectively and encourage fuel-efficient driving.

BIG DATA AWARD FOR GREEN TRUCK MANAGEMENT

In collaboration with DB Schenker logistics, we implemented a solution for more efficient fleet management in 2014. The solution was awarded second place in Computerwoche magazine's Big Data Award in September 2014. The application uses mobile communications and GPS to track all vehicle movements and analyzes their energy and resource consumption. A traffic light system provides drivers with real-time tips on how to optimize their driving behavior.

If requested, the system can also calculate the CO_2 emissions produced for each piece of freight. This provides clients with information on their supply chain's carbon footprint, which they can then use for targeted reduction measures and communication purposes.

E-HEALTH

Connecting services creates numerous improvements in the healthcare sector. They make it possible for many people with disabilities to live an independent life. Not only do telemedical assistance systems help reduce costs, they also offers patients, their families and medical staff a wide spectrum of ways to simplify their work and daily lives. A study on digital remote patient care that we conducted in collaboration with the Berlin Charité hospital in May 2014 found that doctors need less time to analyze results, leaving them with more time to talk to the patient and their colleagues. Hygiene requirements are met by using tablets. So there is nothing to stop us from making these systems part of daily routines.

Model project for comprehensive healthcare

One example of our work in this area is our collaboration with Carus Consilium Sachsen GmbH, a subsidiary of the Dresden university hospital. Together, we are building an open, accessible, interdisciplinary IT platform for medical care for people living in Eastern Saxony. The Telehealth Ostsachsen model project is expected to help guarantee comprehensive, local medical care in rural regions for patients in the comfort of their own homes. At the heart of the project is a virtual round table at which patients, doctors, insurance providers, hospitals, and other medical healthcare providers can take an interdisciplinary approach and work together online. We have provided special standardized software and secure data transmission channels for the project. A basic version of the platform passed initial internal tests in late 2014; the plan is to go online in July 2015 with three sample applications for congestive heart failure, after-care for stroke patients, and tissue analysis.

The project uses a full-coverage approach that involves all participants and is exemplary even at European level. It shows how comprehensive, long-term telemedical support for healthcare can be provided effectively at a supraregional level. This is one of the reasons why the EU and the Free State of Saxony support the project with almost EUR10 million.

SUSTAINABLE ICT SOLUTIONS

Deutsche Telekom is helping millions of consumers and business customers effectively lower their energy consumption and reduce CO_2 emissions with our growing offer of green products and innovative ICT solutions. We have been offering services to dematerialize business processes such as online billing, digitized workflows and cloud computing for several years now. This contributes to the success of our "Low-carbon society" CR action area. We also want to give as many people as possible the chance to participate in the information society and to use the opportunities it offers. For example, we make it easier for people with age-related or physical limitations to use modern means of communication. We develop products and services that meet their needs and continue to work on improving user friendliness. Throughout the Group, Deutsche Telekom also offers various subsidized rates to provide low-income customers and people with disabilities with an opportunity to place calls and surf the Internet at low cost.

SUSTAINABILITY ADVANTAGES WITH CLOUD COMPUTING

Cloud computing is often more resource- and energy-efficient than operating ICT processes outside of the cloud. Significantly less hardware and energy is needed for computer programs and other IT processes at our data centers because capacities are much better utilized. By transferring their IT to the cloud, customers can do without their own servers and storage media; their IT processes are seamlessly moved to the cloud. Before this happens, we conduct a cloud maturity check, which establishes whether the existing business and IT processes fulfill the necessary preconditions for cloud computing in compliance with the Open Data Center Alliance (ODCA) maturity method. This helps customers develop and implement the right cloud strategy for them.

Energy consumption declines by up to 80 percent by transferring IT to the cloud due to the high degree of standardization in the data-centers. That is why we are constantly improving the efficiency of our data centers.

Sustainable solutions from the cloud

Since 2014, we have been offering standardized cloud solutions designed for large companies with our Cloud Integration Center product (formerly Enterprise Marketplace). Companies can use the center to access cloud services as needed. Their applications, servers, and other infrastructure are operated at our data centers. The Cloud Integration Center also supports solutions in which applications from independent third-party software vendors are provided via the Telekom Cloud (Shared Software as a Service – SaaS). One example of this is a sustainability management software that T-Systems began selling in collaboration with WeSustain software company and which can be purchased from the Cloud Integration Center.

T-Systems has also been offering the doculife® product since 2014 which allows companies to fully transfer their document management processes to the cloud. This service covers a range of applications from central administration and secure archiving through to direct, web-based access. In addition to using less energy than IT solutions run in-house, companies can use the service to significantly reduce their paper consumption thanks to digitalized processes.

Leading provider of cloud services

We were recognized for the quality of our cloud services in 2014. The Experton Group rated us as a "leader" in all six of the categories reviewed in their Cloud Vendor Benchmark. We got top scores in cloud services for small and medium-sized enterprises, our Business Market-place cloud marketplace, and our Dynamic Workplace. The Experton Group used product tests, interviews with experts, and customer reference stories to rate more than one hundred cloud services providers.

PRODUCT CERTIFICATION

We see sustainable products as crucial in helping us distinguish ourselves in the ICT market. This applies to services and infrastructure as well as phones and routers. That is why we require our suppliers to comply with environmental and social requirements and monitor their compliance. We also keep our customers informed about environmental aspects, manufacturer conditions, safe, low-energy and demand-based usage, and resource-conserving disposal options at the end of the product life cycle.

All of our DECT phones in the Sinus series have been certified under the well-known Blue Angel environmental label since 2013. We are planning to have other products certified under this label in 2015. More and more of our products are also being certified under the TUEV Certified Green Product environmental label. This label exceeds the Blue Angel criteria in ways such as requiring inspections of working conditions and production sites. Some of our products have already been certified, for example, the Speedphone 10 and the W 724V router.

BLACKLIST ON ENVIRONMENTALLY HARMFUL MATERIALS

In 2014 we conducted a study on harmful materials in cell phones in collaboration with the Fraunhofer Institute for Reliability and Micro-integration. The study identified materials that, although harmful to the environment, are currently not prohibited. We defined Deutsche Telekom's own list of prohibited materials over and above those covered by legal standards in order to send out a clear signal for a reduction in the industrial usage of substances that are problematic for the environment. Our suppliers are required to comply with this blacklist by the end of 2015.

FAIRPHONE STUDY

A new non-profit company founded in Amsterdam launched a much-discussed smartphone, the Fairphone, in December 2013. The point of the Fairphone is to address key social and environmental problems along the supply chain and create "fair" production conditions. We collaborated with the Deutsche Umwelthilfe (DUH) environmental organization to commission a study in order to support the initiative and address the demands of different stakeholders for a smartphone that is as fair and sustainable as possible. Representatives of 16 expert organizations, including Greenpeace and the German Federal Environment Agency were asked their opinion of the sustainability of the Fairphone 1.0. The following aspects were addressed:

- Use of conflict-free resources
- Smart, sustainable design
- Fair production conditions
- Recoverable materials and/or recycling
- Transparency.

DUH published the results in June 2014. The study found that the Fairphone was a transparent, pioneering initiative. At the same time, it also admitted that it is not possible to guarantee total fairness right away with such a complex product. Fair structures on a larger scale still need to be created on the procurement markets. The study pointed out that the only way to do this was through collaboration among business, politics, and NGOs.

DON'T BUY, RENT

By using our products, our customers can help conserve resources and reduce electronic waste and CO_2 emissions. We pursue two models: rental services for routers and media receivers and used cell-phone collection programs.

We want to make sure that old routers and media receivers do not just end up in the trash. That is why we promote the "Don't buy, rent" approach. We reduced our monthly rental fee for long-term rentals as an incentive for customers to use the devices for longer periods of time. Once the leasing period has expired, the devices are returned and either processed in accordance with environmental standards or properly recycled. We have also introduced longer minimum terms of contract for media receivers. This encourages first-time users to keep their devices longer, reducing goods volumes, and resource consumption.

We actively and effectively promote the rental service in many ways including at Telekom Shops, online, and in product flyers. The offer has met with great customer response. The number of people using the rental service had grown to around 7.4 million by the end of 2014 compared to 6.5 million in the prior year.

USED CELL-PHONE COLLECTION MEASURES

We organize numerous activities to encourage people not to stick the cell phones and smartphones they no longer use in a drawer or cupboard, but to hand them in for recycling or reuse instead. We came up with a number of ways for people to turn in cell phones and created incentives to participate.

Since 2013, we have been giving our customers the option to exchange their used, high-quality cell phones and smartphones for a voucher at our Telekom Shops. In November 2014, we also set up the Handysammelcenter online collection portal in collaboration with the Deutsche Umwelthilfe (DUH) environmental organization. Companies can use the portal to properly and safely dispose of their used cell phones and smartphones free of charge. We provide these companies with a proof of disposal for the cell phones they send in. The portal can also be used by authorities, associations, and other organizations to initiate their own collection campaigns. The entire return process, including data deletion, has been certified by DEKRA. Once they have been returned, the devices are either reused or disposed of using environmentally friendly methods. Any profit generated in this way is donated to nature conservation and environmental protection projects run by DUH.

We also supported a collection campaign during the 2014/2015 school year conducted under the patronage of the Minister President of the Saarland, Annegret Kramp-Karrenbauer, in which around 80 percent of secondary schools in Saarland participated. A campaign portal was set up to accompany the used cell-phone collection campaign and special classroom materials were developed on the topics of used cell-phone collection and resource efficiency.

We also conducted other campaigns during the reporting period to encourage people to hand in their used cell phones. In April 2014 we conducted a Germany-wide campaign on the topic. Customers were given a 100-euro discount if they turned in their used cell phones when signing a new contract. We launched a Christmas campaign at the end of the year giving customers who returned their used cell phones 20 percent off of accessory purchases. In 2014, we also collaborated with DUH to initiate a cell-phone campaign involving all groups at the German Parliament. Members of all parliamentary groups were asked to collect used phones in their constituencies and offices and turn them in to us for safe disposal. More than 1,200 used cell phones were handed in within the scope of the campaign.

In 2014, we collected 153,537 used cell phones and smartphones throughout Germany and either reused them or had them properly recycled. The joint cell-phone collection system run by Telekom Deutschland and DUH entered its eleventh year in 2014. More than 1.8 million used cell phones have been collected so far.

TAKE-BACK RECYCLING PROGRAM IN GREECE

This take-back recycling program for batteries, ink cartridges and phones was launched in June 2013 with the aim of enhancing recycling activities in the OTE-COSMOTE-GERMANOS retail network, as well as strengthening society's environmental awareness. By the end of 2014 the program had been implemented in almost 500 retail outlets. During 2014, more than 50 t of batteries, ink cartridges and phone devices were collected. For each ton of phone devices collected during the first year of the program implementation (7.6 t from June 2013 to June 2014) €1,000 was donated to two environmental NGOs who are active in organizing environmental educational programs for school communities, in particular with respect to forest and wild life protection.

HANDSET RECYCLING AT T-MOBILE US

T-Mobile USA's handset recycling and reuse program provides the opportunity for customers to bring their used handsets to any T-Mobile location in the United States and Puerto Rico. Since handset recycling is one of the main environmental challenges in the telecom industry, T-Mobile USA is looking at all phases of the device lifecycle and creating incentives for customers to reuse, repurpose and recycle their used handsets.

Through the JUMP!™ upgrade program customers are offered strong incentives to bring their handsets back to T-Mobile USA. It is proving successful as increasing numbers of customers are bringing their handsets back to T-Mobile. Anytime customers are ready to upgrade, they can trade in their eligible device and receive credit for all remaining device payments, up to half of the original cost. T-Mobile then refurbishes and sells these devices to customers who are looking for used handsets at more affordable prices.

In 2014, we took back more than 5.7 million handsets. In total, our recycling rate* was 31 percent in 2014.

*Calculation: total annual handset returns (minus buyers' remorse returns) / total handsets sold.

BARRIER-FREE PRODUCTS AND SERVICES

Deutsche Telekom makes it easier for people with disabilities to have access to the knowledge and information society. Not only do we offer subsidized rates to people from low-income households, we also offer them to people with hearing and vision impairments. Our company also supports them with products and solutions especially designed to meet their needs.

Products and services for the hearing impaired

We set up a hotline (Deaf Hotline) for deaf and hearing-impaired customers in 2003. The hotline offers customers emergency IT assistance, among other services. Customers can send an e-mail, fax message or letter, or use their video phone to communicate with our specially trained employees for any requests they may have. The employee either answers the question directly or lets the person know how to contact them via video telephony or webcam to talk about the issue. Up to 50 people currently call the hotline every day to get help with problems involving their DSL routers or find out more about special cell-phone rate plans, for example.

We have been conducting a campaign entitled "Accessible sales and service for the hearing impaired" since 2013. Special sales channels for people with hearing impairments are set up as part of the campaign. Deutsche Telekom began featuring special offers in March 2014 for our deaf and hearing-impaired customers on a website tailored to their needs, for example. We plan to also provide detailed information on these offers in video messages filmed in sign language. The website also features Telekom support videos with subtitles providing information on our rate plans and products.

Tablets for the blind

Online communication can pose a challenge for people who are blind or visually impaired. We support the Green Vision project, which develops special tablets for these user groups. In 2014, the project received first place in the sustainability award of the T-Mobile Environmental and Sustainability Fund, which includes prize money of EUR 20,000. What is special about the Green Vision tablets is its haptic, interactive interface that provides content in Braille. The tablets literally make mobile online content tangible. In line with the project's name, Green Vision, production of the prototype is also intended to conserve natural resources.

First network operator in Germany to offer smartphone for seniors

Since October 2014, we have been offering a smartphone especially developed for seniors – the Liberto 820. We are currently the only German network operator to offer this type of device. With its simple user interface, even inexperienced cell-phone users have no problem using all the functions of a high-performance Android device. Users are guided through the functions step by step and shown how to use of the device. It can even be set up and administered remotely via an online device manager. The Liberto 820 is compatible with hearing aids and has an emergency button and two simple menu versions, making it especially suitable for seniors.

HELPING TO SEARCH FOR MISSING PERSONS

In 2014, T-Mobile Czech Republic has developed a one-of-a-kind platform with the working title "SAR SMS " (Search & Rescue SMS) that allows mass text messages to be sent to a particular area where there is a high risk or threat to health or life. Thanks to this unique system, rescuers can promptly inform citizens about a search for a missing child, a fire, floods or other emergency situations. The motivation for developing this app not only came from the alarming number of missing children around the world but also from the need for an ultra-fast information channel in emergencies.

CONSUMER AND YOUTH PROTECTION

Protecting our customers is top priority at Deutsche Telekom. Whether it be the privacy of personal data or banning Web content that is harmful to minors, Deutsche Telekom stands for high standards when it comes to consumer and youth protection. One example of how highly secure our products are is De-Mail, our service for the legally secure identification of e-mail senders and recipients. We are also setting a new security standard for sending private e-mails with the E-Mail made in Germany industry initiative, which we co-founded. We want to teach children and young people how to use digital media safely and effectively and protect them from inappropriate content. Numerous projects throughout the Group aim to improve their media skills, and we work with a variety of initiatives and partners to create a child-friendly Internet. We have reinforced our stance with numerous national and international voluntary commitments and internal codes of conduct. In doing so, we often exceed the standards required by national regulations.

MANAGEMENT APPROACH

Data privacy and data security are very important to us. In 2008, we created a special Board of Management department for this topic and introduced the Binding Corporate Rules on Privacy specifying how personal data is to be collected, stored, and processed at the Deutsche Telekom Group. Not only do we provide transparent information on all of our activities and measures in our annual Data Privacy and Data Security Report, we also take stock of the current situation: What has Deutsche Telekom achieved? What do politicians consider to be the areas needing the most improvement? And what do experts think about the current state of data privacy and data security?

Our products and services have always provided a high degree of data privacy and data security. Growing volumes of data require special precautions to protect the privacy of citizens. That is why we introduced eight mandatory guiding principles for handling big data, i.e., large amounts of personal data, in 2013. In January 2015, we also approved specific measures to protect data and infrastructure in our "Ten-point program for increased cyber security". We also developed new protective products including our Mobile Encryption app, which fully encrypts mobile communications.

Data privacy and security also play a key role in the development of our other products and services. Our Privacy and Security Assessment (PSA) procedure allows us to review the security of our systems in each step of the development process. This procedure applies to newly developed systems as well as existing systems that undergo changes in technology or in the way data is processed. We use a standardized procedure to document the data privacy and data security status of our products throughout their entire life cycle. Youth protection aspects are also taken into consideration in our product and service design. In Germany we notify and involve the appointee for the protection of

minors in all issues involving the creation, planning and design of its offerings. The appointee for the protection of minors is involved in the planning of new projects at an early stage and can advise Deutsche Telekom to implement restrictions or modifications.

In 2013, we also made it mandatory for every international subsidiary within the EU to designate a child safety officer (CSO) to handle youth-protection related topics. During the reporting period, we appointed a CSO in each of our European markets. The CSO acts as a central contact for societal stakeholders in the respective EU countries. They also play a key internal role in coordinating topics revolving around the protection of minors. These measures increase the consistency and transparency of Deutsche Telekom's involvement in protecting minors.

Strategic approach to protecting minors from unsuitable media content
Our strategy to protect children and young people from harm when using digital media is based on three pillars. We

- provide attractive, age-appropriate offers for children and give parents and guardians tools (filters) that they can use to restrict the access minors have to harmful content

- help fight child abuse and images of child abuse and

- encourage the development of media skills to help people handle online content securely and safely.

We also collaborate closely with prosecuting authorities and NGOs as well as other partners from business, politics, and society to ban online content that is harmful to children and young people.

We documented our commitment to protecting minors from unsuitable media content in Germany in our basic principles and introduced minimum standards.

In 2007, we committed ourselves to fighting online images of child abuse throughout the European Union. At a global level, we have been a member of the international association of mobile providers GSMA since 2008, which pursues the same objectives. In order to better coordinate our activities within the Group, we also approved a list of general guidelines in October 2013 for our activities to help protect minors from unsuitable media content and made these guidelines mandatory at international level, thereby setting new standards in our markets. In consideration of their particular cultural situation and business model, each international subsidiary in the European Union can further specify these measures, adopt additional measures, and also determine their own strategic focal points.

Because protecting minors from unsuitable media content poses a challenge that affects many industries, we cooperate with different organizations for the protection of minors and participate in coalitions that coordinate the involvement of companies and organizations from the Internet and media sector. For example, we are a member of the "CEO Coalition to make the Internet a better place for kids". We also play a leading role in the ICT Coalition for the Safer Use of Connected Devices and Online Services by Children and Young People in the EU. In this coalition, we pursue a comprehensive cross-industry approach based on six principles that expressly includes helping young people learn media skills.

In January 2013, Deutsche Telekom announced within the scope of both coalitions plans to implement an EU-wide set of measures based on the principles of the ICT Coalition. The ICT Coalition published an annual report in April 2014 on the implementation of corresponding measures at all of the companies represented in the ICT Coalition. The report, which was written by an independent expert from the Dublin Institute of Technology, comes to the conclusion that Deutsche Telekom's approach to implementing the ICT Coalition's principles is exemplary.

DATA PRIVACY

Deutsche Telekom has carried out numerous measures to guarantee a high degree of data privacy and data security in the use of our products and services. We document our activities in our annual Data Privacy and Data Security Report. The following are just a few examples of our activities during the reporting period:

Bringing together defense expertise

We opened Deutsche Telekom's new Cyber Defense Center in Bonn on April 16, 2014. Background: The number of cyber attacks has continued to grow over the past several years. That is why we are working hard to defend against these attacks and have brought together the required expertise at our new defense center. And for our customers, we continue to expand our security portfolio.

Legally valid electronic administration

The City of Dresden and Deutsche Telekom launched the De-Mail City pilot project in June 2014. Since then citizens, companies and authorities in Dresden have been able to use De-Mail for secure, legally binding communication. The offer initially includes submission of business registration forms, tax forms, certificates of eligibility for public housing, and electronic petitions. More uses are scheduled to follow.

Protecting privacy in mobile communications

With the Mobile Encryption app, we became one of the first providers to launch a globally deployable mobile encryption solution for smartphones in mid-2014. In contrast to other solutions, the Mobile Encryption app for Android and iOS devices works in all phone networks, and even without a SIM card via Wi-Fi or satellite link. When two users want to communicate with this new solution, they only need to install the Mobile Encryption app on their smartphones. No customer-specific technical infrastructure is needed in the background. The communication partners do not even need to be customers of the same network operator, because the encryption solution works with every provider. The offer is initially aimed at large business customers. However, we

have medium-term plans to make the solution available to small and medium-sized enterprises as well.

We collaborate closely with the non-profit organization Mozilla to develop new functions for the Firefox OS cell-phone operating system that will provide users with better protection of their personal data. The location accuracy feature, for example, lets people decide how precisely an app is allowed to calculate the current location of their smartphone. Users can thus limit the GPS information sent to the navigation app, for example. The weather app only gets the coordinates of the city in which the cell-phone user is currently located.

The new remote privacy protection feature also gives users considerably more control over their privacy. Unlike solutions used by all other operating systems, Firefox does not send the smartphone's location data to a central unit that the owner may contact if they lose their cell phone. Instead, Firefox smartphone users create a localization password. When you send a text message containing that password to the lost cell phone, the cell phone sends you a text message back specifying its location.

Mozilla is planning to gradually introduce these data privacy features, which we presented at the Mobile World Congress 2014 in Barcelona, to the market in 2015. These will also include the permission history feature, which lets users know which apps are accessing which data and services on their cell phone.

During the reporting period we also published online tips on digital security. The tips were designed to improve people's media skills through target group-specific offers.

New security features for online billing

In order to prevent criminals from installing malware on our customers' computers by sending them fake Telekom invoices, Telekom Deutschland GmbH has been including additional identifying information on its invoices since February 20, 2015:

- The customer's street and house number

- A forgery-proof seal (a blue @ symbol with a check mark inside it)

- A signature only recognizable to Internet providers to help us sift out forged billing e-mails.

EDUCATION ON THE PROTECTION OF MINORS FROM UNSUITABLE MEDIA CONTENT

Safe use of digital media requires knowing about potential dangers. That is why, within the scope of Teachtoday, we have created numerous offers to encourage the development of media skills. The purpose of these offers is to inform people who use the Internet frequently and, especially, children and young people about the Internet's opportunities and risks.

An example of our involvement in teaching media skills is the non-profit initiative Mobilsuli, which was launched by employees at Magyar Telekom. The aim of the initiative is to teach children the basic principles of mobile communications as well as raise their awareness for

security aspects like posting personal pictures and other content. Magyar Telekom provides financial support to the initiative and gives its employees time off to volunteer. The company expanded its involvement in 2014 and gave time off to around 600 volunteers to teach children how to use cell phones securely and safely. The volunteers visited 120 schools and held two presentations at each school using age-appropriate materials, reaching around 7,000 children with their efforts.

CHILD PROTECTION SOFTWARE AND SURFGARTEN
As a leading ICT provider, we promote to the best of our ability a secure, positive online experience for children and young people. With age-appropriate websites and content like the fragFINN.de search machine and our Kids Portal, which has been up and running since 2004, we provide children and young people in Germany and other countries with exciting, attractive online content. There is, however, other, dangerous online content out in the Net there aside from these secure offers. That is why we provide filters that parents can use to make it hard for their children to access dangerous content. One of the two programs for the protection of children under ages 16 and 18 from dangerous content recognized by the Commission for the Protection of Minors from Unsuitable Media Content (KJM) was our child protection software. Parents (or other legal guardians) can use the software to flexibly determine which content their children (or wards) can access.

We also developed the Surfgarten browser for the iPhone, iPad, and iPod Touch for protecting minors in Germany. The number of Surfgarten users doubled during the reporting period to around 6,000.

Both our German child protection software and Surfgarten contain a technological solution that identifies the age-rating of websites.

TAKING ACTION AGAINST CHILD PORNOGRAPHY
Deutsche Telekom considers it its obligation to take rigorous action against depictions of child abuse on the Internet. Deutsche Telekom has been involved in an EU-wide fight against the depiction of child abuse since 2007 in the European Framework for Safer Mobile Use by Younger Teenagers and Children. Since 2008 we have also been involved in the fight against the spread of such content initiated by the global association of mobile providers GSMA.

Since 2013 we have also been participating in two cross-industry coalitions committed to fighting child abuse on the Internet, the "CEO Coalition to make the Internet a better place for kids" and the "ICT Coalition forthe Safer Use of Connected Devices and Online Services by Children and Young People in the EU". The ICT Coalition published its first annual report in 2014. The report acknowledges our involvement in this area. We continue to be active in both coalitions and remain fully committed to their principles.

Working with the Center for Online Child Protection
During the reporting period we participated in two expert working groups at the Center for Child Protection on the Internet (I-KiZ), a project run by the German Federal Ministry for Family Affairs, Senior Citizens, Women, and Youth. The Network against the Abuse and Sexual Exploitation of Children, "No Grey Areas on the Internet," was initiated in 2014 within the scope of the project. The aim of the network, which is under the patronage of Manuela Schwesig, Federal Minister of Family

Affairs, Senior Citizens, Women and Youth, is to effectively fight the online depiction of children and young people in sexual poses and ban it internationally. The network got started by setting up a competence center to illuminate the gray areas of sexual exploitation on the Internet.

ENCOURAGING THE RESPONSIBLE USE OF MOBILES
TM Netherlands carries out various activities under the auspices of the Responsible Mobile Use Program in order to promote the responsible use of mobile phones:

Guest lectures on debt prevention in schools
In 2014 T-Mobile Netherlands cooperated with the Dutch Ministry of Finance and the program "wijzer in Geldzaken" to stage more than 30 guest lectures, which reached over 1,000 children. The aim was to protect young people against unnecessary telecom debt ties. The company's employees held the guest lectures with materials provided by the company.

Traffic safety
On 16 September 2014 the Dutch Transport Ministry and Safe Traffic Netherlands launched a campaign about the safe use of mobile phones in road vehicles: "Keep Your Eyes on the Road". T-Mobile Netherlands was the first company from the telecom sector to adopt the campaign and support it through flyers in stores and especially in social media. A similar campaign was launched to encourage safe cycling since 20% of all cycling accidents in the Netherlands are caused by social media use in traffic. The 'fietsmodus-app' activates a traffic mode, which works similar to a flight mode.

Forced Subscriptions
Forced subscriptions are an increasing problem in the Netherlands. Young people are being 'encouraged' to go for the most expensive subscriptions and mobile phones. An internal communication campaign focusing on this issue and especially directed at our shop employees is aiming to combat this problem. Moreover, T-Mobile Netherlands has made this issue part of the programs its runs in schools. In 2014, 1000 children were informed. For 2015 the objective is to educate 3000 children.

Kill Switch
Every week more than 300 smartphones are stolen. The Dutch Ministry of Security and Justice wanted to do something about this and asked the telecom sector for help. The result was the so-called kill switch and a brand new campaign entitled 'Boef Proof' (Thief Proof), which started in 2014. The kill-switch phone enables users to find their smartphones remotely, erase data and lock the device, thus making the stolen smartphone worthless.

De Kindertelefoon
Since 2010 T-Mobile has been sponsoring 'De Kindertelefoon', a helpline where children in particular can anonymously call for help. T-Mobile enables children and young people to use their mobile phone to make free calls to this 'Kindertelefoon'.

CUSTOMER SATISFACTION

As a service-oriented, responsible company, we feel obliged to respond to our customers' needs and expectations. That's why we have set up a comprehensive customer relationship management system. We encourage dialog with our customers by giving them opportunities to quickly and easily contact us at any time via the communication channel of their choice, e.g., by phone, e-mail or at a Telekom shop.

MANAGEMENT APPROACH

Our ambition is to delight our customers. We have integrated this goal into our Group-wide Guiding Principles. Even variable components of our managers' salaries are based on customer satisfaction. We use a variety of tools to regularly gauge the satisfaction and loyalty of our customers. One of these tools is the TRI*M customer loyalty study, which is conducted several times a year by an independent external service provider. The results are presented in the TRI*M index. We plan to improve our TRI*M results from 2012 by around 10 percent by the end of year 2015. All customer responses are taken into consideration in product design and to improve our customer service.

Since 2013, all fixed-line and mobile communications customers are able to reach us by phone around the clock at no charge. This applies to all of our service numbers, even for questions regarding Internet and TV services. Online communication is becoming more and more important. More than 40 percent of all service inquiries at Telekom Deutschland are solved by support provided by our cross-area online platforms. We systematically evaluate our customers' inquiries and complaints to identify the root of the problem and make improvements.

TANGIBLE SUCCESS WITH "K1 – KUNDE ZUERST."

One key tool for implementing the "best customer experience" area of operation as part of our Group strategy is the "K1 – Kunde zuerst" (customers first) program. The idea behind the program is to improve customer satisfaction and give our customers a better experience. Not only do we meet the expectations of our consumers and business customers with this program, we try to surpass them. Thanks to the program we have been able to significantly improve customer satisfaction. The number of complaints regarding fixed-network services, for example, decreased by 6 percent from 2012 to 2014. Customers who were assisted intensively by a case manager within the scope of our Complaint Management 2.0 project expressed a particularly high degree of satisfaction. Compared to general complaint management activities, we saw fewer cases of customers contacting us multiple times with the same problem within the scope of the project.

Another good example of effective K1 measures is our return channel. When a customer signs a contract, we send a text message confirming the contract and a number that they can call to speak directly with the service center if they have any questions. Our service staff systema-

tically documents the customer's questions and requests. This helps us prevent repetitive problems and further optimize our processes.

We received special recognition for the DSL help app, which was developed within the scope of K1 and which customers can use to conduct their own error analysis if they experience problems with their broadband line. In 2014, the internationally active market research and consulting institute, YouGov, named the app the Best Service Innovation in the Service and Assistance category.

Indicator shows progress in terms of customer retention

We use the TRI*M index to gauge customer retention and regularly participate in benchmarkings. In 2014 we were able to improve our prior-year results. The TRI*M index went up by around 1.8 percent throughout the Group; we were also able to further improve our index score at Telekom Deutschland. Our goal is to increase customer retention in Germany by 10 percent in 2015 compared with 2012.

DEUTSCHE TELEKOM: LEAD IN CUSTOMER TRUST

Customer satisfaction with our service was assessed by the TÜV Rheinland inspection agency in the reporting period. The testers rated our service hotline, the Telekom shops, and our technical service as "good" for the second time in a row. During the assessment, they had asked 850 customers from each of the three areas how reliable, competent and friendly the service employees they encountered were. Based on the number of points determined by the testers, each individual area also received a score of "good." This once again reflects improvement compared to the previous year.

Connect hotline test

Our efforts to strengthen customer trust were praised by a third party during the reporting period. 107 testers from the Connect trade journal compared the customer service at mobile service providers in Germany in a "hotline test" in 2014. The quality of the statements had top priority. The testers were most impressed with Telekom's customer service staff. The Telekom hotline was found to be very accessible with a relatively average short waiting time of not quite two minutes. The testers also gave Telekom a score of "very good" in the category of friendliness/social skills. The fact that the Telekom hotline 2202 is free of charge was also rates positively. Our e-mail service also got the top score. 18 out of 20 inquiries were dealt with within an average of 26 hours, with the majority of the information provided having been correct. Telekom earned the highest score among all its competitors, putting the company in first place. Connect also conducted a readers' test between March and May 2014 to assess quality, service, and customer satisfaction. More than 99,600 readers participated in the test and named Telekom the best provider for both fixed-network and mobile communications services.

PROMOTING START-UPS

We encourage talented students and innovative business ideas both within the Group and in society at large. The purpose of Deutsche Telekom's hub:raum start-up incubator, for example, is to help people who are starting a business get their innovative ideas off the ground. We are convinced that helping these start-ups get up and running will ultimately benefit our company, since we will be able to work together with them to bring new or improved products to market. That is why a number of our international subsidiaries have also launched start-up initiatives and offer grant programs that give financial support to talented students.

THE LATEST FROM START-UP INCUBATOR HUB:RAUM

We have been running our own start-up incubator in Berlin since 2012 under the name hub:raum. At hub:raum, start-up teams can develop their ideas in an "incubator" environment and then introduce them to the market. Experienced start-up entrepreneurs work with the teams as mentors. We also provide teams with a maximum of EUR 300,000 in seed funding.

Interested start-ups can go to the hub:raum website and apply for acceptance to the program. The following start-ups were among those admitted to the program in 2013 and 2014:

- qLearning, a learning assistance start-up from Munich

- Contiamo, a business intelligence company from Berlin

- Vigour.io from Berlin and Amsterdam, which has developed a platform for operating device-independent applications

- Frestyl from Berlin, whose event app provides recommendations for music events, concerts, and parties with the help of expert tips

Together with the existing start-ups Stylemarks, Salonmeister, Reputami and Blinkist, we now have eight start-ups participating in hub:raum. hub:raum also offers an ongoing accelerator program. Start-up teams whose ideas complement Deutsche Telekom's portfolio can join the program to turn these ideas into business models that qualify for financing. We provide them with the hub:raum campus infrastructure at no charge as well as hub:raum program offers, which vary from week to week (e.g., mentor and expert consultations, workshops, and events). More than 60 start-up teams have already taken advantage of this offer in Berlin and Cracow.

In 2014, hub:raum also introduced a new, topic-based event format referred to as boot camps. At these events, start-ups are given the chance to "boot" themselves (like booting an operating system), i.e., get noticed. We also use these events to present the start-ups as

Deutsche Telekom partners and put them in touch with investors. Teams from all over the world are invited to present their solutions to us in Berlin and/or Bonn. Boot camps were held in 2014 on the following topics that are relevant to us: Internet of Things, cyber security and wearables (computer systems you can wear). More than 30 start-ups participated.

TELEKOM INNOVATION CONTEST

We held the first Telekom Innovation Contest in 2013 to bring young innovators in contact with our company and tap the advantages of this relationship for everyone involved.Following the successful launch of the international ideas competition, we once again asked creative teams to submit their ideas in 2014. Students, entrepreneurs with start-up ideas, young IT start-ups and employee teams from the Group were all invited to participate. More partners than ever before supported the 2014 competition, which was initiated by Telekom Innovation Laboratories in Berlin, T-Mobile Poland, and Magyar Telekom in Hungary. All of Deutsche Telekom's incubators – hub:raum in Berlin, Cracow and Tel Aviv, along with Kitchen Budapest and UQBATE, a program for employees, participated in the competition.

The Italian start-up Atooma got potential investors interested in investing up to EUR150,000 at the competition held in Cracow on June 27. Atooma is a platform that connects end devices, apps and sensors, and helps users automate their processes. As soon as someone using the app approaches their home, Atooma can automatically turn on the Wi-Fi function and reduce the ring volume. Other finalists in addition to Atooma won a four-day training program at hub:raum in Cracow as well as hardware and software for their start-ups.

A total of 326 teams from 39 countries participated in the competition. Participants could make submissions in six categories including smart energy, cyber security, data management, and the Internet of Things. The majority of participants (60 percent), however, decided to submit concepts for the hot topics of cloud computing ("cloud-based productivity") and the future of media and communication.

SOCIETY

"Yes, I can!" initiative: with a volume of around 4 million euros, more than 700 projects have been supported since 2009.

Education is the key to the information and knowledge society. That is why we are dedicated to "connecting the unconnected," which means promoting confident and safe use of new media, removing barriers and improving skills. Many of our employees help us in this mission through their volunteer efforts. It is our tradition to sponsor cultural and sporting events and activities.

We make a point of involving important stakeholder groups in our processes. As the basis for our sustainability management strategy, we therefore systematically collect the topics that are of material interest to our stakeholders and to us. You can view the results of our survey here (as of February 2015):

Topic weighting

Relevance for Deutsche Telekom (vertical axis): Less relevant, Relevant, Very relevant

Relevance for stakeholders (horizontal axis): Less relevant, Relevant, Very relevant

- Improving media competency
- Minimize the digital divide ("digital inclusion")
- Social commitment strategy
- Cooperation with non-profit organizations
- Corporate volunteering
- Engaging local communities
- Commitment to education
- Support for children and youth
- Disaster relief
- Promotion of sports and culture
- Transparency of financial contributions
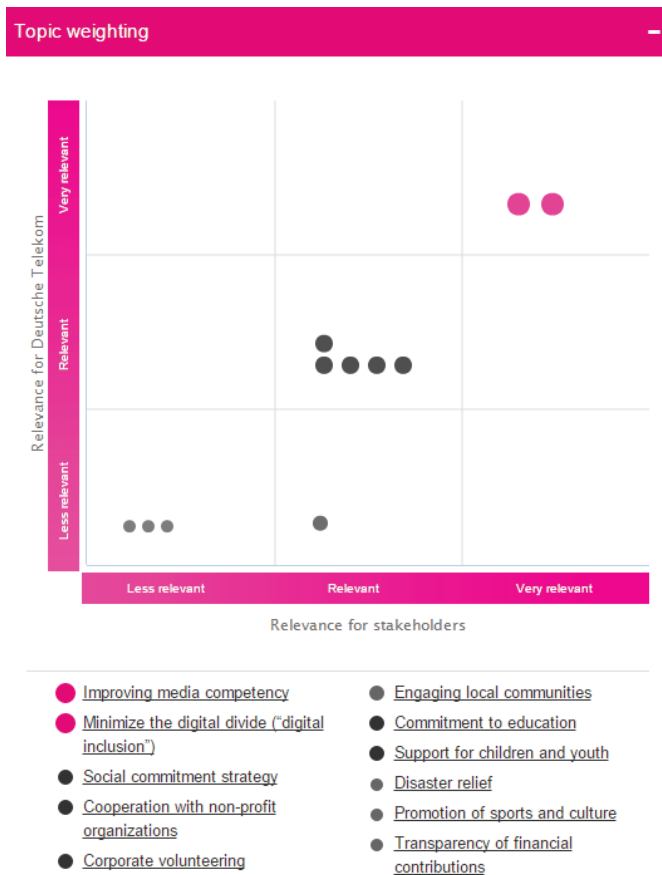
CONNECTING THE UNCONNECTED

Living in an increasingly digitized world requires certain skills. Only people who know how to work with new media safely and with confidence can take full advantage of the opportunities presented by today's know-ledge and information society. As an international ICT corporation we feel we carry a special responsibility in this. We want to be more than just a company that provides society with infrastructure. As a reliable partner in all walks of life, we promote equal opportunities, thereby getting both society and our company ready for the future.

As a provider of telecommunications services, we live with and in a society increasingly characterized by digitization and the opportunities it brings. This particularly includes having constant access to information and global communication to an extent never seen before. That is why our primary goal is to give more people the opportunity to use ICT services and remove barriers. We provide offers for learning effectively, safely and at an individual level in order to encourage the enjoyment of communication and technology. Our efforts focus on all age groups, from children in preschool and students to seniors.

MANAGEMENT APPROACH
We support numerous digital education projects throughout the Group in which we help young people develop their skills and realize their potential. We contribute our digital technology expertise as an ICT service provider to these projects.

- Through the Teachtoday initiative we help teachers, school administrators and school social workers as well as parents and students use digital media to teach and learn by providing practical, everyday tips and materials, thereby encouraging the development of media skills.

- We offer schools throughout Germany free broadband connections as part of our Telekom@School initiative to give children and young people the opportunity to learn how to use digital media regardless of their background.

- Our "Yes, I can!" initiative, which was launched in 2009 and is currently run by an organization founded by Deutsche Telekom employees, sponsors projects and facilities that build the abilities and basic skills of young people from disadvantaged backgrounds in order to promote equal opportunities.

- We support skills development in the STEM subjects (science, technology, engineering and mathematics) from preschool to grant programs, through our Deutsche Telekom Stiftung foundation.

- In order to promote digital security, we commission studies on the Internet usage patterns of different user groups, contribute the findings to political discussions and pass them on to the general public in the form of information materials.

COMPETENT IN THE DIGITAL WORLD

The digital world is changing how we live and learn. Only people who can use digital media safely and with confidence will be able to take advantage of the opportunities that our modern knowledge society has to offer, from online research and making reservations online to mobile communications. But it is often difficult to keep up-to-date. That is why Deutsche Telekom supports media skills in the context of numerous projects for children and young people as well as seniors and people with disabilities. We particularly focus on activities involving online security, because crime is taking on other forms in the digital age.

A recent study (only available in German language) conducted by the Deutsche Telekom Stiftung foundation shows how important it is to integrate mandatory, comprehensive media education throughout the educational chain. According to the study, the educational success of individuals in areas involving digital media skills is particularly related to that person's background in Germany. Deutsche Telekom intends to promote equal opportunities with its involvement.

TEACHTODAY – LEARNING WITH DIGITAL MEDIA

In 2014, Deutsche Telekom assumed responsibility for the Teachtoday online platform, which was launched as part of an EU initiative. The platform was redone in November 2014 with topics and didactic elements being revised and expanded. The new website addresses a larger target group. On the platform, teachers, school administrators and school social workers as well as parents and students will find practical, everyday tips and materials on how to use new information and communications media securely and responsibly.

Within the scope of the Teachtoday platform, we conducted the "Medien, aber sicher" competition in 2014 where public schools and institutions that work with children and young people submit projects for using media safely. In the winning project, "Now – online," submitted by Uhland elementary school in Wurmlingen (Baden-Württemberg), fourth graders addressed their personal experiences with the Internet. They talked to experts and compared the results with those found in scientifc studies to come up with the criteria for creating a good website.

Five winning projects – in which about 200 children and young people were involved – were then invited to attend the first Cyber Security Summit for Kids on November 4, 2014, at Deutsche Telekom Headquarters in Bonn. Together with Deutsche Telekom Board members, the winners could try out a new jump and run obstacle course at the summit that takes a fun approach to teaching media skills and digital knowledge. Schools and youth work facilities have been able to book the obstacle course free-of-charge since February 2015. The course will be visiting schools and educational facilities throughout Germany for a whole year. Hausburg elementary school in the Berlin district of Friedrichshain was the first on the list, opening the tour on Safer Internet Day in February 2015.

TRAINING IN "SIMPLE LANGUAGE" IN COLLABORATION WITH LEBENSHILFE AID ORGANIZATION

Several times a year, Deutsche Telekom employees organize trainings on a variety of topics including how to use cell phones and the Internet for residents of Lebenshilfe facilities within the context of Deutsche Telekom's Social Days. Deutsche Telekom had the course materials translated into simple language. A volunteer trainer conducted a live test of the materials with a test audience on Volunteer Day 2013; the revised format has been available since mid-September 2014. The course materials were again successfully used at a workshop for Lebenshilfe residents in Bonn during Community Volunteering Week in September 2014. Deutsche Telekom employees gave the 20 guests tips and support in using state-of-the-art communications media, answering their questions using simple language.

DIGITAL SECURITY

Recent studies show that children and seniors often go online without paying attention to security. The annual security report conducted by the Allensbach Institute and commissioned by Deutsche Telekom in 2014 found that almost half of all parents don't really keep track of their children's activity online. 40 percent of those parents also feel that their children are not effectively aware of the risks associated with their activities and feel that teachers in particular are under the obligation to help.

Deutsche Telekom promotes online security at different levels with a variety of activities and collaboration projects.

▪ **Online guide: "Security in the digital world."**

Entertaining and practical – in September 2014 Deutsche Telekom presented the multimedia online tool, "Security in the digital world" at the international IFA consumer electronics trade show in Berlin. The tool illustrates situations involving use of media by fictional user types including young people, grown-ups or parents and freelancers and discusses the challenges involved.

▪ **Data security guide as an app**

The third revised edition of Deutsche Telekom's free online guide on data security was released in 2014. In addition to the popular printed version, the guide is now available as a download in the Telekom Shop app and as a multimedia iBook.

- International expansion of helplines for children

The Global System for Mobile Communications Association (GSMA) and Deutsche Telekom joined forces with the Child Helpline International (CHI) child protection organization in 2014. The goal of the collaboration is to provide better online protection for young people and help them exercise their right to be heard. In a joint agreement, GSMA and CHI laid the foundation stone for the funding of children's helplines all over the world.

- "Me and the cyber world" internal competition

In order to raise employee awareness regarding their children's online safety, we held a creative competition entitled "Me and the cyber world" in October 2014 via our internal social network (TSN). Children were asked to illustrate how they saw the IT world on a poster – colorful and exciting, complex or simple. The posters were then compiled in a slide-show and posted on the TSN where our employees could vote for their favorite.

CONNECTED IN THE CLASSROOM OF THE FUTURE

With the Connected Kids project, we raise awareness among students, parents and teachers regarding the numerous ways mobile Internet can be used for learning and advance the use of digital media at schools. T-Mobile Austria collaborated with Apple between November 2013 and March 2014 and has been doing so again since November 2014 to equip classes at Austrian schools with tablets and mobile online hotspots for 2 weeks each. Young teachers are available for the students during this time as tutors to help the students get familiar with online learning options. Long-term project goals include inspiring students to pass on what they learn to people outside of traditional educational institutions.

RECORD PARTICIPANT NUMBERS AT FREE PROGRAMING WORKSHOPS

Free programing workshops were held under the patronage of Coder-Dojo North Bucharest and Telekom Romania in September 2014 for the third year in a row. A total of 50 children participated in three workshops conducted simultaneously by Telekom Romania in Bucharest. That is the highest number of participants this event has seen to date. Telekom Romania also provided logistical support and high-speed Internet.

The pinnacle of the event in 2014 was the Arduino workshop on computer-aided electronics teaching, which was offered to children ages 12 and up. The first workshop of its kind at a national level taught children the basics of applied electronics on the basis of the Arduino development platform. Participates got to know the hardware elements as well as the programing language of the Arduino platform.

CoderDojo is an international initiative founded in Ireland in 2011 to teach interested children about programing basics in a relaxed atmosphere outside their normal classroom setting.

ACCESS TO THE DIGITAL WORLD INITIATIVE

The Access to the Digital World initiative was founded in 2012 with the financial support of OTE and COSMOTE. Its aim is to teach people ages 50 and up who are unfamiliar with the digital world the basics of computer technology, giving them the chance to further their education and engage in lifelong learning. People ages 50 and up with no computer experience are taught the basics of digital technology and offered courses on how to use the Internet free of charge. Participants learn how to use the touchscreens in smartphones and tablets and become familiar with social networks like Skype and Facebook in two to four-hour seminars.

Access to the Digital World seminars were held in the community of Ilioupoli from September 30, 2013 until July 3, 2014. Up to 20 participants at each of the 24 courses learned how to use computers and the Internet. Participants met two hours twice a week for six weeks. A total of 76 hours of seminars were attended by 480 senior citizens; their average age was 64. In 2014, Access to the Digital World expanded to include the Agios Dimitrios community. In addition to providing financial support, OTE and COSMOTE also provided the initiative with the required hardware and technical support.

IT COURSES FOR SENIORS

AjTy ("you too") Senior, a joint project launched by T-Systems Slovakia and an electrical engineering school in Košice in 2013, offers IT courses for senior citizens. In 2014 the courses focused on how to use computers and the Internet. Among other things, instructors explained to participants the many uses of the Internet, how to set up an e-mail account, how to create documents using MS Word, how to participate in an online chat, etc. There were more participants in 2014 compared to the previous year; participant numbers increased from 16 to 20 and the number of volunteer teachers from T-Systems Slovakia went from 8 to 22. The quality of the courses was also improved, e.g., with new ways of communicating with the participants, and providing course content after its completion.

Within the scope of a work-study training program, which is being conducted in collaboration with the same school for the second year in a row, managers and IT experts from T-Systems Slovakia offer courses to prepare participants to face the challenges of the ICT sector. The 11 volunteer teachers from the company taught classes of 20 seniors for a total of 198 hours per semester.

MORE SECURITY FOR KIDS IN THE INTERNET (SHEEPLIVE.EU)

The Sheeplive.eu (OVCE.sk) project was initiated in 2009 by the eSlovensko civic action group to give children and young people practical tools and solutions to using cell phones and the Internet safely. The project was designed as a preventative measure for small children (two to six) and to encourage young people to reflect their own behavior on the Internet in a humorous way. Parents can also have fun and enhance their skills using the program. There are two components to the project: the Sheeplive comic strip and the Sheeplive.eu online portal. The project was recognized as one of the most innovative e-content products worldwide with the UN World Summit Award.

Sheeplive campaign at Slovak Telekom shops
Slovak Telekom has been working to keep children and young people safe online and when using mobile communications for some time now. Most of the company's shops participated in a campaign to raise aware-ness of online security in June 2014. Posters and a TV ad informed parents about offers that can help them keep their children safe from online dangers. Children were given crayons, stickers with characters from Sheeplive.eu and a small coloring book containing a lot of tips. That helped parents and children pass the time spent waiting at the shop while teaching them about effective protection measures to keep kids safe online and when using mobile communications.

Sheeplive.eu on tour
In 2014 Sheeplive.eu visited day care centers, orphanages (200 children during the summer break), Magio beach (with workshops for children at day camps) and a Roma settlement in Kosice, where the authors of the Sheeplive.eu book gave 100 Roma children important safety tips at a reading. According to the results of a study, children from disadvantaged backgrounds are more at risk.

The final highlight of the campaign was the book launch of Sheeplive.eu 02 in November 2014. A version of Sheeplive.eu cartoons for children with hearing and sight impairments is also available. The series is becoming increasingly popular and is very successful outside of Slovakia as well.

CONNECTED IN THE DIGITAL WORLD

Access to the digital world primarily depends on having access to technology. By providing technical infrastructure and special rates, e.g., for disabled people, Deutsche Telekom helps create equal opportunities.

THE TELEKOM@SCHOOL INFRASTRUCTURE PROJECT

During the reporting period, we extended our offer of free Internet access within our Telekom@School initiative. We now offer schools the opportunity to upgrade all of their existing connections to up to 16 Mbits wherever technically feasible. The goal is to make it possible to use digital media in class, so that teachers and students can take advantage of the opportunities and perspectives offered by new technology.

Since 2000 Deutsche Telekom has been providing all 34,000 general and vocational schools throughout Germany with Internet access free of charge as part of its Telekom@School initiative. 30,000 of these schools have DSL broadband connections. Depending on availability, schools can order a Telekom@School connection at VDSL speeds.

SUPPORTING TECHNOLOGY TO ENCOURAGE DIGITAL INCLUSION

In January 2014, the e-Macedonia foundation and the Open the Windows charity organization launched a six-month project, Computer – A Window to the World, to help give children and people with disabilities the opportunity for equal participation in the information society. The goal was to enable as many disabled people as possible to use computers and online services. People with disabilities are often unable to use standard computer technology, which excludes them from geting involved successfully in all areas of life. For that reason, the first step was to purchase supporting technology. The e-Macedonia foundation donated 14,000 euros for this purpose.

SUBSIDIZED RATES FOR PEOPLE WITH DISABILITIES

In the scope of the "hello holnap!" initiative, customers with disabilities are offered subsidized rates and usage options in line with their particular circumstances. People with hearing or sight impairments, for example, can choose between different volume levels, font sizes and data packages. The plans were developed in collaboration with experts from different NGOs. Participants included the Hungarian Association for the Deaf and Hearing-Impaired (SINOSZ), the Hungarian Disabled Association (MEOSZ), the Hungarian Association for the Blind and Sight-Impaired (MVGYOSZ), the Hungarian Association for People with Mental Disabilities (ÉFOÉSZ) and the Hungarian Autism Association (AOSZ).

So far 600 customers have taken advantage of the following plans:

- hello holnap! voice and data (including 100 hours of free phone calls in the Magyar Telekom network and 1 GB data)

- hello holnap! SMS and data (including 1,000 SMS and 1 GB data)

Prepaid plans featuring discounts are offered as well. So far 2,200 customers have taken advantage of these offers.

The complete offer package was presented at Equal Opportunity Day on May 5, 2014, at a round table of representatives from government and media as well as people with disabilities.

READY FOR THE FUTURE

Deutsche Telekom is dedicated to getting young people ready for the future and promoting equal opportunities. We take different approaches in our efforts. With our "Yes, I can!" initiative, for example, we help young people from disadvantaged backgrounds improve their skills and give them the opportunity to participate in a vocational training program through our "My chance to get going" project.

Skills development and professional orientation among students is a focus of many projects we conduct at schools and universities. We also live up to our corporate responsibility by training far more young people than we actually need. We encourage young people to get involved in their communities within the scope of initiatives such as our Enactus university collaboration, a coaching offer for student community projects, and as a partner of the "Go your own way" program run by the Deutschlandstiftung Integration foundation.

"YES, I CAN!" INITIATIVE

The "Yes I can!" initiative celebrated its five-year anniversary from June 20-23, 2014, in Berlin. More than 600 children and young people as well as teachers from all over Germany attended the event. The initiative, which was selected by the UN to be part of the UN World Decade of Education for Sustainable Development, sponsors projects that use a variety of means to encourage the development of key skills for a successful life within the context of open youth work. In 2014, 200 new projects were supported under the slogan "Living strong" with a funding volume of more than 750,000 euros. Over the past five years, the initiative has reached more than 60,000 children and young people through more than 700 projects with a funding volume of currently around four million euros (as of 2014).

The celebrations began with the annual "Yes, I can!" Cup, in which around 400 children and young people played against each other in a soccer competition. In addition to the number of goals scored, the conduct of the players, coaches and fans plays a role in who wins the "Yes, I can!" Cup (fairplay). At the "Yes, I can!" Day held afterwards at Deutsche Telekom's Representative Office in Bonn, Telekom offered workshops and presented projects to give visitors insight into the variety of projects being sponsored. Accompanied by band performances at the marketplace, guests could admire a replica of the ship sailed by Christopher Columbus, which children and young people from the Munich district of Hasenbergl spent the last two years building for their playground, watch a self-made solar cooker in action or try their hand at activities such as capoeira and poetry slamming at different workshops.

DEUTSCHE TELEKOM STIFTUNG PROMOTES STEM SUBJECTS

The Deutsche Telekom Stiftung foundation supports numerous projects focusing on STEM subjects throughout Germany in order to get young people excited about a career in one of these fields and to help them improve their STEM skills. One excellent example is the Junior Engineer Academy (JIA), a program founded in 2005 in which Deutsche Telekom Stiftung helps secondary schools throughout Germany developing a classic STEM profile. 70 schools throughout Germany were involved in the JIA network by the end of 2014. The project has reached around 3,500 students since it was first initiated.

- **Be a math whiz**

With the cooperative project, "Be a math whiz," the Deutsche Telekom Stiftung foundation hopes to make mathematics more accessible to poorly performing students. Under the coordination of TU Dortmund University, the project team develops, tests and publishes special course material for middle-grade students. The German Center for Mathematics Teacher Education (DZLM) also offers continued education courses throughout Germany in connection with the project. Deutsche Telekom Stiftung has worked with the states of Berlin, Brandenburg, North Rhine-Westphalia and Schleswig-Holstein in the project. Materials are published in these states and their impact on students is then evaluated.

- **MINTeinander project**

The MINTeinander project was initiated in 2013 with the goal of teaching STEM skills to students from preschool through school-age using course material developed within the context of the project. Around 135 day care centers, elementary schools and secondary schools work in 35 networks with the materials, which were developed by a group of experts at the University of Münster. After successfully introducing the topic of magnetism in 2014, the project team is currently developing course materials on floating and sinking as well as mechanics.

- **Junior Science Café**

How much research is involved in a smartphone? How will we be communicating with each other in 20 years? In the Junior Science Café (JSC) project conducted by the Deutsche Telekom Stifung foundation in collaboration with the Wissenschaft im Dialog business initiative, students aged 14 through 18 organize discussion panels with experts where they can talk about science-related topics in a relaxed atmosphere. The main focus of the project is to encourage students to act independently. They choose the topic and the experts and plan and moderate the panel discussions, which introduces them to different scientific topics. A total of three Junior Science Cafés were conducted during the pilot project in 2014, focusing on issues involving the digital society. The project was opened to secondary schools throughout Germany in 2015.

COACHING FOR STUDENT SOCIAL-WELFARE PROJECTS: ENACTUS

Deutsche Telekom's Center for Strategic Projects (CSP) has been actively supporting the international student network, Enactus, for several years. We coach teams of students from our two focal universities, the University of Wuppertal and the WHU Otto Beisheim School of Management, on how to conduct their own projects and implement their own business ideas in social and environmental fields.

The team we coach at WHU Vallendar continued to work on the project it started in 2013 during the reporting period. The team wants to give people with disabilities better opportunities on the job market by helping a social welfare organization build a job placement company for people with disabilities.

The Mumo Kidz project being conducted by the Enactus team at the University of Wuppertal set up an online cloud to function as an internal organizational tool for a school in Nairobi to ensure a seamless transition when new teachers take on classes as frequently happens at the school. More than 40 students from the University of Wuppertal developed technological concepts for long-term aid for people in need under the slogan "Technology inspires" and in collaboration with CSP.

"THE FIRST FIVE ARE MOST IMPORTANT"

The United Nation's Children's Fund, UNICEF, and the T-Mobile for Macedonia foundation are continuing their "The first five are most important" project within the scope of their partnership. The goal of the program is to raise people's awareness of the importance of early education for children. Children develop particularly quickly during the first five years. It has been proven that children who attend preschool are generally more successful later at school and in life. For this reason, the joint initiative plans to open as many centers for early child development as possible in order to give children from disadvantaged backgrounds the same advantages as other children their age who attend day care centers. The first new early child development centers are being set up in rural areas because there are fewer facilities there than in the cities. Eight of these centers have already opened and another eight are scheduled to follow in 2015/2016. In 2014, the T-Mobile for Macedonia foundation made its first donation of US$ 50,000 to finance the new centers, also donating part of its revenue from text messages sent on New Year's Eve.

ENGAGEMENT@TELEKOM

Their community volunteer efforts make our employees the most effective representatives of our values. Through their efforts, our employees express our relationship to the community in which we live and strengthen the sense of community we share. In addition to contributing to the community, this is also beneficial to Deutsche Telekom's reputation. Volunteering is also very beneficial when it comes to internal HR development. It strengthens identification with the company, expands each person's horizon and has a positive impact on social skills and teamwork.

That is why we give our employees the opportunity to volunteer for community projects, preferably ones that focus on teaching media skills. This is just another way in which we help simplify and enrich the lives of those around us.

MANAGEMENT APPROACH

Our engagement@telekom volunteer platform is based on two pillars:

- Corporate volunteering (supporting our employees in their volunteering activities) and corporate giving (our donation activities)

- Long-term partnerships with non-profit organizations

engagement@telekom

covers the entire social commitment of
Deutsche Telekom AG

Collaboration partners	Corporate volunteering/ corporate giving
Partnerships with employee participation	Encouraging employees' volunteering activities

We collaborate closely throughout the Group when it comes to our social involvement and share experiences and best practices across country borders. The success of our activities is gauged using the Social Commitment ESG KPI.

At numerous Social Days we give our employees a chance to get involved in social-welfare projects or environmental protection efforts, often within the scope of our longstanding partnerships with non-profit organizations. One of our focal points are projects that promote digital education in which our core areas of expertise can be particularly effective. Corporate volunteering is also an important component of

our training and development activities. The volunteer efforts of our apprentices are given special recognition in our Group competition, "Responsibility wins!".

Our corporate giving concept includes donations for aid organizations worldwide, preferably those with which we have longstanding partnerships, and fast disaster relief. Our 11-year collaboration with Aktion Deutschland Hilft, Germany's relief coalition, is an excellent example. Our Group donation policy outlines the framework for our activities. The policy is currently being implemented internationally and adjusted based on applicable national conditions such as tax law.

"RESPONSIBILITY WINS" COMPETITION

Assuming responsibility for the community is a key aspect of being an apprentice at Deutsche Telekom. We encourage and reward the efforts of our apprentices and students on cooperative study programs in our annual internal competition, "Responsibility wins." Once again, a number of them participated in 40 projects throughout Germany in 2014; the most impressive projects were recognized at an award ceremony.

AKTION DEUTSCHLAND HILFT – DISASTER RELIEF

Deutsche Telekom provided emergency relief in two cases, each time supported by donation campaigns conducted by our employees, in the eleventh year of our successful collaboration with Aktion Deutschland Hilft, Germany's relief coalition. In October 2014 we donated 50,000 euros to fight the Ebola epidemic in West Africa, calling on our employees to follow our example. We donated another 50,000 euros to aid flood victims in parts of Bosnia-Herzegovina, Serbia and Croatia. In May 2014, these regions experienced the strongest rainfall they had seen in 120 years, causing devastation to the area; roughly 60 people died and more than 100,000 houses were destroyed. Our Croatian subsidiary T-HT Hrvatski Telekom collaborated with other network providers to provide victims from the region with free phone service, text messaging and Internet access. Other Eastern European subsidiaries like Crnogorski Telekom in Montenegro, Cosmote in Romania and Makedonski Telekom in Macedonia, were also involved in donation drives.

Aktion Deutschland Hilft focuses a significant portion of their funds on disaster recovery programs, an area in which Deutsche Telekom has become more involved since 2014. We sponsor training programs on disaster preparedness for people in the Philippines and Indonesia. The program is run by two Aktion Deutschland Hilft member organizations. The program pays particular attention to high-risk groups such as children and people with disabilities and focuses on training teachers and getting the subject taught in elementary school. The project being conducted by the organization in Haiti, which Deutsche Telekom also supported in 2014, is even more extensive. In addition to training

emergency aid teams to provide disaster relief, the two aid organizations built model homes to teach local workers how to build houses that can withstand disasters and provide easy access for seniors. They also helped locals create gardens at their homes and schools to improve their nutrition.

20 YEARS DKMS, 10,000 EMPLOYEES TYPED, 100 LIVES SAVED

2014 was a special year for Deutsche Telekom's collaboration with DKMS, the German Bone Marrow Donor Center. The 10,000th Deutsche Telekom employee was typed just in time for the collaboration's 20th anniversary. More than 70 typing drives were run in 2014. Since the collaboration began, more than 100 Deutsche Telekom employees have been able to serve as stem cell donors thanks to a matching profile in the DKMS donor database. By donating stem cells, each one of those employees gave leukemia patients the chance at a new life.

As in past years, employees who donated stem cells or bone marrow in 2014 were honored in December 2014 at an official event. Sandra Bothur, Managing Director of DKMS, and Dietmar Welslau, CHRO at Telekom Deutschland GmbH, thanked a total of 20 Telekom employees for their donations.

TOGETHER WE ARE STRONGER

For the ninth year in a row, T-HT Hrvatski Telekom hosted the successful "Together we are stronger" competition to support projects and charities that work to enrich people's lives and promote community development. T-HT Hrvatski Telekom has already donated more than HRK 7 million (around 910,000 euros) within the scope of this initiative to support 220 projects. The projects focus on education for children and young people, the health sector, care for senior citizens and patients, humanitarian efforts and the environment.

Donations in 2014 came to HRK 495,000 (approx. 64,350 euros) and again went to organizations and institutions that support important local causes. The competition ran from June through November 2014 and focused on the following categories:

- Technology and communication: projects involving the use of modern technology in the private and professional spheres

- Education and digitization: projects to improve quality of life and encourage inclusion and equal opportunities

- Environment and progress: projects to protect the environment

456 projects participated in the competition in 2014. In the end, nine charities from a variety of areas received financial support. The results of their work were reviewed and published. All phases of the competition and, of course, the winners received extensive media coverage.

SUPPORTING WAR CHILD

T-Mobile Netherlands' partnership with and main sponsorship of the NGO War Child helps children in war areas to enjoy education. This is made possible through a grant, the provision of free consultancy, and raising money through employee initiatives.

2014 was the year of the highest engagement yet, with around 1,000 employees involved, help provided to some 30,000 children, and a record sum of nearly 500,000 euros raised for War Child.

War Child particularly supports children in the following areas:

Sudan and South Sudan

In two countries devastated by 38 years of civil war, mass migration or displacement of families means children are too far away from a school to receive any education. With the support of T-Mobile War Child provides children in Sudan and South Sudan with some schooling via T-Mobile Connect, a teaching and e-learning project. In 2014, a second pilot project was conducted in which 600 children were involved. E-learning Sudan has been chosen as one of only 14 showcase projects worldwide for the UNICEF Innovation for Education.

Lebanon and the war in Syria

About 1.5 million Syrian children have fled the civil war in Syria to neighboring countries such as Lebanon, Turkey and Jordan. Ever since the beginning of the conflict, Syrian children have been severely affected by illegal detainment, sexual abuse, and exposure to hostilities. War Child now has 20 Safe Spaces for Syrian refugee children, and 2014 War Child provided psychosocial relief to 80,000 Syrian children there. Parents and carers are also involved. A lion's share of the money T-Mobile Netherlands raised in 2014 is going to Lebanon.

CULTURAL AND SPORTS SPONSORSHIP

Culture and sports are a source of pleasure, inspiration and also innovative strength for society. An inspiration to many people, they create a sense of community and enable understanding across cultural and political borders. As an international corporation, we feel that sponsoring cultural activities and sports is another element of our corporate responsibility.

MANAGEMENT APPROACH
Deutsche Telekom encourages variety in cultural expression throughout the Group. In Germany, it is one of the leading sponsors of culture and sports. As well as providing financial support, we offer our experience in communication and marketing activities to support artists, athletes, organizers and clubs. Regional involvement at our locations also plays a key role.

Sponsoring music is a long-standing tradition at Deutsche Telekom and a vital element in the company's brand communication activities. We want to give as many people as possible access to cultural events, thus encouraging them to share thoughts and ideas. Our main sponsorship focus is placed on events like the Beethovenfest and the International Telekom Beethoven Competition Bonn, which gives a stage to up-and-coming pianists from all over the world.

Deutsche Telekom supports competitive and recreational sports equally. Our sports sponsorship activities focus on soccer partnerships with the DFB German Football Association, FC Bayern Munich and other German major league soccer teams. Deutsche Telekom also lays emphasis on those aspects of sports that foster community life. We sponsor athletes supported by Stiftung Deutsche Sporthilfe, recreational and school sports projects as well as athletes with disabilities. As a Bonn-based company, we also sponsor the Telekom Baskets Bonn basketball team and the Bonn Marathon. We also encourage our employees to participate in the city's traditional annual run and in the "Staying in shape in the winter" running for health program.

ENCOURAGING ENTHUSIASM FOR SPORTS WITH THE TELEKOM BASKETS
Ticket sweepstakes for the Telekom Baskets' Eurocup matches
German and international top league basketball with a young audience – the German Bundesliga and Eurocup home games of the Telekom Baskets were again a sporting event highlight during the 2014/2015 season. Before the season got underway, Deutsche Telekom launched its seventh Tix for Kids ticket sweepstakes. Participation was open to all schools in Bonn. We raffled off two sets of tickets (2 x 30) for each home game. The Telekom Baskets Bonn also asked large, medium-sized and small businesses to get involved in ticket sponsorship for the 2014/15 Eurocup for social welfare institutions, school classes, club teams, or work centers for disabled people. Deutsche Telekom itself donated an

additional 60 tickets to the Maria im Walde children and youth center.

Training with the Telekom Baskets: Baskets@school
In our Baskets@school initiative, we gave students in fifth grade and up the chance to experience a different kind of basketball training. For the 2014/15 school year, we invited classes from the Bonn area and the Rhein-Sieg-Kreis district to apply. Six players and the trainer of the Telekom Baskets Bonn visited the winning classes and gave the students an introduction to the world of basketball. Visits are planned for a total of six classes. After completing the training, each student receives a Telekom Baskets t-shirt and, if they want, an autograph.

ANSTOSS! SOCCER INITIATIVE
The goal of the ANSTOSS! Telekom soccer initiative is to make new experiences possible and encourage young talent. In this broad-based project, Deutsche Telekom promotes soccer in the areas of amateur and recreational sports, developing young talent and disabled sports.

"New sports experience" initiative
One main focal point of the program is the "New sports experience" initiative in collaboration with the German National Paralympic Committee, the German Football Association (DFB) and the Sepp Herberger DFB foundation, which celebrated its five-year anniversary in 2014. The "New sports experience" program gives young people the chance to try blind soccer out for themselves, coached by players from the German blind soccer league. This not only gives young people a feeling for how people with disabilities live but also helps develop coordination, spatial orientation, a feel for the ball and their sense of hearing.

Since its beginning, the initiative has reached more than 85,000 young people at more than 500 educational and sports facilities throughout Germany. More than 70 training sessions were held within the scope of the "New sports experience" initiative in 2014 alone.

Deutsche Telekom and the German National Paralympic Committee also collaborated in creating course material for secondary schools. The materials have been available as a free download on the Deutsche Telekom homepage since March 2014. The material, which is entitled "High performers with a disability", provides an overview of how diverse disabilities can be as well as insight into how people with disabilities live their daily lives. The goal is to teach students to approach people with disabilities and accept them as members of their community.

"Stollenstrolche" – Germany's top goals by kids Deutsche Telekom celebrated the one-year anniversary of its "Stollenstrolche – Germany's top goals by kids" initiative in September 2014. The initiative awards a prize of EUR 1,000 each month for the most unusual goals in amateur soccer. The prize money goes into the winning team's pot. Parents,

relatives and friends of the players can submit videos of the goals. The Stollenstrolche jury selects the top five and then everyone can vote online for the best goal of the month.

Deutsche Telekom has been hosting targeted professional soccer training camps since fall 2014 under the Stollenstrolche initiative. Amateur soccer enthusiasts ages twelve and under can experience exciting soccer training sessions coached by former professional soccer players while the club's children and youth coaches receive exclusive theoretical and practical training.

New online video program
Deutsche Telekom initiated its new video offer "Frag den Buschi" under the Stollenstrolche initiative in 2014. Children can submit questions on the topic of the month such as "Brazil is looking for the next soccer World Champion." The most serious, funniest and silliest questions are answered at the end of the month in a video by the program's host, Buschi (Frank Buschmann) in an entertaining way that is easy for children to understand.

STAYING IN SHAPE IN THE WINTER
Deutsche Telekom has been sponsoring the Bonn Marathon since 2005 and combines its involvement in the marathon with its Germany-wide prevention campaign, "Staying in shape in the winter." The program gives Deutsche Telekom employees with and without running experience the opportunity to get themselves ready to participate in the Bonn Marathon in April or in any other public or company runs within the scope of a professional training program that starts in November.

Groups of runners throughout Germany with different experience levels train at least once a week; groups of 40 participants or more can be supported by an external coach if desired. The program also features individual training plans and related events. More than 2,000 employees from all over Germany participated in the training program in 2014 and around 700 ran in the Bonn Marathon. In addition to its own employees, Deutsche Telekom again entered the Sporthilfe Telekom team in the race in 2014, this time strengthened by Olympic medal winner and world champion Eric Frenzel. The team is a symbol of the partnership between Deutsche Telekom and the Stiftung Deutsche Sporthilfe foundationathletes to enable them to more fully focus on preparing for their competitions.

A UNIQUE CONCERT EXPERIENCE AT THE BEETHOVENFEST AND JAZZFEST FESTIVALS
Beethovenfest Bonn festival
Deutsche Telekom was once again the main sponsor of Bonn's Beethovenfest festival in September and October 2014. As part of its sponsorship activities, Telekom presented three unique concerts: one with the dynamic brass septet Mnozil Brass, one with The Brandt Brauer Frick Ensemble, which plays electronic music on classical instruments like the violin, harp and piano, and, last but not least, a concert with one of last year's winners of the International Telekom Beethoven Competition, young Australian pianist Stefan Cassomenos. The experimental concert with The Brandt Brauer Frick Ensemble was organized by Bonn secondary level students as part of an initiative also sponsored by Deutsche Telekom entitled "School students managing the Beethoven-

fest festival." Each year, this project gives one group of students the chance to gain new knowledge and experiences and make contacts as part of a real-life challenge.

Jazzfest Bonn festival
Deutsche Telekom was also once again the main sponsor of the Bonn Jazzfest festival in May 2014, emphasizing the company's commitment to the city and the region through its involvement in cultural activities and the community. Deutsche Telekom presented two concerts as a sponsor, one of which was the highlight of the festival. Legendary saxophonist Wayne Shorter and his quartet performed at the Telekom Forum under the slogan, Jazzfest Bonn meets Electronic Beats.

SUCCESSFUL PARTNERSHIP WITH JUNGES THEATER BONN
The collaboration between Deutsche Telekom and Junges Theater Bonn, which has been ongoing since 2004, was extended for another three years in 2014. Over the past ten years, the theater has become the most-visited children and youth theater in Germany with more than 138,000 visitors in the 2014 season alone. A special reduced-price category for all afternoon and evening performances, the Telekom € 4 Ticket was introduced for children, young people and families. Deutsche Telekom also donates around 700 tickets a year for children and young people from disadvantaged backgrounds. The Junges Theater Bonn launched a media school project sponsored by Deutsche Telekom and designed to teach children at elementary schools about the Internet, cell phones, social networks and data security in a way that is fun and creative.

SPONSORING AN EXHIBITION AT THE NATIONAL ARCHAEOLOGICAL MUSEUM AND UNDERWATER EXCAVATIONS
OTE and COSMOTE sponsored an exhibition at the National Archaeological Museum entitled "The Antikythera Shipwreck: Ship, Treasures and Mechanism," which opened in 2012. This exhibition is the first to present almost all of the finds removed from the shipwreck in 1900 by sponge divers.

The primary goal of these cultural sponsorship activities is to provide cultural institutions in Greece with state-of-the-art technological infrastructure, services and expertise to help them preserve and care for the country's famous cultural heritage.

The two companies also sponsored archaeological excavations in the ocean off the coast of Antikythera, which took place in September and October 2014. The excavations were conducted by a team of international scientists from the Greek Ministry of Culture and the U.S.-based Woods Hole Oceanographic Institute. OTE and COSMOTE provided uninterrupted communications services in and outside of Greece to meet the team's telecommunications and PR needs and equipped the island of Antikythera with a state-of-the-art telecommunications infrastructure.

EMPLOYEES

In 2014 we conducted 470,000 training days in Germany alone to support the professional and personal development of our employees.

Our employees' professional skills, diversity and health make us successful in international competition. For that reason, we offer development and training opportunities, encourage individuality and engage in systematic health management. We pay attention to the concerns of our employees and enable them to contribute their personal strengths.

We make a point of involving our stakeholders in our processes. As the basis for our sustainability management strategy, we therefore systematically collect the topics that are of material interest to our stakeholders and to us. You can view the results of our survey here (as of February 2015):

Topic weighting

- Human resources strategy
- Employee involvement
- Employer/employee relations throughout Telekom
- Cooperation with employee representatives
- Promotion of health, safety and environmental protection
- Improving employee diversity
- Work-life balance
- Employee training for all age groups
- Initiatives to attract new employees
- Human resources development
- Human resources and organizational restructuring
- Wage justice between men and women
- Remuneration and pension plans
- „Outsourcing and Offshoring"

PIONEERING CONCEPTS FOR THE WORKPLACE

In 2014, we dedicated our HR work to five principal themes that translate our HR vision into more specific terms: the HR Big 5.

HR Big 1 – Continue business-driven total workforce management.
One of today's most important topics, and one that will remain a focal point in years to come, is the transformation of our company and making adjustments in line with new business models, a process we fundamentally support through our transformation programs. We help us adjust our workforce in line with our medium-term business plans. In growth areas where new jobs have been created, we have also effectively implemented our "internal over external" HR initiative in Germany in which we favor internal candidates when staffing new positions.

HR Big 2 – Encourage leadership and performance development.
The skills of our managers and the performance development of our staff are two key success factors for us in global competition. That is why we have realigned our leadership model and established consistent, Group-wide leadership principles. These principles particularly address topics such as collaboration, innovation and empowering our employees to perform. These activities are combined in our HR initiative „Lead to win".

HR Big 3 – Foster employability of our workforce.
The following initiatives play a key role in helping us achieve this strategic cornerstone:

▪ Education 3.0 is focused on expanding the expertise of our employees and driving forward training in the direction of skills that will be in high demand in the future.

▪ Our diversity initiatives support various aspects of diversity at the Group, from increasing the number of women in management positions and encouraging internationality to our comprehensive demographics and work-life management approach.

HR Big 4 – Increase organizational effectiveness
Increasing workloads and more diversified content continue to up the bar in terms of what is expected of our employees. We help our employees respond quickly to changing requirements. Modern workstations, working-time models and job structures form the basis of our concept of flexible work environments.

HR Big 5 – We make it lean and simple.
Our fifth focus is about further improving the efficiency of our HR units and continuously aligning our HR products and services with the needs of the business. We also want to continue the process of harmonizing, simplifying and integrating the IT used for HR processes.

FUTURE WORK SUPPORTS MODERN JOB STRUCTURES
The purpose of our Future Work program is to create a pioneering concept for the work environment that promotes communicative, performance-oriented work as well as innovative strength and agility. Our goal is to transform our corporate culture from one based on being at the office to one based on results. We support this goal by offering modern workplace structures. Open-plan offices and flexible desk sharing options encourage cross-departmental collaboration and make employees more flexible in how they organize their everyday work. Following a pilot phase started in 2013, the Deutsche Telekom Board of Management decided in September 2014 to roll out the Future Work program throughout the Group.

Future Work at T-Systems in Munich
A successful Future Work project was launched at T-Systems Munich in June 2014. A modern office environment featuring around 100 desk-sharing workstations and a variety of special working spaces like creative islands and retreat spaces was created at the offices on Dachauer Straße. Together, up to 180 employees tested different modern workplace structures. Project participants were pleased with the results and confirmed the positive effects of more flexible working structures on their work-life balance and motivation. The project considerably exceeded our Group-wide desk-sharing target ratio of 1 to 1.3, or ten workstations for every 13 employees, a good sign for more Future Work projects to come.

MORE INNOVATION AND CO-CREATION WITH MODERN EDUCATIONAL FORMATS
Deutsche Telekom plans to promote cross-departmental and cross-country collaboration in virtual teams, intensify knowledge sharing among our employees and encourage their entrepreneurial spirit and innovative strength. We invited employees to attend our Group-wide massive open online course (MOOC) from April through June 2014. More than 3,600 employees from 27 countries signed up for the course entitled "Share your ntrepreneurial spirit," which we conducted in collaboration with Leuphana University of Lüneburg. Ideas for new products and services to meet future customer requirements in an increasingly digitized world were developed by 140 interdisciplinary, international teams; the participants and selected external parties evaluated the prototypes by providing feedback and contributing to discussions in the online forum. At the end of the course, participants had come up with 100 innovative ideas – including transforming old phone booths into charging stations for e-cars, e-bikes and smart devices, an app and cloud translation service for people with hearing and speech impairments and a digital fashion consultant.

The innovative educational offer not only promotes personal development but also intensifies a corporate culture that lives from collaboration and participation. The measurable results were positive as well. 72 percent of participants successfully completed Deutsche Telekom's first corporate MOOC; almost all of them (98 percent) said they would participate in a MOOC again.

RESPONSIBLE EMPLOYER

Maintaining relationships with our employees based on cooperation, co-creation and fairness are fundamental when it comes to motivation and incentive and are a major factor behind our attractiveness as an employer and the loyalty of our employees. These relationships are decisive in guaranteeing the long-term competitiveness of our company.

MANAGEMENT APPROACH

As a responsible employer, we maintain trusting relationships with our employees throughout the Group as well as with trade unions and employee representatives and engage in extensive dialog with them. This involves the works councils, the Central Works Council, the Group Works Council and the Group representative for the disabled within the Group in Germany, and the European Works Council at a European level. We maintain constructive relationships based on mutual trust with these three employee representative bodies.

Fair pay and benefits

We give our employees fair pay in line with the standard wages typical to that country's employment market and guarantee equal pay for work performed by men and women without discrimination. We pay Deutsche Telekom managers in compliance with our Group-wide Global Compensation Guideline. We also offer our employees additional benefits such as our company pension scheme. We assess the effectiveness of our pay and benefits elements by conducting various measures such as employee interviews.

Socially acceptable staff restructuring

Our Group restructuring activities, which will help us stay competitive in the future, were a central topic this past year and will continue to be in years to come. These activities include complex staff restructuring measures. Deutsche Telekom is committed to socially responsible staff restructuring with the extensive support of our employees. These measures are based on our integrated planning and management process, which the Board of Management annually reviews and approves. We document the progress of our socially responsible staff restructuring activities in our monthly Group reports.

REVIEWING IMPLEMENTATION OF OUR EMPLOYEE RELATIONS POLICY

To help us effectively implement our Group Employee Relations Policy („Employee Relations Policy"), we conduct special reviews to assess labor relations at the different national companies as well as any human rights-related risks resulting from our business activities. In 2014 we reviewed and analyzed implementation of the Employee Relations Policy on-site at our subsidiaries in Mexico, Romania and the UK. The results will be published on our homepage. In Mexico, for example, we found fair employment conditions for subcontractors in compliance with all regulations. Employees in Romania were effectively involved in

change processes during a major re-branding effort. Workshops and ambassador programs eased their doubts and got them ready for the changes. The national business unit in the UK has improved its employees' work-life balance considerably with more flexible working hours and more opportunities to work from home.

PERSONNEL RESTRUCTURING AT GROUP-LEVEL

The Group's 2014 headcount was slightly below the figure for the end of 2013. We saw some offsetting effects in our Germany, U.S., Europe and Systems Solutions segments: We increased our headcount in our operative segment in Germany by 3 percent, particularly in the wake of restructuring and expanding our "networks of the future" business area. In our operative segment in the U.S. the number of employees rose by 7 percent due to a growing customer base. In contrast, we experienced a drop in headcount of around 2 percent in our Europe segment compared to December 31, 2013. This can partially be attributed to the sale of shares in Euronet Communications in the Netherlands. Measures to improve efficiency also resulted in decreases in Romania, Croatia and Hungary. However, this development was partially offset by an increase in headcount following the inclusion of the GTS Central Europe group on May 30, 2014 as well as by growth following the staff restructuring in Greece. A decrease in the employee headcount by approx. 4 percent in our Systems Solutions segment can particularly be attributed to domestic staff restructuring measures. Employee numbers decreased by around 11 percent at Group Headquarters and Group Services. This can particularly be attributed to deconsolidation of the Scout24 group and staff restructuring measures.

SOCIALLY RESPONSIBLE STAFF RESTRUCTURING AT T-SYSTEMS

The transformation at T-Systems, which has been ongoing since 2014, involves a complex staff restructuring process. Within the scope of these activities, we made socially responsible adjustments to the T-Systems employee headcount during the reporting period. The Group offered support to employees whose positions were cut through a variety of measures. This meant that we were able to avoid compulsory redundancies and set up our new business areas with qualified IT experts in 2014. We focused on the following measures:

Opportunities for civil servants

Deutsche Telekom, the German Federal Ministry of Finance and Telekom Placement Services launched the "Chancen Bund" initiative in April 2014. The regulations for this initiative were specified under the guidance of the German Federal Ministry of Finance with the successor companies of the former Deutsche Bundespost. The goal of this initiative is to fill up to 600 permanent IT positions at federal government level throughout Germany with civil servants from Deutsche Telekom by the end of 2015. Over the course of the year we were able to second

or transfer Deutsche Telekom IT experts for almost 300 positions; the German Federal Ministry of Finance will open up a maximum of 300 more positions in 2015. Through these measures, we are able to make socially responsible adjustments to our staff headcount and offer our highly qualified civil servants throughout Germany secure employment perspectives while helping the government meet its needs for IT experts.

Innovative change management with Job Service & Placement
Our active change management program, Job Service & Placement (JSP) was launched in 2014. In the program, we prepare employees whose positions are scheduled to be cut or have already been cut for employment opportunities within and outside of our company. We assist them with professional location analyses, perspectives consulting and application assistance; they can also receive compensation payments when switching to an internal or external position with less favorable pay and benefits. First priority is given to employees who use the JSP service to fill jobs that are being advertised internally, and we offer them appropriate additional training of up to six months if necessary. JSP started its work in Q4/2014. We also provide support to anyone whose position has been cut through transparent communication, e.g., through our event series, "On-site consultations on staff restructuring during the transformation process."

NEW REMUNERATION INSTRUMENTS FOR MANAGERS

At the start of 2015, we introduced new and revised reward instruments for our top-level managers throughout the Group within the scope of our "Lead to win" initiative. In addition to recognizing individual performance and contributions to the company's success, the purpose of these instruments is to encourage our managers' entrepreneurial mindset. The new remuneration system has three focal points. Employee performance from the previous year is rewarded within the scope of variable short-term incentives. Long-term incentives are used to reward employees for their contribution to the Group's success. Our share-matching plan encourages employee co-ownership of the Group. The rewards are directly related to the results of our new performance assessment system, Performance Dialog. The new system is being used globally for the 2,700 top-level managers at the Group.

INTENSIVE DIALOG WITH EMPLOYEE REPRESENTATIVES

We successfully continued our intensive dialog with employee representatives and trade unions in 2014. The year was characterized by measures of far-reaching strategic significance such as the technological transformation with all-IP and restructuring T-Systems, none of which could have been done without the collaboration of employee representatives. Our commitment to trusted cooperation, which is anchored in our Employee Relations Policy, has been very successful. We will continue this approach of close partnership in 2015.

HEALTH AND SAFETY

Maintaining a healthy, high-performing staff is the foundation of our company's long-term success, whereas high illness rates are linked to high risks. Deutsche Telekom therefore feels that it is its duty and responsibility to maintain and promote the health of our employees.

MANAGEMENT APPROACH

The main goal of Deutsche Telekom's health management system is to maintain the health and performance levels of our employees. We see the legal occupational safety and health provisions as minimum requirements.

Incorporating health and safety management throughout the Group

Our corporate occupational health and safety measures are effectively incorporated into our corporate structures via certified management systems and appropriate policies and guidelines. These are based on the internationally recognized OHSAS18001 standard, which we began rolling out throughout the Group in 2010. All of the parties, tasks and measures involved in the health and safety management system are described in a handbook and procedural instructions and have been signed by the executive management. The topic is monitored and managed at Group-level; health managers at each location are also responsible for structuring the measures.

We systematically assess the effectiveness of our measures. This includes reviewing the results or our employee survey, competitor analyses and performance indicators. The analysis of this data forms the basis for annual targeted measures that by far exceed legal requirements. Some examples include colon cancer checkups, blood pressure testing and health checks and an extensive psychosocial counseling offer.

One focus of our corporate health promotion activities is encouraging our employees to assume responsibility for their own health. Our managers play a key role in promoting a corporate culture in line with these goals and are obligated to take this responsibility seriously. Healthy leadership is a core value at Deutsche Telekom and is assessed based on department-specific targets derived from the results of our employee survey.

Above-average results

Different performance indicators reflect the effectiveness of our corporate health management activities.

- The employee health rate of 94.4 percent at Telekom Deutschland is stable unlike the current industry trend.

- The accident rate is considerably below the industry average.

- According to health insurance providers, the number of our employees suffering from mental disorders and the length of treatment is not rising unlike the industry trend.

Our internal and external audits also attest to our high standards. In November 2014 we received the Corporate Health Award presented by the leading German quality initiative for occupational health and safety management.

FELIX BURDA AWARD RECOGNIZES EXEMPLARY COLON CANCER CHECKUP OFFER

According to the Robert Koch Institute, colon cancer is one of the most common causes of death by cancer in Germany; early diagnosis, however, means patients have good chances of getting better. That's why Deutsche Telekom has been offering its employees in Germany an annual colon cancer checkup. All 70,107 employees age 45 and up were sent an e-mail between March and May 2014 encouraging them to get a checkup. 774of the 12,908 samples taken tested positive. Deutsche Telekom's prevention program was awarded the Felix Burda Award in the "corporate prevention" category in 2014.

PREVENTION CAMPAIGN WITH BLOOD PRESSURE TESTING AND HEALTH CHECKS

Roughly 35 million people in Germany suffer from high blood pressure but only one out of every two is aware of this risk factor. Early diagnosis and treatment of high blood pressure can decrease the risk of a stroke by up to 40 percent. That is why Deutsche Telekom offered blood pressure testing for its employees at 84 locations in Germany from June 2013 through June 2014 as a way to prevent illnesses such as heart and circulatory disease. More than 5,000 employees participated. We offered employees with positive results a comprehensive health check conducted by a company doctor; this enabled us to convince more employees to take advantage of the preventative health measures our company offers. In 2015 we will be addressing the topic of diabetes within the scope of similar prevention measures.

FIT AND MOBILE AT WORK

In June 2014 we began offering our employees at locations in Germany special fitness programs to help counteract the effects of a day spent working at their desks. Qualified mobile fitness coaches teach easy-to-do exercises particularly for the back and neck to small teams of employees. A total of 135 courses were conducted in 2014. Due to high demand, we decided to continue this offer in 2015 and recommissioned the fitness coaches.

WORKSHOP MAKES PROMOTING HEALTH TOP PRIORITY

A corporate culture that promotes health needs role models. That is why we introduced workshops on promoting health to our management development program in Germany in May 2014. At the two-day workshops, managers first learn more about their own health and are taught how to improve their individual resources. They then learn the basic principles involved in a managerial approach to promoting health. This offer addresses executives and experienced top-level managers; almost 100 participants have completed the program so far. We will be offering this module several times in 2015 as well.

We also offer workshops on health and leadership for our other managers such as team leaders.

HEALTH AWARD FOR CUSTOMER SERVICE EMPLOYEES

Deutsche Telekom subsidiary Deutsche Telekom Kundenservice GmbH is planning to raise employee awareness of behavior that promotes health and strengthen its health-oriented corporate culture at all locations in Germany with its call for submissions to participate in the Customer Service Health Award competition.

This popular annual team competition was held in 2014 for the third time. Health Award teams had to conduct health-promoting measures from October through December and regularly document their progress in a journal. They also had the opportunity to present and discuss their activities on our internal Telekom Social Network (TSN). The participants came up with, planned and conducted all of the measures themselves.

Around 1,770 customer service employees, or 13 percent, participated in the Telekom Health Award competition in 2014. 101teams submitted at least one journal. That means that the number of participants who did not submit journals has fallen from 28 to 16 percent within a period of three years. The measures that participants conducted were judged based on how effectively they could be integrated into everyday work routines. The type of documentation was also taken into consideration. 60teams documented their results in a report in which they assessed the success of the measures. 56 of them said they would participate in the competition again and 55 continued to integrate the measures into their everyday work routines even after the competition was over.

PSYCHOSOCIAL COUNSELING TO HELP EMPLOYEES DEAL WITH CHANGE AT THE COMPANY

Pending changes at companies can cause deep-seated insecurity and anxiety, particularly in cases where employees feel they are at the mercy of those changes. If this state of affairs continues over a longer period of time, there is a risk that a permanently increased stress level can have a direct effect on a person's physical health.

In order to prevent psychosocial crises over the course of the transformation at T-Systems, the company is offering its employees support in every phase of the change process in the form of targeted counseling offers. We visited a number of locations in 2014.

- In collaboration with prevention service provider B.A.D., we offered counseling days at 19 locations in Germany. A total of 88 employees attended a one-hour counseling session at these events. Another 38 sessions were scheduled for 2014.

- We also met in small groups with a total of 770 employees whose positions are scheduled to be cut at 13 locations in Germany to talk about opportunities for change. They also had the chance to speak face-to-face with contacts from our human resources department as well as impartial external consultants about which staff restructuring tools are available, what support they are entitled to in their job search, financial planning options and counseling offers.

EXTENSIVE HEALTH PROMOTION AT SLOVAK TELEKOM

In 2014 Slovak Telekom organized numerous health offers for employees including measuring blood pressure and cholesterol levels, varicose vein check-ups, first-aid courses, massages, lymph drainage, health seminars and informational events on eating healthy at work.

The offers were very popular. 2,017 employees had check-ups and 865 employees participated in the 15 health seminars and workshops hosted by nutrition experts, doctors and other professionals. A special health week was conducted from September 8 - 12, 2014.

EDUCATION AND DEVELOPMENT

Our extensive training and continuing education offers do more than just actively make sure we have access to plenty of skilled employees. They also show that we take our corporate and social responsibility seriously. The need for well-trained employees is going to increase significantly in years to come. This particularly applies to our future business areas such as big data, cyber security and Industry 4.0.

MANAGEMENT APPROACH

Our goal is to identify and get talented young people on board early on in their careers. That is why we extensively support their training and continued education. We specified a trainee ratio of 2.9 percent of our employees in Germany each year until 2015. This made us one of the largest vocational training providers in Germany. We currently offer openings for ten vocational training programs and eight cooperative degree programs. We also offer a large number of training and development opportunities for our experts and managers. With these offers, Deutsche Telekom supports the concept of life-long learning.

Our Education 3.0 initiative, which we launched in 2014, takes a look at the entire educational chain to help us structure our offers according to current skills requirements, from vocational training and continuing education programs for professionals to expert development programs. With these activities we make sure that our investments in education generate the most added-value possible for both the company and our employees. We never forget the Group's strategic skills requirements when creating our training and continuing education offers, as our training program for cyber security professionals, which we launched in 2014, shows.

Education@Telekom...
... takes a look at the entire educational chain from vocational training – university degree – further development
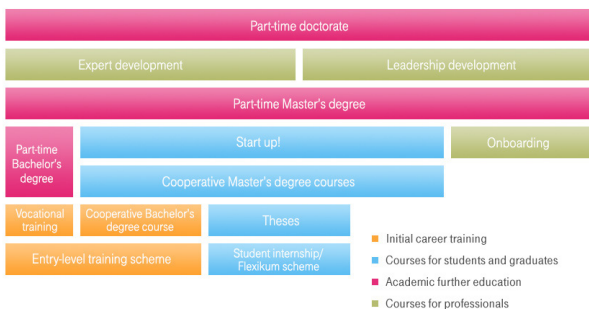
We systematically monitor and continually evaluate the effectiveness of our training and development measures using tools such as our regular employee surveys.

Our standardized, Group-wide leadership model, "Lead to win" also helps improve the skills and performance of our managers. Essentially, "Lead to win" focuses on a continuous exchange between managers and their supervisors about performance and development issues, a direct link between performance assessment and incentives, and personal development paths.

Our Guiding Principles, Leadership Principles and Employee Relations Policy are the cornerstones of these activities.

DEUTSCHE TELEKOM'S IN-HOUSE UNIVERSITY ENCOURAGES INTEREST IN STEM SUBJECTS

The company's own HfTL University of Applied Sciences in Leipzig is involved in a variety of projects focused on educating experts to work in the telecommunications market and on encouraging young people to pursue careers in the STEM subjects. The university currently employs 27 professors and offers a current 1,032 students the opportunity to get a degree in the area of information and communications technology.

HfTL offers full-time, cooperative and part-time degree programs throughout Germany and boasts a unique program with specialization in topics such as cloud computing, data privacy, connected life, app development and machine-to-machine communication. The university is also planning to add a cooperative degree program in applied computer science to its portfolio in 2015.

In order to encourage students to focus on STEM subjects, HfTL founded the Leipzig Academy for School Students in collaboration with the Arnold Sommerfeld Society in 2010. The university supports the academy by providing the university infrastructure and hosting expert lectures. Students grades 9 and up can attend lectures on natural sciences and technology and discuss these subjects with experts. Topics in 2014 ranged from climate research to new materials being used to make bicycles.

To promote STEM subjects HfTL also gives children and young people an idea of what it is like to study these subjects and later work in a related profession. This includes an opportunity for secondary school graduates to attend the university for several days, a children's university where kids get the chance to conduct age-appropriate experiments and the Junior Engineer Academy, a student project financed by the Deutsche Telekom Stiftung foundation.

In 2015, HfTL will again participate in the computer science category of the experiNat sciences competition held by the Leipzig public utilities company. Around 300 school students will get to know Deutsche Telekom's university during the competition.

ENCOURAGING YOUNG WOMEN PROFESSIONALS

Deutsche Telekom has taken many steps in Germany, such as systematically adjusting our hiring and staffing processes, to get more women interested in technical careers. We optimized our most important channel for job applications, our careers website, to address female applicants, making the topic more visible and emphasizing its relevance. Deutsche Telekom also advertises explicitly for female students and graduates, represents the company at a number of women's trade fairs and offers application workshops especially for women. Exclusive workshops for female students and graduates at CeBIT and the Graduate Conference complete our offer tailored especially to women. Growing applicant numbers show that Deutsche Telekom is becoming increasingly attractive as an employer for both men and women.

Deutsche Telekom has also been presenting the annual Women's STEM Award since 2013 to get women interested in STEM subjects. In 2014, we once again recognized six graduates for their excellent final papers in STEM subjects. To qualify for the award, the papers had to address one of Deutsche Telekom's five growth areas. The winning paper on "Cell Size Adaptation and Intercell Interference Coordination in LTE Heterogeneous Networks" received a prize of 3,000 euros and an additional paper in each of the five categories received 500 euros.

START UP!: TRAINEE PROGRAM FOR YOUNG INNOVATORS

With our international trainee program, Start up!, we offer young people with entrepreneurial spirit and the willingness to develop an excellent opportunity to join our company in Germany. Not only does Start up! help secure new talent, it also promotes a shift toward a more innovation-oriented corporate culture at Deutsche Telekom.

In 2014 we again accepted approx. 40 university graduates into our trainee program, 40 percent of whom were women. During a period of 15 to 18 months, the trainees got to know different areas of the company in Germany and abroad and were put in charge of challenging project activities in various business areas. Experienced mentors encourage the trainees, and innovative training formats and events complete the program.

TOP EMPLOYER RANKING

Deutsche Telekom is one of Germany's largest training openings and once again was placed high in the ranks among the DAX-listed companies in 2014. In training year 2014/2015, we had more than 8,900 apprentices and students in cooperative degree programs.

- Over 7,400 are apprentices
- Around 1,400 are students on cooperative degree courses
- Roughly 100 are participants in our entry-level training scheme.

We offer ten vocational training programs and eight cooperative degree programs with eight partner universities and other educational institutions for young people interested in careers in these fields. Our apprentices are trained at 33 training centers throughout Germany.

ENCOURAGING DIVERSITY AMONG OUR TRAINEES

Diversity is very significant to the Deutsche Telekom Group. That is why we encourage diversity among our trainees in Germany by addressing a variety of performance levels and needs.

- Since 2011 the company has been collaborating with the German Federal Employment Agency to offer single parents the opportunity to complete a training program or cooperative degree program part-time. Around 50 young people began their part-time training in 2014.

- We provide opportunities to young people from migrant backgrounds who are faced with particular problems on the job and vocational training market. Eight percent of our trainees and students in cooperative degree programs have a nationality other than German, representing a total of 69 other countries.

- "My chance to get going", our entry-level training project, gives young people who got off to a difficult start, are unemployed or come from families that rely on welfare pursuant to the German Social Code and have limited career perspectives because of learning disabilities or because they do not qualify for training programs an excellent chance for an apprenticeship at Deutsche Telekom. Of the 458 interns who participated in the program between 2009 and 2013, 326 have already started a training program at our company; 76 of them started with the first training year and 250 were accepted directly into the second year. Another approx. 100 interns started the program in 2014.

- By supporting women in technical cooperative degree programs, we promote talented young people for the future as well as diversity at the Group. While in 2010 only 11 percent of the positions at our company were held by women, today more than 23 percent of our staff are women.

- Around one percent of young people with disabilities pursue their training at our company. This is above-average in view of the total number of disabled people in Germany.

Our Young IT Talents and Young Sales Talents programs support high-performing apprentices and students in cooperative degree programs who are focusing on one of our growth areas. Participants of both programs have the opportunity to tackle challenging customer projects and extend their skills at expert and training events, and in national and international competitions.

TRAINING PROGRAM FOR CYBER SECURITY PROFESSIONALS

Deutsche Telekom is closing a gap on the German vocational training and job market with our training program for cyber security professionals, which was launched in 2014 within the scope of a pilot project. According to a study by the BITKOM industry association, IT data privacy experts are extremely hard to find on today's market. The study found that there were no vocational training programs and very few degree programs that people could attend to learn the necessary skills needed. That is why Deutsche Telekom decided to launch the first round of this development program with 10 participants in September 2014.

The cyber security professional program runs for two-and-a-half years and was created for apprentices and students in cooperative degree programs at Deutsche Telekom who can apply after completing their current training. The program combines classic further training with

study modules and learning phases at the company. Those who complete the course receive a certificate for IT security professionals from the German Chamber of Industry and Commerce. We put out a call for applications for another ten positions in our cyber security professional program in 2015.

BOLOGNA@TELEKOM PART-TIME DEGREE COURSE AS A SUCCESS STORY

With its „Bologna@Telekom" initiative, the Group offers grants to particularly high-performing employees to help them take a degree course along with their work. The initiative has grown impressively in the six years since it was launched. While the first semester in 2009 got underway with only 60 participants, Deutsche Telekom welcomed its 1,000 th student in 2014. More than 90 percent of participants complete the program.

The content of Bologna@Telekom is adjusted annually in line with the Group's requirements, therefore helping Deutsche Telekom cover its need for skilled employees over the long term. IT security was recently introduced to the program.

To qualify for the Bologna@Telekom program, applicants need to exhibit particularly high performance and to have been with the Group for at least two years. Deutsche Telekom pays half of the courses fees and gives grant recipients ten extra days off a year. The results of Bologna@Telekom are impressive: A survey of graduates conducted at the end of 2014 showed that the program already had a positive impact on the careers of around half of the graduates; 88 percent would decide to participate in the program again.

GROUP-WIDE TALENT PLATFORM SUPPORTS INTERNAL CAREERS

With our Group-wide talent management activities we help high-performing employees tackle new challenges. We added the pilot version of a new online platform to these activities during the reporting period. Since March 2014, talented people who are planning the next step in their careers or want to gain experience working on strategic projects have had the opportunity to increase their chances of getting noticed on our Talents@Telekom platform. With the platform, we hope to raise awareness of the talent available at the Group and improve their development opportunities.

Talented employees interested in new opportunities can introduce themselves and post their resumes on the online platform, while human resources employees throughout the Group can use the platform to get in touch with them. A special section addresses female candidates and provides them with information about their career opportunities. Talents@Telekom has met with great response. More than 800 employee profiles were created in only two months, 28 percent by women. More than 300 employees from HR units throughout the Group are already using the pilot version of the online platform.

An analysis shows that Talents@Telekom considerably simplifies cross-Group staffing processes and particularly increases the chances of talented female employees getting noticed. The platform contributes significantly to diversity at the Group. The Group-wide rollout is scheduled for 2015.

MANAGEMENT DEVELOPMENT PROGRAM EXPANDED

We extensively advanced our Leadership Excellence and Development (LEAD) program in 2014 and modified it in line with the challenges our managers currently face. For the first time, all managers at the Group have access to a standardized offer of business-based, strategically relevant learning formats. The portfolio covers central topics that support managers in furthering business activities as well as in their roles as leaders and team managers. The program is based on our leadership principles "Collaborate," "Innovate" and "Empower to perform."

Information from interviews conducted with managers was taken into account when designing the program. Manager training is conducted using modern learning formats that combine attendance courses with e-learning forums. Managers throughout the Group can use the Open LEAD portal, which was launched in October 2014, to learn more about the offer and sign up for the development measures that are right for them.

NEW PERFORMANCE ASSESSMENT TOOL FOR EXECUTIVES

In May 2014 we introduced a new tool for assessing the performance of top-level managers, the Performance Dialog tool. This new tool has replaced the Performance & Potential Review previously used for this target group.

The Performance Dialog includes ongoing dialog between executives and their superiors. Working together closely with their superiors and reflecting intensively on their own leadership style is expected to improve the performance of our executives and make the assessment process more transparent. The Performance Dialog is based on our Guiding and Leadership Principles. In addition to being reviewed by their superiors, their colleagues and employees also assess the #executives' leadership style. These reviews have a direct impact on #target achievement. The review within the scope of the Performance Dialog forms the basis of our new Rewards system.

Around 500 top-level managers are currently being assessed using the Performance Dialog tool. Our „Compass" tool for assessing employees covered by collective agreements and civil servants in Germany and our „Performance & Potential Review", which we rolled out internationally #in 2014, continue to be used throughout the Group. Roughly 20,000 experts and managers from our national companies had already been incorporated into the Performance & Potential Review process by the end of 2014.

DIVERSITY AND EQUAL OPPORTUNITIES

People from 122 countries, women and men, young and old as well as people with different abilities and cultural backgrounds work together effectively at Deutsche Telekom. This diversity is key to helping us stay competitive in the global competition for good ideas and the best products.

MANAGEMENT APPROACH

We are planning to advance our policies on improving diversity at our company and are offering our employees a variety of opportunities to grow both professionally and personally. Putting more women into management positions plays a key role in our efforts. We are the first DAX 30 company to commit to staffing 30 percent of our mid and upper-level management positions worldwide with women. Our Fair Share initiative is designed to help us achieve this goal. We promote diversity among our staff from the very beginning with our extensive promotion and training programs. This includes our entry-level training program for young people from disadvantaged and weak educational backgrounds. We help our employees create an effective work-life balance with our extensive work-life portfolio. Many of our employees are also involved in internal networks that address various aspects of diversity. Our managers encourage diversity at the Group by getting involved in multiplier and mentor programs, for example.

These activities are based on Deutsche Telekom's Diversity Policy, Guiding Principles and Employee Relations Policy. We are also a founding member of the Diversity Charter.

We regularly review the effectiveness of our measures to promote diversity and publish the results in our Fair Share and Work-Life reports. More than 25 percent of our managerial positions are currently held by women. The number of managers working part-time and the number of fathers taking advantage of parental leave continues to grow as well. The number of disabled employees working throughout the Group puts us well over the statutory quota of 5 percent.

PARTICIPATING IN THE SECOND GERMAN DIVERSITY DAY

In 2014 Deutsche Telekom again participated in the Germany-wide activity day held by the Diversity Charter association, the second German Diversity Day. With more than 600 initiatives and around 350 participating companies and organizations, the event again met with tremendous response. One particularly successful initiative was co-ordinated by Deutsche Telekom trainees who organized a children's Olympics for a total of 50 children with and without disabilities ages 12 to 15. On the evening before the event, Chief Human Resources Officer, Dr. Thomas Kremer, invited the representatives of Deutsche Telekom's internal employee networks to meet and discuss the topic of "Diversity as a success factor – how diverse is Deutsche Telekom?".

Deutsche Telekom also called for submissions for an ideas competition. Under the slogan "It's normal to be different," employees were asked to submit ideas for putting diversity into practice every day at work and raising employee awareness of the topic. A total of 166 ideas were submitted during the four-week submission period; ten could be implemented right away. The winners were praised by Chief Human Resources Officer, Dr. Thomas Kremer. Deutsche Telekom is planning to participate in German Diversity Day again in 2015.

CALL FOR MORE DIVERSITY IN TRAINING PROGRAMS

In November 2014, 19 major corporations, all members of the Diversity Charter association, in collaboration with Federal Commissioner for Immigration, Refugees and Integration, Aydan Özoğuz, called for employers in Germany to see diversity as an opportunity and steer away from choosing trainees based on stereotypes and prejudice. Deutsche Telekom also signed the petition. With various programs, the company has already made diversity a permanent feature in the support it provides for its apprentices. The call for more diversity is based on an ever-growing lack of apprentices, which, according to a current study by the German Chamber of Industry and Commerce, affects more than every second company in Germany.

AWARDS FOR DIVERSITY AT T-SYSTEMS

T-Systems South Africa

T-Systems South Africa was recognized for the fifth time for its diversity achievements in August 2014 with the „Gender Mainstreaming Awards". It received first place in the following categories: Women on Board, Gender and Poverty Alleviation and Investing in Young Women. It won second place for its efforts to improve the role of women. In addition to its success in four of the five categories reviewed, T-Systems South Africa also won the Gender Mainstreaming overall award.

We were particularly pleased to be recognized for T-Systems' volunteer efforts to get more women into management positions. Three of T-Systems South Africa's five-member Managing Board have been women since February 1, 2014. Winning the Gender and Poverty Alleviation Award is also a special achievement. The award recognizes excellent efforts to fight poverty with particular emphasis on supporting and encouraging women. By presenting the award to T-Systems South Africa, the jury recognized the company's participation in establishing the Hazyview Digital Learning Centre (HDLC) in Mpumalanga. The center is mostly visited and operated by women and teaches students from the region key skills in areas such as IT, tourism and English.

T-Systems Singapore
T-Systems Singapore has been recognized for its diversity and inclusive policies in the past. In March 2014, the national company and seven other companies received the 2014 „Exemplary Employer Award 2014" from the Tripartite Alliance for Fair and Progressive Employment Practices. To win the award, companies had to undergo a rigorous selection process with interviews and on-site facility visits.

EQUAL OPPORTUNITIES FOR PEOPLE WITH DISABILITIES
With a wide range of offers to support people with disabilities, we help create equal opportunities for them and get them involved in the community. For years we have been exceeding the statutory minimum ratio of disabled employees of 5 percent, which puts us at the top of the DAX 30 companies; currently, 7 percent of our workforce in Germany are people with disabilities. In 2014 we expanded our existing portfolio of supporting measures: We included a videophone feature in our system to make communication easier for employees with hearing impairments. We also introduced a special service that makes assistive computer technologies easier to use for our blind and visually-impaired employees.

DEMOGRAPHIC CHANGE AS AN OPPORTUNITY
In order to tap the potential of an employee age composition that s pans several generations, we established a work group in 2013 that specifically deals with the following demographic issues:

- Encouraging lifelong learning and the exchange of know-how
- Preserving and promoting health
- Supporting an age-sensitive leadership culture
- Developing a flexible working environment for all life phases
- Forecasting age-specific headcount development

Our management culture plays a key role in introducing demography-related changes. In the scope of different development programs, we inform our managers about the potential of older employees and about collaboration across generations. We also adjust our continuing education offers to fit the preferred learning methods of different generations. The adjustments are made in accordance with the findings of a study that was conducted by Telekom Training according to which an employee's history as a learner, which also indirectly relates to age, plays a key role when it comes to acquiring knowledge (e.g., type of learner, learning methods and learning preferences).

INITIATIVE TO BOOST THE NUMBER OF WOMEN IN MANAGERIAL POSITIONS
We were the first of the DAX 30 companies to introduce a quota for women in managerial positions at our company. Since then, the share of women in managerial positions at Deutsche Telekom increased from 19 percent (February 2010) to 25.6 percent (December 2014).

- On our supervisory boards, the share of women rose from 7.4 percent to 22.6 percent at an international level and from 17.7 percent to 28.1 percent in Germany.

- The number of women on international management teams below the Group Board of Management level rose from 2 to 8 out of a total of 55.

- At T-Systems we were also able to increase the share of women in middle and upper managerial positions within four years from 12.1 percent to 15 percent in 2014.

Our commitment to increasing the proportion of women is being consistently anchored throughout the Group. The most innovative measures introduced this year included the launch of our Talents@Telekom platform, which improved the visibility of our up-and-coming female talent at the Group, our program to get women ready for a position on the supervisory board and an initiative to launch an e-mentoring program that enables nearly real-time mentoring.

GETTING WOMEN READY FOR THE SUPERVISORY BOARD
We are the first DAX-listed company to introduce a program that gets women ready for a position on the supervisory board. The program was launched in November 2014. The goal of the three-tier training program, which was developed in cooperation with the European School of Management and Technology (ESMT), is to bring together a pool of women who could potentially assume a position on the supervisory board at a Deutsche Telekom company in Germany and abroad. The two-day training sessions were launched in December with 29 women from different countries and business segments. The program will run through July 1st. In addition to traditional content, the training also gives insight into practical experiences presented by supervisory board members, case studies from the Group and simulated supervisory board meetings.

Currently, the share of women on the supervisory boards of our Group companies in Germany and abroad comes to over 25 percent. Overall, there is a total of almost 260 seats on supervisory boards throughout the Group.

MENTORING PROGRAM FOR EXPERTS AND MANAGERS ON PARENTAL LEAVE
We expanded our multi-faceted mentoring programs for different target groups to include an additional special offer in 2013. In October 2014, we launched the second round of our mentoring program, which was initiated in 2012, targeted toward young talent in expert and managerial positions who are planning to take or are currently on parental leave or have just returned to work. During all of these phases, they have the chance to get advice from a senior manager mentor. In 2014, 31 tandem teams, i.e., a total of 61 employees, took part in the program (36 tandem teams participated in the last round). The program lasts approx. 18 months.

The poll conducted upon completion of the first round found that participants were very happy with the new model; almost 20 percent were even able to advance their careers during parental leave.

MANAGERS AS MESSENGERS FOR FLEXIBLE WORKING MODELS
In order to further introduce flexible working models at the company, Deutsche Telekom called upon all of its top-level managers in Germany to participate in a pilot project dealing with flexible working models. 82 managers agreed to take advantage of one of the numerous flexible working models offered, including part-time, home office and parental leave.

Most participants were able to improve their own work-life balance during the pilot project by significantly reducing conflicts between their professional and private lives. On the basis of the managers' experience, participants were able to improve current measures and come up with recommendations. The University of Cologne provided the academic support for this project. As messengers for flexible working models, managers take on a key role in establishing a culture that is less characterized by the physical presence of employees and more focused on goal achievement.

COMMUNICATION CAMPAIGN REGARDING OFFERS TO IMPROVE WORK-LIFE BALANCE

Within the scope of a communication campaign, we are trying to raise awareness and acceptance of measures to improve work-life balance and to initiate an open discussion about current challenges in this area. Dr. Thomas Kremer, interim Chief Human Resources Officer, got the ball rolling in September 2014 on Deutsche Telekom's internal social network (TSN). The initiative met with great response. In February 2015, a new intranet portal was launched featuring target group-specific information about various offers. We also created an information leaflet for employees and applicants and a movie on work-life balance. The campaign will be expanded in 2015 with the goal of raising even more awareness of our work-life balance offers.

EMPLOYEE SATISFACTION AND PARTICIPATION

Deutsche Telekom's goal is to become the leading telecommunications provider in Europe. A key aspect in achieving this goal is to have a high-performing organization with dedicated, healthy employees. As a responsible employer we take the concerns of our employees seriously. We want them to fully realize their personal strengths at our Group. Listening to our employees and their ideas is a key element for us in strengthening our innovative culture and in consistently improving our processes and services.

MANAGEMENT APPROACH

We pursue open dialog and productive exchange with our employees. A key element in this is our Telekom Social Network (TSN), which allows our managerial staff to engage in direct dialog with our employees. Our employee survey is an essential feature through which our employees have the chance to provide feedback. It also helps to identify important aspects for health and getting involved in organizations. We also conduct bi-annual "pulse surveys" to capture up-to-date Group-wide sentiment, and we work to consistently improve our group-wide ideas management efforts. We also offer our employees many different ways to get involved, e.g., in the form of corporate volunteering projects.

These projects are based on our Group-wide Guiding Principles and our Employee Relations Policy.

Our employees have been showing an ever-increasing interest in getting involved in both our Group-wide employee survey and our ideas management initiative. With a participation rate of 70 percent, the 2014 Group-wide pulse survey once again saw the number of participants rise compared to the previous year, and so did the general satisfaction level identified in the 2014 pulse survey. With a total of ten ideas per 100 employees, we also recorded the highest number of submitted ideas. With these ideas we have been able to generate 107 million euros in the form of cost reductions and increased revenues.

A FINGER ON THE COMPANY'S PULSE: OUR EMPLOYEE SURVEYS

The opinions of our employees play a key role in the evolution and transformation of our companyl. That's why we regularly ask our employees questions about relevant issues that have an influence on motivation and health at organizations. Our most important instruments include the regular, Group-wide employee surveys and bi-annual pulse surveys that give us an idea of current sentiment. These surveys allow us to monitor the effectiveness of the follow-up measures introduced in the scope of the employee survey and to identify areas where there is still room for improvement.

Both instruments have met with great response. Around 70 percent of our employees participated in our latest pulse survey in November 2014. Overall, the results generated have been either positive or very positive. They have improved year-on-year (November 2013 - November 2014) in particular when it comes to accepting change in the Group and understanding the corporate strategy. The next Group-wide employee survey will be conducted in April/May 2015.

HIGH TURNOUT FOR GROUP-WIDE IDEAS MANAGEMENT

Ideas management plays a key role when it comes to pushing innovation efforts at our company. Many employees once again participated in 2014. In Germany alone, one out of every ten employees submitted an idea to the Group-wide ideas management program. This shows our employees' strong interest in actively playing a part in improving our products and services. The economic benefit resulting from the 13,231 ideas submitted translated into a total of 107 million euros in cost savings and tapping new business potential. We also promote our ideas management program at special events, e.g., at the second German Diversity Day held on June 3, 2014.

NEW PROGRAM LAUNCHED TO INVOLVE FORMER EMPLOYEES

With our "Future needs roots" program, Deutsche Telekom plans to intensify its efforts to honor the contributions and loyalty of our more than 130,000 former employees who are now retired. We want to keep in touch with our former employees and benefit from their know-how and ideas.

In July 2014, Timotheus Höttges, CEO, called on all former Deutsche Telekom employees to sign up on a website where they can get involved in different areas, including local events with managers, expanding the online offer for former employees and participating in product launches and tests. They are also given the opportunity to subscribe to a newsletter and the employee magazine. On the basis of the feedback provided, we will work together with the participants to further advance the program and make it a perfect fit for the wishes and interests of the target group.

With around 15,000 people signed up and more than 750 questions and suggestions submitted, interest in the "Future needs roots" program is very strong. We send out our newsletter and employee magazine on a regular basis; first local networking meetings have been planned.

SUPPLIERS

According to the RobecoSAM rating, Deutsche Telekom is an industry leader in sustainable supply chain management.

ICT products are often produced in countries where employee rights and environmental standards are not a given. As one of the largest telecommunications providers worldwide, Deutsche Telekom works systematically toward creating a sustainable ICT supply chain. The basis for this are reliable, long-term relationships with our suppliers and a series of tried-and-trusted instruments, methods and measures.

We make a point of involving our stakeholders in our processes. As the basis for our sustainability management strategy, we therefore syste-matically collect the topics that are of material interest to our stakehold-ers and to us. You can view the results of our survey here (as of February 2015):

Topic weighting —

Relevance for Deutsche Telekom

Very relevant / Relevant / Less relevant

Less relevant / Relevant / Very relevant

Relevance for stakeholders

- ● Promoting sustainability in Procurement
- ● Supplier controls
- ● Development programs for suppliers
- ● Commitment to standards
- ● Dialogue with stakeholder groups
- ● Commitment to and initiatives for sustainable extraction of raw materials
- ● Sustainability management in the BuyIn joint venture
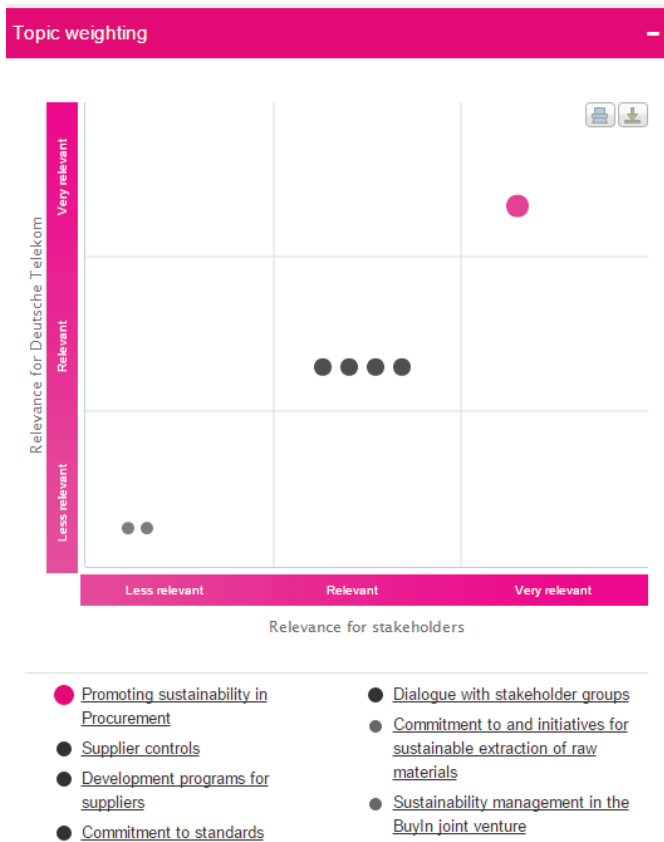
SUSTAINABLE PROCUREMENT STRATEGY

Non-governmental organizations (NGOs) and the media continue to uncover violations of employee and human rights as well as environmental protection standards along the supply chain for phones, laptops and other ICT products. As one of the largest telecommunications service providers worldwide with more than 30,000 suppliers in over 80 countries, we take this issue seriously. We use effective management tools to make sure our suppliers and manufacturers provide humane working conditions and are involved in effective environmental protection.

Sustainability in procurement activities at Deutsche Telekom
Methods, tools and stakeholders

Tools and methods for promoting sustainability in procurement activities

Supply chain management
- Prequalification questionnaire
- Supplier selection process
- Supplier assessment
- Supplier development

Risk management
- E-TASC
- Social Audits
- Improving supplier competence
- Escalation process ⓘ

Strategy to promote sustainability in procurement activites

Communication & training
- Procurement portal
- Online training tool
- Reports on sustainability in our procurement activities
- „Stakeholder ⓘ Dialog Day"

Rules & regulations
- Procurement Practices
- General Terms and Conditions for Purchasing,e.g., CR clause
- Social Charte
- Statement on Extractives ⓘ

Sustainable Procurement Working Group
Tasks: Incorporation of sustainability into procurement, ongoing development of a sustainable procurement strategy and implementation of core measures; measurement and management based on key performance indicators; support for escalation processes; sharing information on best practices and business cases.

Stakeholder ⓘ
Intern: Employees, purchasers, other workgroups ("sustainable products," etc.)

Extern: Suppliers, sustainability-oriented investors, NGOs

MANAGEMENT APPROACH

One of Telekom's aims is to constantly improve the sustainability of its value chain. We have laid the foundation for this with our sustainable procurement strategy. We adhere to principles for socially and environmentally friendly procurement throughout the Group and manage our processes with the help of internal and external performance indicators and management tools.

Fundamental norms and standards

Telekom has created social and environmental minimum standards for its corporate governance through its Guiding Principles and voluntary commitments. We also require our suppliers to comply with these standards. We use the following documents to guarantee compliance:

- Our Group-wide Code of Conduct,
- the Social Charter,
- the Telekom Fraud Policy,
- the Coltan Statement,
- the Statement on Extractives and
- the CR clause in our General Terms and Conditions for Purchasing.

With our Social Charter, we have made a commitment to complying with the fundamental principles and standards set forth by the International Labour Organization (ILO) and the Organisation for Economic Cooperation and Development (OECD) as well as with the Universal Declaration of Human Rights and the UN Global Compact.

Commitment to sustainable procurement

Our strategy for realizing sustainable procurement practices is based on our CR strategy and has been effectively incorporated into our procurement processes. The Sustainable Procurement Working Group (SPWG) develops recommendations on how to best implement our sustainable procurement strategy and assists our employees in their procurement decisions. The heads of the CR and Procurement divisions together carry general responsibility for the implementation of sustainable procurement practices. They report directly to the Board of Management member for Human Resources and Finance, respectively. Our escalation process calls for decisions to be made at Board of Management level in serious cases. We have also specified sustainable procurement requirements for the Joint Venture BuyIn.

We have incorporated our sustainability principles into the Group's Global Procurement Policy to provide orientation for our buyers. The accompanying Procurement Practices provide instructions on how to conduct procurement transactions at Deutsche Telekom. An e-learning tool is available to train our employees in this respect. An updated version of the tool was released in 2014. Our buyers can, for example, use the tool to learn how to implement our sustainability principles in their daily business activities.

Promoting sustainability with the Sustainable Procurement ESG KPI

We use the Sustainable Procurement ESG key performance indicator (ESG KPI) to measure and manage our sustainability performance in procurement. This KPI measures the ratio between the procurement volume we receive from suppliers whose compliance with social and environmental criteria has been verified through self-assessments, the EcoVadis information platform or social audits, and our total procurement volume. Our goal is to cover 75 percent by the end of 2015. We aim to further improve this value continually over the subsequent years.

Sustainability rankings rate supplier management activities
Each year, leading rating agencies rate the sustainability performance of large companies. Deutsche Telekom scored 93 out of 100 points in the supply chain management category of the 2014 RobecoSAM rating (2013: 88 points), making Telekom an industry leader.

The Italian NGO, Acquisti & Sostenibilità, was also impressed by our suppl chain management policies. We came in first place among 430 multinational companies from 30 industries in the "Sustainable Supply Chain Review" study published by the NGO in 2014.

SUSTAINABLE PROCUREMENT WORKING GROUP
The Sustainable Procurement Working Group (SPWG) has served as an instrument for the comprehensive implementation of social and environmental standards in Procurement since 2007. In addition to representatives from all of the functional Procurement areas (such as Devices and IT) the SPWG also includes representation from the national
companies and T-Systems International. The focus of our Sustainable Procurement Working Group in 2014 was harmonizing sustainability management at the procurement departments of all of our national companies.

Participants once again discussed the basic elements of our sustainable procurement strategy at an event in March 2014. We have also recently introduced monthly conference calls to encourage participants to share their knowledge and experience, review progress and increase their level of involvement in the supplier qualification process. In this context, a large part of our strategic suppliers and those with higher risk are assessed on the basis of sustainability criteria via the EcoVadis platform or through audits. Since June 2014, we have been directly addressing the individual needs of our national companies with a Group-wide roadshow.

DIALOG WITH SUPPLIERS AND NGOS
The sixth Sustainable Procurement Dialog Day took place on March 26, 2014, at Deutsche Telekom's Group headquarters in Bonn. A total of 108participants including selected international suppliers, NGO representatives, politicians, researchers and employees from different Telekom departments participated in the dialog event. This year's dialog focused on how to better manage and implement ethical responsibility along the global value chains. Three workgroups discussed human rights due diligence, conflict resources and the basis for improved collaboration between suppliers and their customers.

One of the three workgroups discussed how to structure an effective human rights due diligence policy for Deutsche Telekom. Participants stressed the fact that the due diligence practices needed to be adjusted to meet the requirements in each country. They pointed out that this included informing employees of their rights and teaching consumers how to deal with digital risks. Workgroup participants also said that good collaboration with governmental institutions, ICT companies, suppliers and other stakeholders was key to creating effective sustainability management practices.

Dialog Day participants recommended developing common standards and sustainability requirements that would apply to as many companies in the ICT industry as possible in order to improve and simplify collaboration with suppliers. Doing this would prevent suppliers having to check and comply with the varying requirements of their different customers. As part of a project launched in 2014, Deutsche Telekom therefore aims to further standardize supplier requirements between companies, together with the French telecommunications service provider Orange and the BuyIn joint venture. Dialog Day participants also emphasized the importance of engaging in dialog with each supplier in order to establish and maintain trust.

CR STAKEHOLDER DIALOG DAY IN CHINA: SUSTAINABILITY AS A COMPETITIVE ADVANTAGE
We hosted our seventh CR Stakeholder Dialog Day in November 2014 in the Chinese city of Shenzhen. At the event, Deutsche Telekom and 118 participants discussed what sustainable business might look like in light of the global transformation. Suppliers and experts from politics, business, science and civil society, including high-ranking representatives from the Chinese Environment Ministry, were invited to take part. Birgit Klesper, Senior Vice President for Group Transformational Change and Corporate Responsibility, made it clear in her opening speech that "Corporate responsibility is not a question of charity. Doing business responsibly also drives growth." The Together for Sustainability program for sustainable supplier development was one of the measures launched in order to maintain high environmental and social standards along the supply chain. "Based on the considerably higher re-entry rates of satisfied employees, the investment pays off within just a few months," Eva Wimmers, Senior Vice President for Group Procurement at Deutsche Telekom, emphasized.

Work conditions have to change due to the demographic shift alone. Jungfeng Zhang, Deputy Director of the International Institute for Occupational Health and Safety at the Chinese Ministry of Human Resources and Social Security, said, "The younger generation today has many more opportunities and they use their own voice. Chinese employers in particular will have to understand this in order to recruit and retain qualified employees in the future."

The dialog in Shenzhen pointed out that the challenges of our time can only be met with close cooperation among the ICT industry, politics and NGOs.

UP-TO-DATE THANKS TO E-LEARNING
Our Global Procurement Policy clearly regulates sustainability in our procurement practices. We offer the Procurement Sustainability e-learning tool to Procurement employees at our national companies to help them put the policy into practice effectively. During the training, employees learn about and are tested on important CR measures and processes. For example, the tool explains in detail the steps that need to be followed to introduce countermeasures in cases of violations (escalation process).

The tool was thoroughly revised and updated in 2014 during a several-week process. A total of 490 employees successfully completed the e-learning course between August and December 2014.

SUPPLY CHAIN MANAGEMENT

Deutsche Telekom maintains business relationships with more than 30,000 suppliers in over 80 countries. Our relationships with suppliers are based on trust and dialog combined with monitoring and providing concrete support for the implementation of sustainability standards. We have a variety of instruments, methods and measures in place to help us improve the sustainability of our supply chain. Our basic aim is to recognize the cause of any problems and to work closely together with our suppliers to resolve them.

MANAGEMENT APPROACH

Depending on the development phase of the supplier relationship, we use different tools to make our supply chain more sustainable. A ten-percent sustainability weighting factor has been included in all bids for proposals since June 2013. This creates strong incentives for suppliers to offer more sustainable products and services in the bidding process.

We also use a four-level approach to minimize risks and encourage our suppliers to improve their practices. The funnel chart illustrates the process. Via our supply chain management system we initially ask potential suppliers with an order volume of more than 100,000 euros per year about 16 sustainability-related aspects (level 1). These 16 aspects relate to human rights and corruption as well as environmental protection and occupational health and safety.

Risk minimization and supplier development
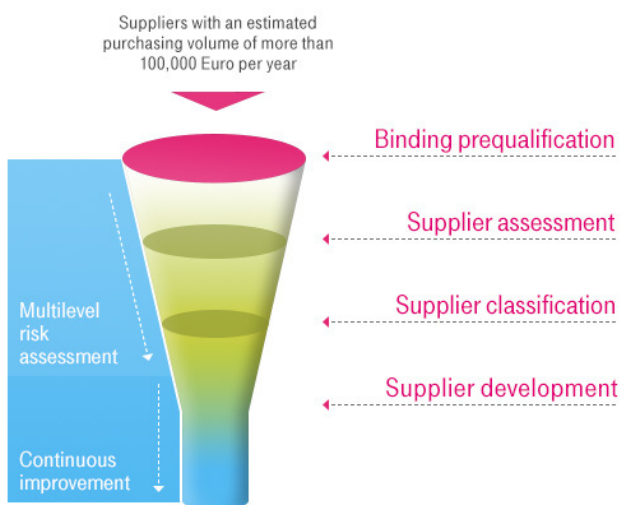
As the business relationship proceeds, we ask strategically relevant and high-risk suppliers to enter extensive information about their practices in the EcoVadis information system. Experts evaluate these statements on the basis of additional background information and targeted research. We take things a step further in our relationships to some suppliers that exhibit a higher CR risk and conduct on-site social audits (level 2). In doing so, we focus not only on direct suppliers of Deutsche Telekom but also on downstream suppliers as far as possible.

We also boost the effectiveness of our audits by collaborating with a current nine other companies in the Joint Audit Cooperation (JAC). Thanks to the increasing number of JAC members, we are able to conduct a higher number of audits on joint suppliers.

Based on the information obtained from suppliers and on audit results, we classify and evaluate suppliers according to CR criteria – particularly cross-functional suppliers (level 3). This is done using supplier scorecards, which let us assess a supplier's sustainability performance and compare them with other suppliers at a glance. The evaluation is also based on press information and reports from non-governmental organizations (NGOs). We also collaborate closely with selected suppliers to address acute issues and improve their sustainability performance in the long term. Our supplier development program is particularly helpful during this phase (level 4).

In cases of significant disregard of our requirements, we initiate an escalation process to effect fast resolution in accordance with the Deutsche Telekom sustainability standards. The results of the supplier evaluations and the measures taken to solve the problems are recorded centrally.

SUPPLIER DEVELOPMENT PROGRAM LAUNCHED

We made another important step toward establishing sustainable procurement practices in 2014. In June 2014 we launched a pioneering project, the Together for Sustainability program, in which we are collaborating with three key suppliers from the device and network technology sectors. The goal is to find common solutions to issues such as regulations for working hours and occupational health and safety and to create competitive advantages in doing so. It is a clear win-win situation for us as well as our suppliers because better working conditions have a positive influence on employee loyalty and motivation, raise productivity and improve the quality of products.

The first measurable successes were reported only a few months after the project was launched. Overtime, for example, was reduced by 30 percent, while salaries increased 15 percent and employee satisfaction improved by 6 percent. In 2015 another five suppliers will join the project.

ANTI-CORRUPTION TRAINING FOR SUPPLIERS

Our business is based on integrity, respect and compliance with laws and regulations. In turn, we expect Deutsche Telekom's partners to comply with the principles of good, compliant business practices. In many cases, however, small and medium-sized businesses do not have the resources needed to effectively address compliance issues.

Deutsche Telekom has been offering compliance training to roughly 12,000 business partners in Germany since September 2014. This offer encourages our partners even more to conduct their business ethically and in compliance with relevant laws and regulations.

Focus on prevention

The seminars outline compliance-relevant topics such as corruption prevention, antitrust law and sustainability, as well as Deutsche Telekom's compliance management system. We also offer free online training to help us reach as many suppliers as possible. Participation is not a mandatory requirement for a partnership with Deutsche Telekom, but it is looked upon favorably. Target groups include members of the executive management as well as employees from sales and contract management departments.

2014 AUDIT RESULTS

A total of 45 social audits, 23 on direct and 22 on indirect suppliers of Deutsche Telekom, were conducted in 2014 through the auditing program set up and managed at Group level. As in previous years, we focused our audit activities on suppliers in Asia and especially in China. We also conducted social audits in Latin America (e.g., Mexico and Brazil) and Eastern Europe.

Among the suppliers audited were vendors of devices, IT services, IT hardware/software and network technology. The audits did not uncover any cases of corruption.

At a glance: 2014 audit results —

Forced Labor (16)
Freedom of Association (13)
Environment (35)
Discrimination (6)
Disciplinary Practices (3)
Wages & Renumeration (19)
Child & Juvenile Labor (19)
Business Ethics (26)
Health & Safety (127)
Working Hours (44)

Legend: Area (Number of violations)
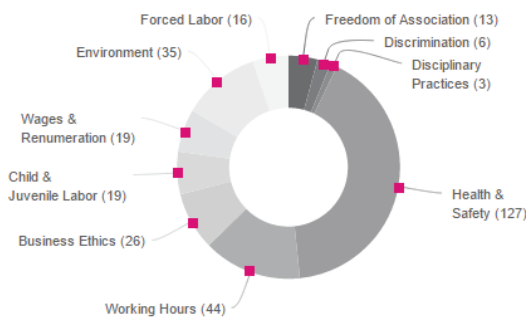
DETAILED RESULTS

We do not audit all of our suppliers (over 30,000) equally but instead focus on strategically important and/or high-risk supplier groups. We therefore audit around 150 suppliers at regular intervals of about three years. The majority of these audits have been conducted within the scope of the Joint Audit Cooperation (JAC). We identified key weak points and considerable need for improvement particularly in the following areas:

- Occupational health and safety
- Working hours
- Environmental protection

We found violations against Deutsche Telekom supplier requirements in a total of 350 cases, 100 of which must be considered critical. We were able to address 282 violations (69 of which were critical) by the end of 2014. The remaining improvement measures are currently scheduled for implementation. See below for some examples of key findings and completed improvement measures.

Working conditions —

Area	Results	Measures and improvements
Occupational health and safety	Some emergency exits were blocked in work and sleeping areas.	Objects blocking the exits were removed and those responsible instructed to make sure the emergency exits remained accessible. Functional and compliant escape and access routes as well as fire and smoke zones ensured.
	No safety lighting above emergency exits.	No safety lighting above emergency exits.
	Insufficient fire alarm system, no back-up system, insufficient emergency plan.	Effective fire alarm system set up in sleeping quarters. Fire safety concept updated. All fire safety issues integrated into an upstream emergency management system.
	Chemicals were being stored under the fire escape, no catchment tanks in warehouse.	Separate, safe chemicals warehouse including catchment tanks set up.
	Emergency power generator in one sleeping area, incorrect use of another sleeping area as a workshop.	Separate sleeping and work spaces established.
	No fire safety certificate for dormitory building.	The management was requested to always provide and keep the fire safety certificate for dormitory buildings.
Working hours	Daily/weekly/monthly working hours in violation of SA8000 and local regulations.	Adjustments made in production. Payment corrected. Training measures. Limited overtime to three hours per day and 36 hours per month and limited weekly working hours to 52.
	Time cards missing.	The management was instructed to provide accurate time cards in the future.
Payment and compensation for overtime	Full payment of overtime for piece workers only on weekdays.	Detailed policy for payment of overtime developed. Compliance with local laws regarding payment (including for overtime) ensured.

Human rights		
Area	**Results**	**Measures and improvements**
Youth employment	Employing minors at factories with a noise level above 80 dB.	Young employees prohibited from working in locations subject to high health risks. Negative list of those locations created as a preventative measure and integrated into human resources processes.
Forced labor	No ongoing payment for sick employees and no policies regarding inability to work.	The management was instructed to continue to pay sick employees in compliance with local laws and to introduce policies regarding inability to work.

Environmental protection		
Area	**Results**	**Measures and improvements**
Environment	No permit to operate an x-ray machine and dispose of x-ray waste. No valid disposal agreement with licensed company.	The management was instructed to provide a permit issued by the environmental authorities as well as a disposal agreement.

CORPORATE ETHICS

No significant violations were identified regarding corporate ethics including corruption, bribery, compliance or protection of intellectual property within the scope of our social audits.

RESOURCE SCARCITY AND RAW MATERIALS SOURCING

Production of electronic devices like smartphones is harmful to the environment and requires large amounts of water and energy. Because the production facilities of suppliers and manufacturers are often located in regions where water is scarce or the population does not have sufficient access to electricity, the availability of resources plays a more significant role there than it does in countries like Germany.

Moreover, valuable raw materials like metals are used in producing smartphones and other ICT products. Some metals, including tantalum, gold, tin and tungsten, are extracted from ores, some of which are extracted in the eastern part of the Democratic Republic of Congo under conditions that are inhumane and/or associated with civil war. The parties involved in conflict in the region use the profit for purposes such as financing civil wars. Deutsche Telekom does not produce any ICT products itself. The Group purchases these products from inter-national manufacturers and sells them at its stores, offers them in the context of service provision or uses them in its network infrastructure. We require our suppliers to refrain from using any of these conflict re-sources. We also support industry initiatives, such as the Conflict-Free Sourcing Initiative, that work toward creating a more sustainable supply chain.

MANAGEMENT APPROACH

Deutsche Telekom requires its suppliers to protect the environment and use resources responsibly. These requirements are documented in our Social Charter. They are also described in detail in our CR clause, which has been a permanent feature of our General Terms and Conditions for Purchasing since June 2013. We require our suppliers to provide information on their activities as part of a self-assessment and conduct supplier audits to emphasize the importance of these requirements. In the scope of the audits, we check whether our suppliers use an environmental management system and how they manage their energy and water consumption, as well as other factors. We also explicitly ask them about their waste management system.

Handling critical raw materials

Deutsche Telekom collaborates with suppliers and industry initiatives to effect responsible raw materials sourcing. We are particularly forceful in making sure that no conflict resources are used in producing the devices we sell or use in our network technology.

Deutsche Telekom published its Coltan Statement in 2005 and added the Statement on Extractives to it in 2009. The use of conflict-free resources has been a product requirement on our manufacturers since 2014. The purpose of this decision is to make sure that both our direct suppliers as well as their sub-suppliers minimize the social risks that come with extracting raw materials. We require our suppliers to comply with Deutsche Telekom's Statement on Extractives. Policies regarding conflict resources and their use are also an integral aspect of our supplier audits.

In cooperation with the Global e-Sustainability Initiative and the Electronic Industry Citizenship Coalition industry associations, we work to advance the Conflict-Free Sourcing Initiative (CFSI). This initiative helps companies identify conflict resources and avoid trade and production involving those resources.

FIGHTING THE USE OF CONFLICT RESOURCES: PARTICIPATING IN THE CONFLICT-FREE SOURCING INITIATIVE

Telekom has supported the Conflict-Free Sourcing Initiative (CFSI) ever since it was founded in 2008. CFSI is the largest business initiative for responsible raw materials sourcing. Its objective is to identify conflict resources and prevent their extraction and sale.

CFSI is based on a working group that was founded in 2008 by the Global e-Sustainability Initiative and the Electronic Industry Citizenship Coalition industry associations (Extractives Working Group) to address sustainable raw materials extraction. Since then, the number of metal processing companies and smelters participating in CFSI has continued to grow. 150 of these companies have been audited in compliance with the standard audit protocol (as of March 2015). Another 48 have committed themselves to completing the audit process.

STAKEHOLDER INVOLVEMENT

We have been a sponsor of the wide-scale Clean Cell Phones campaign run by the Catholic aid organization Missio since 2013. Missio calls upon cell phone manufacturers to require their suppliers to provide proof that they do not use conflict resources. In 2014 we also addressed responsible resource procurement at several dialog events with different stakeholders.

On May 31, 2014, for example, a Telekom Deutschland sustainability expert met with representatives from the Democratic Republic of Congo and experts from the Missio branch in Aachen to discuss the topic of "Congo, war and our cell phones" at the Catholic Day event held in Regensburg.

Conflict resources were also a key issue at our sixth Sustainable Procurement Stakeholder Dialog Day on March 26, 2014. Our discussions with suppliers and NGOs like Missio have made it clear how important it is to get the entire industry involved so that we can achieve far-reaching improvements. Participants in these discussions feel that the European transparency guideline is not enough to make this happen. As an initial step, Deutsche Telekom is planning to raise awareness of OECD guidelines at other companies.

CLIMATE AND ENVIRONMENT

We help shape society as one of Europe's largest telecommunications companies. Protecting our environment and reducing resource consumption are especially important. That is why we are dedicated to reducing CO_2 emissions and environmental pollution and help our customers combat climate change.

We make a point of involving important stakeholder groups in our processes. As the basis for our sustainability management strategy, we therefore systematically collect the topics that are of material interest to our stakeholders and to us. You can view the results of our survey here (as of February 2015):

Topic weighting —

Relevance for Deutsche Telekom (vertical axis): Less relevant, Relevant, Very relevant

Relevance for stakeholders (horizontal axis): Less relevant, Relevant, Very relevant

● Group-wide management of climate protection
● Waste and recycling
● Energy efficiency in telecommunications networks
● Energy efficiency in buildings
● CO_2 emissions from the vehicle fleet
● Lobbying for climate protection
● Tracking/reducing indirect CO_2 emissions (Scope 3)
● Water consumption at Telekom sites
● Protection of biodiversity at Telekom sites
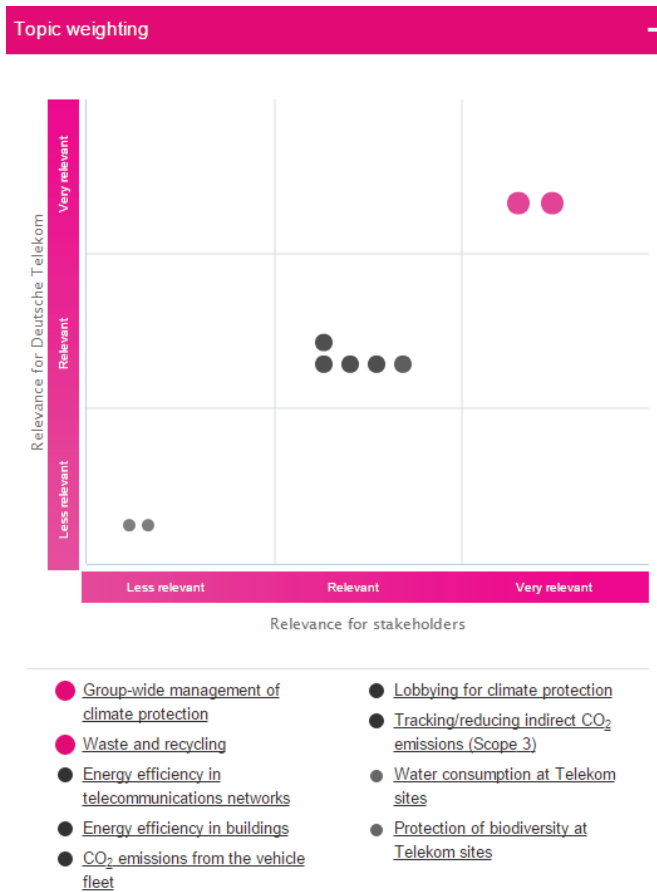
CLIMATE PROTECTION STRATEGY

According to the latest status report published by the Intergovernmental Panel on Climate Change (IPCC), global CO_2 emissions continue to rise; their impact on people and the environment will be significant. We need innovative solutions to lessen this impact and slow down global warming. There are a number of good examples of how ICT can reduce emissions in many industries like transportation and agriculture. We believe it is our responsibility to systematically expand our business with solutions like these. The growing amounts of data in our networks and at our data centers, however, require more energy. We tackle the challenge of reducing our energy consumption despite this situation by increasing the efficiency of our network infrastructure. Within the scope of our Group-wide climate protection strategy, we also reduce our carbon footprint through effective energy management at our buildings and climate-friendly policies for our vehicle fleet management.

MANAGEMENT APPROACH

We assume responsibility for a low-carbon society" is one of the key action areas of our CR strategy. We intend to keep this promise with the help of our Group-wide climate protection target, which was adopted in 2013: to reduce our CO_2 emissions by 20percent by 2020 compared with 2008. We have developed measures to help us meet this target as well as instruments to gauge our progress. An annual status report keeps the Board of Management informed regarding progress toward achieving this target.

Measurable success in climate protection

We record the direct impact of our climate protection measures with our Energy Consumption and CO_2 Emissions key performance indicators (KPIs) in order to assess the effectiveness of those measures. These KPIs also help us keep our stakeholders informed regarding the progress we have made in achieving our climate target. In 2014 we reviewed the effectiveness of our KPIs and made adjustments to our CO_2 Emissions KPI.

Measuring direct and indirect emissions

We measure our CO_2 emissions on the basis of standards such as the internationally recognized Greenhouse Gas (GHG) Protocol, which distinguishes between three CO_2 emissions categories: GHG Scope 1, 2 and 3. Over the past few years, we have introduced measurement of GHG Scope 1 and 2 emissions throughout the Group. Our CO_2 Emissions KPI is based on this data. We have been annually recording all Scope 3 emissions generated by our business in Germany that are relevant to the company since 2013. We published the values from 2012 and 2013 for the first time in 2014 within the context of the Carbon Disclosure Project survey.

Collaborating for innovation and climate protection

Effective climate protection calls for joint efforts on the part of business, politics, science and society. We are involved in a number of German initiatives (2° foundation in Germany) and international associations to help us effectively work to protect the climate. One of these is the Global e-Sustainability Initiative (GeSI). As an industry association, GeSI's vision is to help make society greener and more climate-friendly with the help of ICT solutions.

Using electricity from renewable energy sources

Measures to improve the energy efficiency of our networks and infrastructures are at the heart of our climate protection strategy. To date, we have not included renewable energy in our calculations regarding our Group-wide climate protection target. Renewable energy, however, can help reduce CO_2 emissions. That is why we attach great value to the use of renewable energy, which will play an important role in our integrated climate strategy in the future. In 2014 we took stock throughout the Group in order to assess the potential of renewable energy in terms of climate protection at the Group. The next step will be to come up with specific targets to increase the share of green power in our energy mix.

DEVELOPING AN INTEGRATED CLIMATE STRATEGY

In addition to approving our Group-wide climate protection target of reducing our CO_2 emissions by 20 percent between 2008 and 2020, the Deutsche Telekom Board of Management decided in December 2013 to continue to enhance the tools that will help us achieve this target. These include monitoring and, where necessary, realigning our climate protection measures as well as identifying additional measures to increase our efficiency and finding new ways to use renewable energy. Our efforts to enhance our tools will also take into account the analysis of CO_2 emissions generated by T-Mobile USA, which have so far not been included in our climate protection target.

Integrated climate strategy based on four pillars

In 2014, we worked together with all of the national companies participating in the climate protection target to identify additional ways to reduce energy consumption including data centers, buildings, vehicle fleets, IT and business trips. The discussion also made it clear that we could reduce our Group-wide carbon footprint by using more renewable energy. Increased inclusion of renewable energy in calculating Scope 2 emissions, an element of the new version of the Greenhouse Gas (GHG) Protocol, will contribute to this as well. Measures in this area will therefore have a positive impact on our carbon footprint.

The four pillars of the integrated climate protection strategy

- ■ CO₂ emissions
- ■ Renewable energy
- ■ Energy efficiency
- ■ Sustainable products

Telekom's Scope 3 emissions in Germany

*Quantities stated in t CO2 equivalents

The estimated CO_2 emissions generated by T-Mobile USA pose a challenge to our climate protection efforts. Emissions there are expected to increase between 2008 and 2020 due to heavy network expansion in North America. That is why during the reporting period we discussed how to make our climate protection activities more effective.

As a result, we decided to continue to make our climate protection efforts more systematic and to develop a new, integrated climate protection strategy in 2015. Based on the four pillars - CO_2 emissions, renewable energy, energy efficiency and green products - this integrated strategy will include concrete targets and performance indicators and will support our Group strategy of becoming the "leading telecommunications provider in Europe."
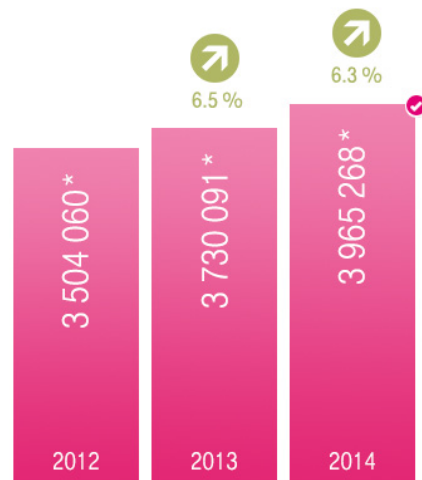
One step in this strategy will be to analyze the CO_2 reduction potential of our ICT products and services so that we can continue to expand our business with customer solutions for climate protection. To make this possible, we plan to measure the carbon footprint of our products in a pilot project and gradually make CO_2 reduction a fixed aspect of our portfolio. Emission reductions have already been calculated for the three pilot products Dynamic Workplace, Connected Carand Smart Metering.

MEASURING SCOPE 3 EMISSIONS ALONG THE VALUE CHAIN

In June 2014, we published all of Deutsche Telekom's Scope 3 emissions in Germany for the first time within the context of the CDP (formerly Carbon Disclosure Project). We included relevant data for 2012 and 2013 in this calculation. The two largest sources of Scope 3 emissions in 2013 were customer use of products purchased from us and our supply chain. We calculated Scope 3 emissions for 2013 totaling at 3,730,091 metric tons of CO_2 equivalents.

Our Scope 3 emissions for 2014 were up 6 percent year on year at 3,965,268metric tons of CO_2 equivalents. This increase can primarily be attributed to our rising purchase volume (e.g., smartphones and tablets) as well as to the use of products (e.g., routers and receivers)

leased from us by our customers. We saw a drop in Scope 3 emissions for fixed assets, e.g., the technology required to operate our fixed-line and mobile communications networks.

In order to record the Scope 3 emissions along the supply chain more efficiently, we invited around 100 of our suppliers to participate in the CDP supply chain program. The program gives businesses and their suppliers a standardized platform for recording and controlling emissions. We also tested a macroeconomic approach to measuring Scope 3 emissions. In this approach, the calculation of the emissions along the supply chain are based on lump-sum amounts. We are currently looking into the deviations between the results of both approaches in order to improve the method we use.

We plan to measure Scope 3 emissions throughout the entire Group by the end of 2016.

MORE GREEN ENERGY AT EUROPEAN NATIONAL COMPANIES

We aim to achieve a share of power from renewable sources at all of Deutsche Telekom's national companies in Europe that is 10 percent higher than in the national energy mix by 2016 – if permitted by the conditions of the national energy markets. To this end the national companies can also purchase renewable energy certificates if needed, a practice already in place in the Netherlands, Hungary and Greece.

By increasing our reliance on renewable energy, we hope to tap new ways to reduce CO_2 emissions and our energy consumption beyond what we are already doing within the scope of our Group-wide climate protection target. To help us in this, we worked together with our national companies in 2014 to analyze other ways to use renewable energy. The first step was to take stock of the present situation at each company in order to give us a basis from which to start. The next step will be to come up with measures that increase the share of renewable energy being used throughout the Group and that help us meet customer demands and the provisions of international climate protection agreements.

ANOTHER OPTION: CO_2 COMPENSATION

Preventing greenhouse gas emissions has top priority at our company. This is followed by reducing these emissions. Investing in certified climate protection projects is one way to compensate for some of the CO_2 emissions that we are unable to avoid generating or reduce.

From early March 2014 to late February 2015, Telekom compensated for 12,517 metric tons of CO_2 emissions. These included emissions associated with our events (participant travel to and from the event, room usage, etc.) and certain products and services (e.g., conference calls or web conferences). Our Event Policy specifies the ways in which we compensate for emissions generated by events.

In 2014 T-Systems Hungary also compensated for 14,285 metric tons of CO_2 resulting from energy consumption.

CLIMATE PROTECTION MEASURES

With our Group-wide climate protection target we have resolved to lower energy consumption and, therefore, CO_2 emissions in all areas. This primarily impacts our network infrastructure (fixed-line, mobile communications and data centers). In Germany, our network infrastructure is responsible for around 70 percent of our national energy consumption. Use of our buildings and vehicle fleet (one of the largest in Europe with around 26,300 service vehicles and company cars) is another focal point of our efforts. This use also contributes significantly to our energy consumption in Germany, making up around 15 percent and 10 percent, respectively, and therefore having considerable potential for improving our carbon footprint.

Energy consumption
in Germany by Deutsche Telekom 2014*

66%

22%

12%
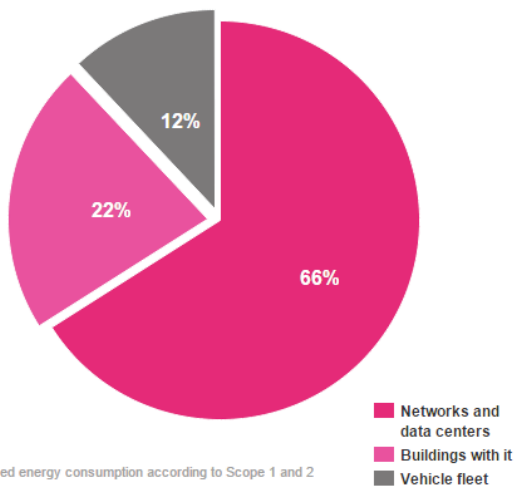
* Note: Rounded energy consumption according to Scope 1 and 2

- Networks and data centers
- Buildings with it
- Vehicle fleet

ENERGY EFFICIENCY IN THE NETWORK

Using less electricity by making our network operations more energy efficient is a central element of our climate protection target. We take different approaches for the fixed network, mobile communications and data centers. All of these approaches, however, include the use of innovative ICT solutions for load-based control of network performance and energy consumption.

MANAGEMENT APPROACH

Telekom operates its own fixed-line and mobile communications networks in Europe and the US. Much of our energy demand comes from operating this network infrastructure. In the interest of our customers, we continue to increase the capacity and performance of our networks so that we can handle growing amounts of data and increasing demands on the speed and quality of data transmission. This always goes hand-in-hand with higher energy requirements. We pursue three approaches to further reducing our energy needs:

- We update our network infrastructure through measures such as switching over to IP technology and installing highly efficient systems to guarantee the availability of electricity, systematically removing technology we no longer need

- We optimize energy supply and energy conversion through improved energy storage facilities

- We use more energy-efficient technology for lighting, monitoring and cooling in our technical network facilities

Our internal energy service provider, Power & Air Solutions, who is responsible for energy management at most of Telekom's companies in Germany, plays a key role in these activities. Power & Air Solutions has been using an ISO50001-compliant energy management system since 2013.

Telekom was among the companies that signed the EU Broadband Code of Conduct and the EU Data Centre Code of Conduct. By signing these documents, Telekom has committed itself to continuing to effectively improve the energy efficiency of its products and services.

Measuring and controlling energy requirements

The PUE factor (Power Usage Effectiveness), which we record annually, is an important indicator that we use to manage our climate protection measures. Our goal for operation of our fixed-line network in Germany is to reduce our PUE factor to 1.4 by 2020. By doing this, we will be able to compensate for the increased energy requirements associated with growing amounts of data and new service features.

MORE COMPUTING CAPACITY – LESS ENERGY CONSUMPTION

There is a lot of room to reduce energy consumption at data centers. We tap these possibilities systematically each time we build new data centers or update old ones. In these activities, we focus on the following:

- Optimizing heating, ventilation and cooling technology
- Energy-efficient components
- Optimizing stand-by features
- More efficient archiving and storage

In 2014 we began operations at a new, large data center at the Biere location in Magdeburg. We are setting the bar at this data center in all of these areas with innovative technology.

Biere: Role model for energy efficiency

The new cloud data center in Biere is the largest of its kind in Germany as well as one of the largest in Europe. It has room for 30,000 servers and its PUE factor of 1.3 represents a significant milestone in the achievement of our climate target. Its innovative cooling concept alone cuts its total energy requirements by around one-third relative to comparable data centers. We received the Gold LEED certification (LEED: Leadership in Energy and Environmental Design) for the building's energy-efficient, environmental design. Only ten data centers in the world have this certification.

We have fitted out an existing data center in Magdeburg, not far from Biere, almost identically. The two data centers work together closely as "twins." Data is stored at both data centers at all times so that is is always available, even if there is a problem at one of the data centers. Outsourcing data to the cloud also requires the highest security standards. That is why the building complexes are systematically partitioned; the strictest security measures protect data from unauthorized access.

OPTIMIZING AND CONSOLIDATING DATA CENTERS: LESS IS MORE

We are also making efforts to reduce CO_2 emissions in the way we operate and design our data centers. The approach taken by Group subsidiary T-Systems basically falls into two phases: optimization measures at the different data center sites and global optimization spanning the entire data center landscape worldwide.

The first phase was conducted from 2008 to 2013 by thoroughly optimizing current data center sites. Some examples include updating the cooling systems and installing cold aisle containment to control the flow of cooling air as needed and minimize cold air waste in the IT areas. In this context, upgrading our IT systems and migrating the application environments to this new technology helped us to improve energy efficiency considerably.

The PUE factor serves as an indicator for improvements in energy efficiency. Between 2008 and 2014, we saw a positive change in the average PUE factor of the T-Systems data centers from 1.85 to 1.64 thanks to the measures described above. Despite the overall positive trend, we saw a slight increase in the PUE level in 2014 compared to the previous year. This is due to the fact that, while energy consumption by the servers declined, the energy required for non-ICT components remained unchanged.

Energy efficiency of our data centers is increasing

PUE factor

1.64

2

1.85

The PUE factor (Power Usage Effectiveness) fell from 1.85 in 2008 to 1.64 in 2014.

0

2008   2014
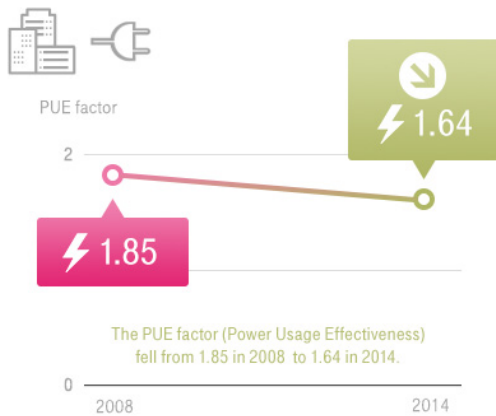
The PUE factor (Glossary) serves as an indicator for energy efficiency. Between 2008 and 2014, we saw a positive change in the average PUE factor of our data centers from 1.85 to 1.64 thanks to the measures described in the text.

The second phase began in 2013 and involved combining the physical consolidation of data centers (i.e., reducing the amount of data center space and the number of sites) with logical consolidation (i.e., virtualization). The DC11@2018 program is working to globally consolidate data center sites with the latest IT technology to a few FMO (future mode of operation) data centers. We expect these measures to massively reduce CO_2 emissions. Current program plans estimate a cumulated CO_2 reduction of up to 51 percent by 2020 based on the 2012 figures.

WINNING THE CODE OF CONDUCT DATA CENTRE AWARD 2014

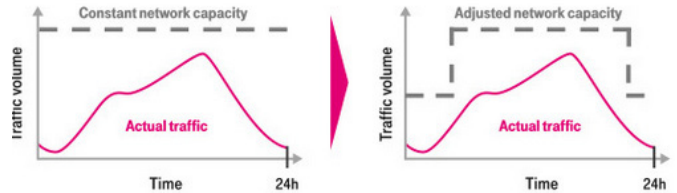We continue to improve the efficiency of our data centers to help us achieve our climate protection target. In May 2014, T-Systems was presented the European Union's Data Centre Energy Efficiency Award for its success with these measures in 2013. Our submission included publishing the energy values of all of our data centers and submitting a list of improvement measures.

POWER-SAVE MODE: SMART AND ECONOMICAL

Network control is a major lever when it comes to making broadband services more environmentally friendly and efficient for our customers. We collaborated with a network equipment manufacturer to develop an innovative operating mode (L2 mode) for the fixed-line network. This mode makes it possible to flexibly adjust transmission capacity to the actual data volume in several switch levels. We can use this mode to significantly reduce energy consumption in access networks during low traffic periods. We planned to conduct a field test in 2014. The quality controls at the lab, however, have not yet been completed. We have

tested the L2 mode in live network operation, but without customer participation. Depending on the results, we should be able to start the field test in 2015. Once the field test has been completed, we are planning to gradually put the new mode into live operation.

Principle of L2 mode in the ADSL/ADSL2+ access network

Constant network capacity

Traffic volume

Actual traffic

Time   24h

Adjusted network capacity

Traffic volume

Actual traffic

Time   24h

The diagram on the right shows the method with two switch levels, which already allows a rough approximation to the curve representing actual data traffic (depicted here in magenta). Analyses have shown that the enhanced L2 mode will make it possible to avoid large amounts of CO_2 emissions and save operating costs.

GENERATING HEAT AND POWER UNDER A SINGLE ROOF

In addition to traditional power grids, we are also increasingly using combined heat and power units (CHP) to provide power that we generate ourselves to our network nodes (Internet distribution points) in a way that is efficient and environmentally friendly.These units convert around 90 percent of the energy into usable energy (electricity and heat), whereas electricity generated via conventional means and sourced from the German power grid only comprises round 40 percent usable energy. Using CHP units has enabled us to significantly reduce the CO_2 emissions of our network operations. We added four new CHP units with electrical power output ranging from 50 kW to 250 kW in 2014.

Technological and efficient ways to use CHP units

CPU units basically cover the electricity and heating needs of our network nodes via thermal energy. We have improved load distribution by introducing a new control approach in order to tone down excessive electricity needs (peak loads) during times of exceedingly high data traffic volumes. However, the German Renewable Energy Act (EEG), which was passed in 2014, made conditions for operators of environmentally friendly systems like these more challenging. Operators are now subject to a 40 percent EEG fee on self-generated energy from CHP units used in their own operations.

CO_2 emissions reduced by 8,687 metric tons In

February 2015, Telekom Deutschland was operating its own CHPs at a total of 27 network nodes. In 2014, these units generated around 33 GWh of electricity. Because the units are very efficient, they emitted 8,687 tons less CO_2 compared to power taken from public grids.

PHOTOVOLTAICS FOR MOBILE BASE STATIONS

T-Mobile Austria is testing different solutions to support power supply to base stations with photovoltaics and wind energy at five mobile base stations in its Green Base Station project. The main focus of the tests is whether and under which circumstances the systems are economically viable.

Photovoltaic modules with specially developed holders are attached directly to the base station masts and small wind turbines are attached to the tops of the masts. Any excess energy produced by the plants is stored on-site in batteries to cover any power outages. With the help of a new control system, the stored energy can also be used to power the stations on days with little sunshine or wind. Test findings from 2014 show that up to 40 percent of the energy needed to power the base stations can be produced by renewable sources. The use of renewable energy generated by photovoltaics has successfully passed the functional tests.

Apart from functionality, the goal is to develop an efficient approach for installing additional plants. There are still a few issues to be addressed.

Because we are now able to monitor the system over a longer period of time, we can also use information regarding the behavior of the systems to optimize them. Tests on the small wind turbine were not extended due to heavy vibrations of the mast. We are analyzing the use of other types of wind turbines for additional tests instead.

ENERGY-EFFICIENT BUILDINGS

Within the scope of our climate target, we work diligently to continue to reduce our energy consumption and the carbon footprint associated with it. Efficient facility management plays a key role in these efforts. Around 22 percent of our energy consumption throughout Germany can be attributed to usage of our buildings, for example.

MANAGEMENT APPROACH

Our facility energy management activities can be broken down into "heat energy" and "power consumption." We have defined sub-targets for each of these areas to help us attain our climate target in Germany. Progress is measured twice a year.

Two approaches are involved in achieving our sub-targets. One of these is to reduce our office space. This is done through staff reduction as well as optimizing space usage by introducing new office concepts. Another focal point is increasing the energy efficiency of our processes. For this we use an ISO 50001-compliant energy management system. We identify need for improvement by using specific indicators such as "kilowatt hours per square meter," "energy consumption around midnight" or "peak loads" to compare similar facilities. Power & Air Solutions is responsible for the energy management system. We also conduct research projects on energy-efficient network operation to help us develop energy-efficient operation methods for our workstations.

Heat and hot water We use approximately 600 GWh of heating energy throughout Germany each year, primarily by using gas and fuel oil as well as district heating. That is the same amount of energy needed to provide around 100,000 modern apartments with heat and hot water. To reduce consumption, we calculate the basic repairs needed at our facilities, conduct efficiency analyses and focus on necessary and particularly efficient measures within the scope of the available budget such as:

- Optimizing heating systems
- Renewing heating systems and pumps with condensing boiler technology
- Recovery of waste heat produced by data centers
- Using cogeneration units

We use a standardized indicator system to assess all of our buildings before introducing these measures. We use the data to identify buildings with particularly high consumption levels, analyze the weak points and potential areas of optimization in those buildings via detailed microanalyses and then specify corresponding focal points for improvement.

Group Facility Management is responsible for measurements, analyses and developing appropriate measures. During the reporting period and under the direction of Group Facility Management, we installed systems to use waste heat generated for IT to heat the buildings at four of our data centers. The tests that followed proved the effectiveness of those systems. We have also begun installing this technology at a fifth data center location. We are planning to conduct cost-effectiveness analyses for another 40 locations over the course of 2015.

Electricity

Our employee workstations, lighting, IT and building technology, including pumps, ventilation, cooling and elevators, make up the greatest share of power consumption in our buildings. We focus our energy conservation measures on the following areas:

- Using LED lighting and motion detectors in underground parking structures and hallways
- Using state-of-the-art pumps and fans
- Switching off building technology when the building is not in use

SOLAR POWER: SUNNY PROSPECTS FOR CLIMATE PROTECTION

In 2014 we decided to equip around 600 of our technology sites with solar power systems. The idea came from Telekom Deutschland employees who took a closer look at how we can work more simply, more effectively and with better integration at our company by the year 2018. Our internal energy service provider, Power and Air Solutions, installed photovoltaic systems on the roofs of around 300 offices. This is expected to reduce our carbon footprint by 1,600 metric tons of CO_2 a year, bringing us closer to achieving our climate target for 2020.

ENERGY EFFICIENCY INITIATIVES IN HUNGARY

Magyar Telekom's 2014 energy-efficiency measures included introducing ventilation equipment to cool large technical facility rooms. That allowed them to reduce their use of air conditioning units as well as their electricity consumption. The company completed a pilot test on smart cooling, which was targeted at optimum energy-efficient operation of air conditioning units and reducing associated energy consumption. Magyar Telekom has also begun projects to increase room temperature and use residual heat. Thanks to initiatives to replace furnaces, update heating systems and use residual heat generated in certain technical facility rooms, the company was also able to reduce its consumption of natural gas and district heating.

CLIMATE-FRIENDLY MOBILITY

With around 26,300 vehicles in Germany alone, our corporate fleet is one of the largest in Europe. Our fleet's carbon footprint reflects approx. 12 percent of our direct and indirect emissions (Scope 1 and 2 according to the Greenhouse Gas Protocol) in Germany. That is why we encourage our employees to take a climate-friendly approach to mobility. We also focus on alternative and fuel-efficient engines - which of course must also be financially viable - when purchasing new company cars and service vehicles.

MANAGEMENT APPROACH

We plan to keep average CO_2 emissions levels of all of the new company cars and service vehicles we purchase below 110 g CO_2/km by the end of 2015. Compared to the EU requirement of 120 g CO_2/km, which we had already achieved in 2012, we are clearly pursuing an ambitious goal. We came another step closer to our goal during the reporting period with our average dropping from 118 g CO_2/km (2013) to 115 g CO_2/km in 2014. Our internal mobility service provider, Telekom MobilitySolutions, is responsible for achieving this goal.

In order to tap the full potential of climate-friendly fleet management Telekom MobilitySolutions pursues a strategy based on the following three pillars:

- Rightsizing: selecting appropriately sized, energy-efficient, low-emissions cars. Through the introduction of our Green Car Policy as well as incentives for drivers to select smaller, more fuel-efficient cars, we continue to advance our fleet.

- Economizing: encouraging a fuel-efficient, low-emissions driving style with driver training courses

- Substituting: piloting and testing alternative mobility concepts.

We intend to further reduce our fleet's carbon footprint by purchasing vehicles with alternative engines and fuel systems. We have been turning to natural gas and electric vehicles for some time now to help us achieve this goal. In the medium term, we will keep tabs on developments in electric mobility and test out innovations.

Natural gas-powered vehicles still in testing phase
We still feel that low-emissions natural gas drives are the right approach toward effective green mobility. This technology is an effective aid in reducing pollution and the carbon footprint, particularly when renewable resources are used, e.g., natural gas obtained from residual materials and waste. However, long-range use of natural gas vehicles is still very limited due to an insufficient number of natural gas filling stations and sustainable natural gas options. We find the limited offer of suitable vehicles available from manufacturers particularly restrictive. Despite this, we continue to offer natural-gas powered cars to company

car users and to do so at especially favorable terms and conditions. For example, employees choosing natural-gas powered company cars can benefit from funds from our Green Car Policy penalty budget.

We also encourage our employees to actively protect the climate by offering them discount season tickets for local and regional public transportation.

ON THE GO AND GREEN
We offer our employees driver training courses to teach them how to drive safely in a way that conserves resources. A total of 111 of these training courses were conducted in 2014. They were attended by a total of 1,800 participants, roughly 300 of whom were trainees. The majority of the driver training courses featured combined driver safety and green driving training. Until June 2015, we are also offering our employees 5,500 subsidized spots in the ADAC basic driver training in collaboration with the Unfallkasse Post und Telekom accident insurance fund. The main objective of the campaign is to keep Telekom employees healthy and safe by teaching them how to avoid accidents using defensive driving techniques.

We also assume responsibility for the carbon footprint left behind by employee business trips. We offer different shuttle services as an alternative to driving one's own car, including shuttles to the Cologne/Bonn airport and the Siegburg ICE train station. Roughly 110,000 passengers used this service in 2014. Employees can use an app or the intranet to book a seat. In early April 2014, we set up the service to run between Darmstadt and Bonn and Frankfurt and Bonn.

TESTING THE PERFORMANCE OF ELECTRIC CARS
We continue to encounter hurdles when it comes to extensive use of electric cars. Limited range, insufficient charging infrastructure and high costs make these cars unattractive in many usage scenarios. To date, our electric car projects have only been possible because the charging stations at Telekom locations have been set up with the help of project partners. We participate intensively in selected electric mobility pilot projects to test the medium-term potential of electric mobility:

- Two new-generation electric rental cars have been available for business trips since December 2014. Funds from the Green Car Policy penalty budget were used to purchase a BMW i3 and a VW eGolf to replace our two older Smart electric drives.

- We have been participating in an e-mobility funding project ("Wirtschaft am Strom") in Hamburg together with Deutsche Telekom Technischer Service since April 2014. In this project, we are using seven Renault Zoe and three Smart ed models as service vehicles.

- In spring 2014 we added a Tesla electric car to our vehicle fleet for Board of Management members as a chauffeured vehicle for trips in the Cologne/Bonn area and to Darmstadt. Charging stations for the car were set up on-site.

- A few selected hybrid cars have become available in our company car segment since summer 2014. The offer only applies to the upper vehicle classes as the high costs involved exceed the defined budgets in the other categories. We have also begun offering
- electric cars as company cars for the first time in selected regions.

CLIMATE-FRIENDLY SUBSTITUTE FOR CARS

We continue to expand our bicycle offer for employees as a healthy, green mobility solution. Bicycle pools featured a total of 167 bikes at 31 locations during the reporting period. We are planning to purchase an additional 93 bicycles for a total of 16 locations in eight cities in 2015.

Employees from our Bonn offices tested 15 e-bikes as part of a pilot project that was successfully completed in 2014. The project was well-received and we are currently planning to expand it to a number of different locations.

RESOURCE EFFICIENCY AND ENVIRONMENTAL PROTECTION

We work diligently to improve the energy efficiency of our networks. In our view, this is the most effective way to reduce our impact on the climate and environment. We also try to limit our use of scarce resources and continue to work on reducing the amount of waste produced throughout the Group. We also recycle the valuable materials found in waste such as copper and lead from scrap cables.

MANAGEMENT APPROACH

Deutsche Telekom uses a health, safety and environment system (HSE). By using this system, we have made a commitment to constantly improve our performance in this area.

Our goal is also to increase our resource efficiency by reducing the amount of waste we produce and improving our recycling processes based on our Group-wide International Waste Management Framework. These guidelines do not, however, specify any quantitative requirements. Instead, our national companies use this framework as a basis for identifying their own measurable targets and then monitor target achievement. This approach makes it easier for us to flexibly deal with the conditions specific to each country and company.

The workplace is another focal point in improving our resource efficiency. We encourage our employees to use recycled paper and energy-efficient multifunction printers as well as to purchase environmentally friendly office supplies, etc.

REDUCING WASTE AND RECYCLING

Our national companies are responsible for conducting their waste management system according to standard Group-wide principles. They develop a waste strategy in compliance with our International Framework for Waste Management, which was approved in 2013, or update their current strategy and identify appropriate targets. The reduction of hazardous waste has top priority.

We conducted an international survey on the status of these implementation processes during the reporting period. The survey showed that very different amounts of progress have been made in the planning and target identification processes at our national companies. Progress is particularly slow in defining clear, measurable waste management targets.

When selecting and introducing new technology, which we then use for many years, we make sure that the components of this technology can later be disposed of responsibly without any unnecessarily high costs. We are currently working on disposing of copper cables that for decades were a main component of phone lines and some of which are now being replaced within the scope of our fiber-optic expansion efforts throughout Germany.

Group-wide copper-cable recycling requirements
The survey we conducted with our national companies clearly showed that they need help in meeting our expectations regarding responsible waste management practices when it comes to recycling and disposing of waste cables. In response, our waste experts came up with a draft of copper-cable recycling requirements and submitted it to the national companies for approval. We plan to adopt a mandatory policy by the end of 2015.

8,000 METRIC TONS OF COPPER CABLE RECYCLED

In 2014, Telekom removed more than 8,000 metric tons of copper cable from duct systems in Germany alone. The cable was processed in accordance with environmental standards at certified waste disposal facilities and up to 90 percent of the material was recycled.

INTERNAL RECYCLING PROGRAM IN GREECE A SUCCESS

In June 2013 we launched an internal program for recycling at our buildings. Phase A of the program gave us the following impressive results in 2014:

- Paper: 67.36 tons
- Plastic: 4.16 tons
- Aluminum: 0.2 metric tons
- Printer cartridges: 4,935 cartridges
- Phase B of the project was launched in October 2014:
- Expansion to another four buildings
- Two training events for project managers
- Internal information campaign with high employee participation (78%)
- Phases A and B: 118 drop-off locations for recyclable material and 2,500 used paper containers

So far, the program has reached roughly 6,500 employees; another ten buildings in Greece will be included in the expansion of the program planned for 2015 (phase C).

PROTECTING BIODIVERSITY

Extinction continues to be a global problem. The consequences are difficult to predict. One major cause of extinction is the fact that more and more space is being taken up for industry, agriculture and transportation. In 2014, we conducted a study on the space used for our business activities in Germany in order to help us more effectively manage our activities to help protect biodiversity. We also included worldwide upstream value chains in our analysis. The results of the study confirmed our assumption that our use of space is not a major factor in the way we directly impact the environment. The effects of our business activities on biodiversity primarily involve the beginning of our supply chain in geographically distant locations. Our influence on how

space is used in these regions and the consequences of that use is very limited. The study identified use of space along the entire supply chain at a total of 1,730 square kilometers per year. That is around twice the size of Berlin. 14 percent of this is space characterized by highly above-average biodiversity according to the criteria specified by the non-profit organization, Conservation International.

We have more influence on protecting and improving species-rich habitats near our offices than we do in areas where our supply chain starts. That is why we collaborate with competent partners on nature conser-vation efforts near us.

Renaturalization of species-rich habitats

In 2000 we entered into a collaboration with the Deutsche Umwelthilfe (DUH) environmental organization in Germany within the scope of which we have been sponsoring the Living Forests nature conservation fund for several years now. In 2014, for example, we sponsored construction of an educational trail through moorland built by the Gesellschaft für Naturschutz und Auenentwicklung e.V. (Society for nature conservation and meadow land development). This association works to renaturalize the Eschenkar wetlands in the Hessian Spessart region. The society's projects included creating a series of ponds in a spruce forest to create new habitats for endangered amphibians. Building the educational trail was the last phase of the project. Visitors can take the trail and learn about the importance of moorland biotopes while enjoying the out-doors.

RESOURCE EFFICIENCY IN THE WORKPLACE

By modifying our procurement processes, we were able to increase the share of green office material in our total order volume from 27 percent to 35 percent in 2014. By the end of 2014, 40 percent of the articles available in our office supply catalog were in compliance with sustain-ability criteria as well. These criteria include paper bearing the Blue Angel environmental label. Our central order system, eBest, encourages employees to purchase green office supplies.

CR RATINGS: ENVIRONMENTAL REPORTING – MATERIALITY

To our investors, the most important environmental topics at Telekom are greenhouse gas emissions, resource efficiency and waste. Extensive measures that reduce our impact on the environment and have a positive effect on our company have been introduced at the Group in all three of these areas.

We continually work on improving our energy efficiency. On the one hand, we reduce our energy requirements and operating expenses (OPEX) as well as the greenhouse gas emissions associated with our business activities. We also help our customers save with our products and services. Our model calculation for a company with 35,000 employees indicates the following: With Dynamic Workplace, a cloud-based solution for business customers, customers can reduce CO_2 emissions by more than 16,000 metric tons per year and cut their costs by more than 15 million euros per year. One reason this solution is so effective is that Dynamic Workplace lets many employees work from home. That prevents them from generating CO_2 emissions and cuts back on office space, which reduces heating and operating costs. Instead of using their own IT structure, companies can use our energy-efficient network and cloud services. Solutions like Dynamic Workplace significantly help our customers to save energy and thereby protect the climate.

Resource efficiency and responsible waste disposal are other key topics at Deutsche Telekom. By using resources more efficiently and sparingly, we can reduce our costs and improve our earnings performance over the long-term. To help us systematically take advantage of waste disposal savings potential and reduce the amount of waste we produce, we introduced a Group-wide framework for waste management and recycling in 2013. In 2014, we removed more than 8,000 metric tons of copper cable from duct systems in Germany alone. It was processed in accordance with environmental standards at certified waste disposal facilities and up to 90 percent of the material was recycled.

FACTS & FIGURES

Facts & figures

● Positive development   ● Constant development   ● Negative development

Economic

	2011	2012	2013	2014
ESG KPI „Sustainable Procurement" (% of procurement volume reviewed according to sustainability criteria)	38	54	54	72
ESG KPI „Socially Responsible Investment (SRI)" (% T-Shares held by SRI investors)	15,1	14,1	20,6	22,7

Environmental

	2011	2012	2013	2014
ESG KPI "Energy Consumption" (energy consumption in thousands of MWh/revenue in billions of €)	116	119	121	118
ESG KPI „CO$_2$ Emissions" (difference in emissions compared to the climate target base year 2008 in thousands of t CO$_2$)	267	406	632	593
ESG KPI "Used Cell Phone Collection" (old)* (cell phones collected in thousands/customers in millions)	21,5	5,7	4,3	3,9
ESG KPI "Used Cell Phone Collection" (new)** (cell phones collected in thousands/number of devices sold in millions)			17,7	17,9
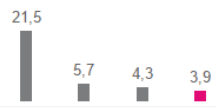
* ESG KPI „Used Cell Phone Collection" (old) refers to data from DT in Germany.

** ESG KPI „Used Cell Phone Collection" (new) covers DT Group. The Group value includes companies that have submitted the data necessary to calculate the KPI (currently e.g. without T-Mobile USA). T-Systems is not relevant.

Social

	2011	2012	2013	2014
ESG KPI „Social Commitment" (Performance vs. relevance in percentage points / DT in Germany)	-13	-6	+6	+14
ESG KPI „Employee Satisfaction CR" (Employee identification with Deutsche Telekom's CR commitment in %)		67		
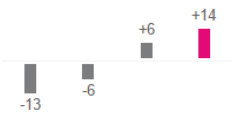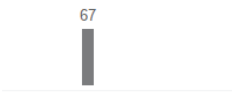
New ESG KPIs starting from 2014*

	2011	2012	2013	2014
ESG KPI „Community Investment" (Deutsche Telekom's involvement in the community either financially, in-kind or by time contribution of its employees measured in millions of €)			Pilot testing 2014	48,9
ESG KPI „Beneficiaries" (number of people involved in community activities and in target group that benefited from community activities in millions)			Pilot testing 2014	13
ESG KPI „Media Literacy" (% of people reached through programs addressing media literacy)			Pilot testing 2014	40%

* Values only starting from 2014. Due to first-time reporting of this KPI data of some reporting units is not included.

SOCIALLY RESPONSIBLE INVESTMENT

ESG KPI „SOCIALLY RESPONSIBLE INVESTMENT (SRI)"

In 2014, around 21 percent of Deutsche Telekom AG's shares were held by investors who take SRI/ESG criteria into account at least partially in their investment decisions. Around 2 percent of T-Shares were held by investors who give priority to SRI/ESG aspects when managing their funds.

The Socially Responsible Investment ESG KPI indicates the percentage of Deutsche Telekom AG T-shares held by investors who show concern for environmental, social and governance criteria in their investment strategy. Due to annual updating of the calculation criteria, comparisons with the previous year may not always provide conclusive information. (Source: ipreo)

Reporting against standards

The KPI is relevant for criteria 1 (Strategic Analysis, Strategy and Goals) and 7 (Rules and Processes) of the German Sustainability Code.

Bar chart: values by year — 2011: 15.1, 2012: 14.1, 2013: 20.6, 2014: 22.7

■ Primary SRI   ■ Partial SRI

✇ Data checked by PwC.
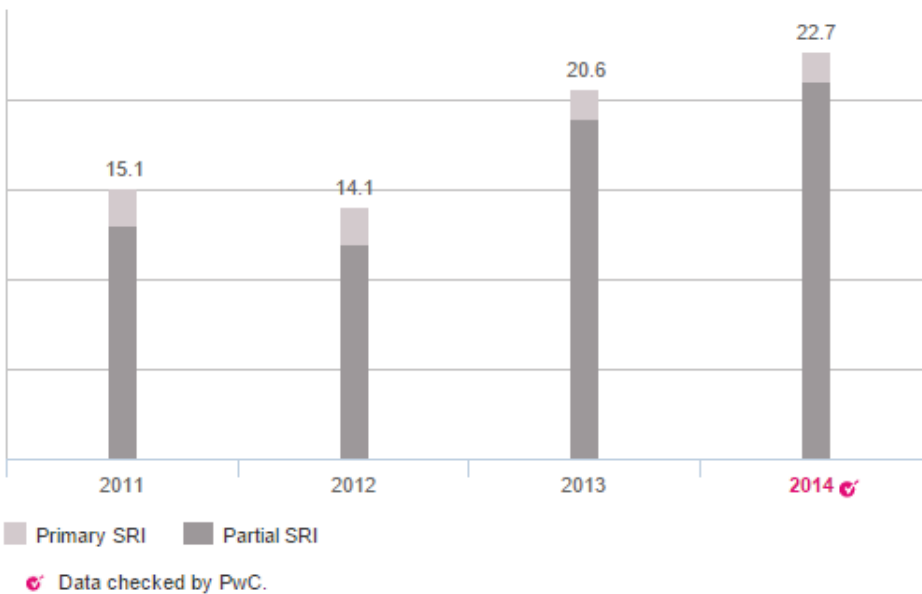
LISTING OF THE T-SHARE

The listing of Deutsche Telekom in sustainability indexes and recognition in sustainability ratings shows appreciation for our company's sustainable business practices. Rating agency oekom named Deutsche Telekom the best telecommunications company worldwide. The SAM rating placed Deutsche Telekom among the top ten companies. Deutsche Telekom shares were also included in leading indexes, such as the FTSE4 Good Index, the STOXX Global ESG Leaders Index and the UN Global Compact 100 Index.

Reporting against standards

The KPI is relevant for criterion 1 (Strategic Analysis, Strategy and Goals) of the German Sustainability Code.

Rating agency	Indexes/ratings/ranking	Successfully listed in index				
		2014	2013	2012	2011	2010
RobecoSAM	DJSI World	✗	✗	✓	✓	✓
	DJSI Europe	✗	✗	✓	✓	✓
CPD	Carbon Disclosure Leadership [a]	✓	✓	✗	✗	✗
	Carbon Performance Leadership	✗	✗	✗	✗	✓
oekom research AG	„Prime" (Sector Leader [b])	✓	✓	✓	✓	✓
Sustainalytics	STOXX Global ESG Leaders	✓	✓	✓	✓	n.a.
	iSTOXX 50 SD KPI	✓	✓	n.a.	n.a.	n.a.
	UN Global Compact	✓	✓	n.a.	n.a.	n.a.
FTSE Financial Times Stock Exchange	FTSE4Good	✓	✓	✓	✓	✓
Sarasin	Global Sarasin [c]	✓	✓	✓	✓	✓
MSCI	MSCI Global Climate	✗	✗	✗	✓	✓

✓ Successfully listed ✗ Not listed

[a] Last DT rating carried out in 2012; new rating planned for 2014.
[b] First inclusion in the Carbon Disclosure Leadership Index of the DACH region (Germany, Austria, Switzerland).
[c] Last ranking carried out in 2012 (Global #41), next ranking planned for 2014.

SUPPLIERS

ESG KPI „SUSTAINABLE PROCUREMENT"

The Sustainable Procurement ESG KPI indicates a considerable year-on-year increase at 72 percent, because we audited more suppliers than originally anticipated for their compliance with our social and environmental standards. We expect to achieve our target of 75 percent in 2015.

We measure the degree to which our procurement volume is covered by sustainable activities with the Sustainable Procurement ESG KPI. It measures the share of procurement volume we obtain from suppliers where one or several companies of the corporate group have been assessed for compliance with our social and environmental standards by way of self-assessments and/or audits. This also includes audits carried out with upstream suppliers.

In 2015 we expect to reach the forecast target of 75 percent for the Sustainable Procurement ESG KPI. In subsequent years, we assume that the ESG KPI will only rise slightly since audits focus on strategic suppliers and those with an increased CR risk.

Reporting against standards

The Sustainable Procurement ESG KPI together with information about our strategic approach fully covers the G4-HR9 (Audit) and G4-HR10 (Suppliers and human rights) GRI indicators. By providing this information, we cover the V28-04 EFFAS indicators (Supply Chain). It is also relevant for criteria 1 (Opportunities and Risks), 3 (Sustainability Goals), 4 (Value Added Chain), 6 (Rules and Processes), 7 (Performance Indicators) and 17 (Human Rights) of the German Sustainability Code. It is also used for reporting in accordance with the Global Compact Principles 1 (Supporting and respecting human rights), 2 (No complicity in human rights abuses) and 5 (Effective Abolition of Child Labor).

Bar chart: 2011: 38, 2012: 54, 2013: 54, 2014: 72
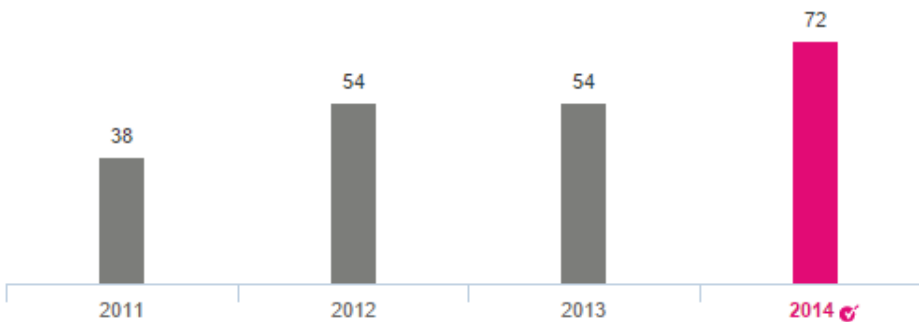
■ Procurement volume covered by supplier self-assessments and/or audits as a percentage of total sourcing volume.

⟳ Data checked by PwC. Based on procurement volumes at Central Procurement. Values cannot be directly compared to the previous year.

SUPPLIER RELATIONSHIPS

The percentage of procurement volume generated with companies registered in the industry information tool E-TASC (Electronics Tool for Accountable Supply Chains) increased significantly from 34 percent in the previous year to 43 percent in 2014. At the same time, the percentage of procurement volume generated with audited companies increased from 21 percent to around 39 percent. A supplier prequalification process took place for 37 percent of the procurement volume in 2014 via the Supplier Management Portal (SMP), compared with 23 percent the previous year. Prequalification is mandatory for all suppliers with which we anticipate an order volume of more than 100,000 euros. The share of procurement volume obtained from developing countries remains steady at 1.0 percent.

Reporting against standards

The Sustainable Procurement ESG KPI together with information about our strategic approach fully covers the G4-HR10 (Suppliers and human rights) GRI indicator. We also comply with criterion 17 (Human Rights) of the German Sustainability Code. The KPI is also relevant for the EFFAS indicator (V28-04) and for criteria 1 (Opportunities and Risks), 3 (Sustainability Goals), 4 (Value Added Chain) and 6 (Rules and Processes) of the German Sustainability Code. It is also used for reporting in accordance with the Global Compact Principles 1 (Supporting and respecting human rights), 2 (No complicity in human rights abuses) and 5 (Effective Abolition of Child Labor).

Amount   in % [a)]

2011   2012   2013   2014 ✓

■ Percentage of procurement volume addressed by E-TASC [b)]
■ Proportion of procurement volume covered via E-TASC [c)]
■ Proportion of procurement volume covered via prequalification [c)]
■ Percentage of audited procurement volume [c)]
■ Proportion of procurement volume from developing and emerging countries [d)]
■ Audits conducted [e)]
■ Workshops conducted

✓ Data checked by PwC.

a) Procurement volume from Procurement's global database (GDB).
b) No reporting for 2013, as the data cannot be compared with those of the previous year due to a provider switch from Achilles to EcoVadis.
c) Data audited by PwC. Includes social audits carried out both internally and externally. Based on procurement volumes at Central Procurement. Values cannot be directly compared to the previous year.
d) First-time reporting in the 2013 CR Report. From 2013, calculation of the performance indicator is based solely on the external procurement volume, as with the calculation of the Sustainable Procurement CR KPI.
e) Data audited by PwC. Includes social audits carried out internally and externally (both within Deutsche Telekom and via the Joint Audit Cooperation (JAC)). Audits also include follow-up audits.

FINANCIAL PERFORMANCE INDICATORS

NET VALUE ADDED

Net value added increased year over year from 26.3 billion euros to 31.6 billion euros. This year-on-year increase in net value added is primarily the result of increased payments to lenders, which can primarily be attributed to a reduction in medium and long-term debt. Please refer to pages 90 and 215 of our current Annual Report for more information on cash flow from financing activities as well as more information on financial liabilities.

In contrast to the statement of income, the net value added only takes account of real payment flows. That means that deferred tax expenses and the accrual of provisions do not impact the net value added of the reporting period. Although these costs are deducted from net profit in the statement of income, they are not linked to any current payments to stakeholder groups, as is the case with net value added. Outpayments in this respect are scheduled for the future and will only be accounted for in net value added in future years.

Reporting against standards

With this KPI, we fully cover the G4-EC1 (Direct economic value generated and distributed) GRI indicator.

Total
31,6 bn. €

- **13.6 bn. €** Payments to employees
- **0.7 bn. €** Payments for tax
- **5.1 bn. €** Payments to foreign capital
- **12.2 bn. €** Payments to investors
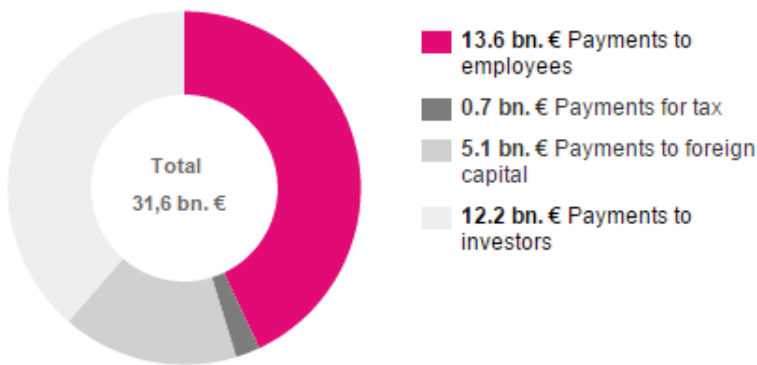
NET REVENUE, EBITDA AND NET PROFIT

A detailed clarification of our financial KPIs is available at www.telekom.
com/investorrelations.

		2011 in bn. €	2012 in bn. €	2013 in bn. €	2014 in bn. €
Net revenue		58.7	58.2	60.1	62.7
EBITDA (adjusted for special factors) [a, b]		18.7	18.0	17.4	17.6
EBITDA margin (adjusted for special factors) [c]	in %	31.8	30.9	28.9	28.0
Net profit (loss)		0.6	(5.3)	0.9	2.9

[a] Deutsche Telekom defines EBITDA as profit/loss from operations before depreciation, amortization and impairment losses.

[b] EBITDA, EBITDA adjusted for special factors, net debt, and free cash flow are non-GAAP figures not governed by the International Financial Reporting Standards (IFRS). They should not be viewed in isolation as an alternative to profit or loss from operations, net profit or loss, net cash from operating activities, the liabilities reported in the consolidated statement of financial position, or other Deutsche Telekom key performance indicators presented in accordance with IFRS. For detailed information and calculations, please refer to the section " Development of business in the Group".

[c] Calculated on the basis of millions for the purpose of greater precision. Changes to percentages expressed as percentage points.

REVENUE DEVELOPMENT
in bn. €.

	2012	2013	2014	Change on 2013
Net revenue Germany*	26.7	26.3	25.7	-0.5
Net revenue international*	31.5	33.9	36.9	3
Net revenue Group (total)	58.2	60.1	62.7	2.5
International revenue as a percentage of Group revenue*	54.1%	56.3%	58.9%	2.6pp

* As revenue allocation is separated into Germany/international from an HR perspective, this reflects employee location, unlike the financial report, which allocates revenue to the country where it was generated.

PERSONNEL COSTS AND PERSONNEL COST RATIO
in bn. €

	2009	2010	2011	2012	2013	2014
Personnel costs in the Group	14.3	15.1	14.8	14.7	15.1	14.7
of which: Germany	9.0	9.2	9.2	9.2	9.4	9.1
Special factors	0.5	1.0	1.2	1.2	1.4	0.9
Personnel costs in the Group adjusted for special factors	13.8	14.1	13.6	13.5	13.7	13.8
Net revenue*	64.6	62.4	58.7	58.2	60.1	62.7
of which: Germany	28.4	28.1	27.2	26.7	26.3	25.7
Adjusted personnel cost ratio Group (total. in %)	21.4	22.5	23.1	23.2	22.7	22.0
Adjusted personnel cost ratio Germany (in %)	30.1	30.4	30.6	31.1	32.3	32.9

* As revenue allocation is separated into Germany/international from an HR perspective, this reflects employee location, unlike the financial report, which allocates revenue to the country where it was generated.

REVENUE PER EMPLOYEE

Group-wide revenue per full-time equivalent (FTE) increased during
the reporting period to EUR 275,000.

Legend: International — Group (total) — Germany

International: 285 (2009), 273 (2010), 268 (2011), 281 (2012), 303 (2013), 329 (2014)
Group (total): 251 (2009), 247 (2010), 244 (2011), 250 (2012), 262 (2013), 275 (2014)
Germany: 218 (2009), 221 (2010), 221 (2011), 222 (2012), 223 (2013), 222 (2014)
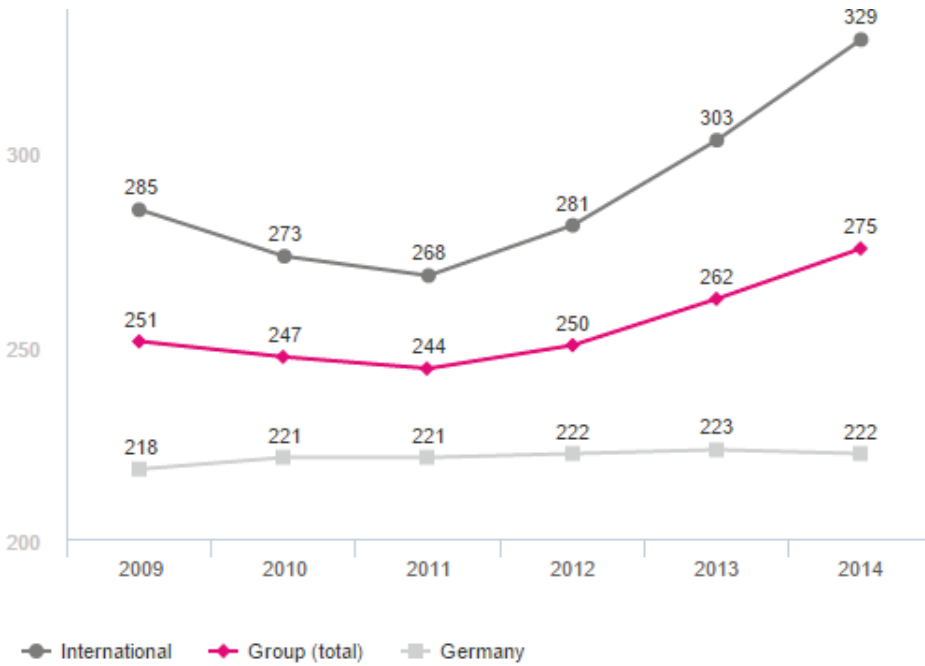
ENERGY

ESG KPI "ENERGY CONSUMPTION" [a]

Deutsche Telekom measures the Energy Consumption ESG KPI as the Monetary Power Efficiency Index (MPEI) in which developments in energy consumption (in thousands of MWh) are indicated in relation to revenues (in billions of euros). Development of the Energy Consumption ESG KPI exceeded the predictions made in our 2013 Annual Report. Instead of remaining stable, the Energy Consumption ESG KPI improved slightly. This is due to the fact that revenue grew more strongly and energy consumption less strongly than anticipated. For detailed comments on the figures for each national company, please refer to the interactive benchmarking tool.

The Group-wide Energy Consumption ESG KPI is calculated based on total electricity consumption at the national companies in relation to the consolidated net revenue of these national companies. The revenue of the Group units included in the CR Report used for reference here is the equivalent of 99 percent of Group revenue.

Over the next two years we expect our Energy Consumption ESGKPI to fall or fall slightly, i.e., a positive development. Network migration to IP technology and consolidation of the T-Systems data centers will be the main factors helping us to achieve major energy savings. These savings will be partly counterbalanced by the expansion of T-Mobile US and the accompanying rise in energy consumption.

Reporting against standards

By reporting our electricity consumption in relation to our revenues for the reporting period, we fully cover the G4-EN5 (Energy intensity) and the E01-02 (Energy consumption, specific) EFFAS indicator and we partially cover the E01-01 (Energy consumption, total) EFFAS indicator. This data is also relevant for criteria 7 (Rules and processes), 11 and 12 (Usage of natural resources) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).
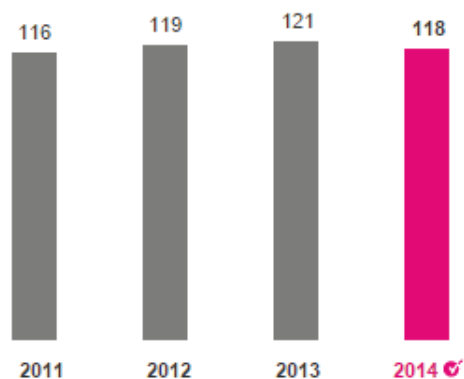
	2011	2012	2013	2014 ⬮
	116	119	121	118
Revenue in bn. €	55.4	55.7	55.8	61.9
Energy in thousand MWh	6,409.4	6,624.7	6,992.9	7,333.0

Energy Consumption CR KPI: Ratio of energy consumption to relevant revenue, calculated as Monetary Power Efficiency Indicator.

⬮ Data verified by PwC. For detailed audit comments see "DT Group in Germany" and "T-Mobile USA".

[a] Calculated on the basis of appropriate estimates and extrapolations.

TOTAL ENERGY CONSUMPTION

Total energy consumption increased slightly by approx. 4 percent year over year. This can primarily be attributed to the inclusion of additional national companies in the reporting process. Without these companies, energy consumption would have remained constant at previous year levels. While energy consumption increased at T-Mobile US, Makedonski Telekom, T-HT Hrvatski Telekom and T-Systems UK recorded a significant drop in their consumption. For detailed comments on the figures for each national company, please refer to the interactive benchmarking tool.

Reporting against standards

By reporting our energy consumption from primary energy sources, we partially cover the G4-EN3 (Energy consumption within the organization) GRI indicator and the E01-01 (Energy consumption, total) EFFAS indicator. By reporting fleet energy consumption, we also partially cover the EN 29 (Environmental impact of transportation) GRI indicator. This data is also relevant for criterion 11 of the German Sustainability Code (Usage of natural resources). It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Energy consumption in million MWh

2011	2012	2013	2014
8,3	8,3	8,6	9,0

Fuels vehicle fleet   Fossil fuels
District heating   Electricity

Total energy consumption   2014 ⭕

Total energy consumption: 9,0 m MWh
- District heating
- Fuels vehicle fleet
- Fossil fuels
- Electricity
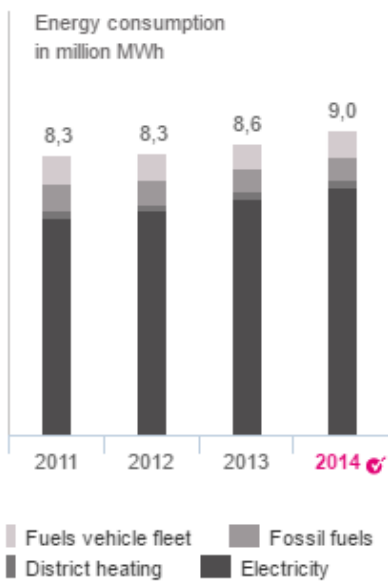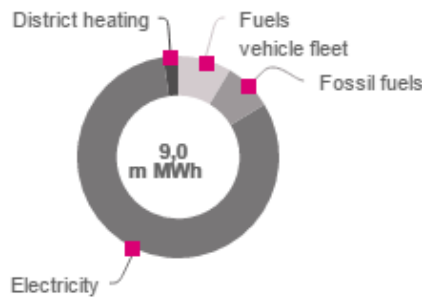
⭕ Data verified by PwC. For detailed audit comments see "DT Group in Germany" and "T-Mobile USA".

DECOUPLING POWER CONSUMPTION AND CO_2 EMISSIONS

Deutsche Telekom was able to reduce the emissions generated by its electricity consumption to zero from 2008 to 2012 by purchasing RECS certificates (Renewable Energy Certificate System). However, we feel that these certificates have not had as positive an impact on the environment as we had hoped. Demand for certificates was generally limited. As a result, RECS certificates do not make a noticeable contribution to encouraging the expansion of renewable energy sources. That is why we feel it makes more sense both in terms of ecological and economic aspects to invest in reducing our energy consumption and increasing our energy efficiency than to purchase RECS certificates.

Reporting against standards

By providing this information, we fully cover the E16-05 (Alternative energy consumption) EFFAS indicator. This data is also relevant for criteria 3 (Strategic analysis, strategy and goals), 11 and 12 (Usage of natural resources) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Power consumption in Germany
CO_2 emissionsCO
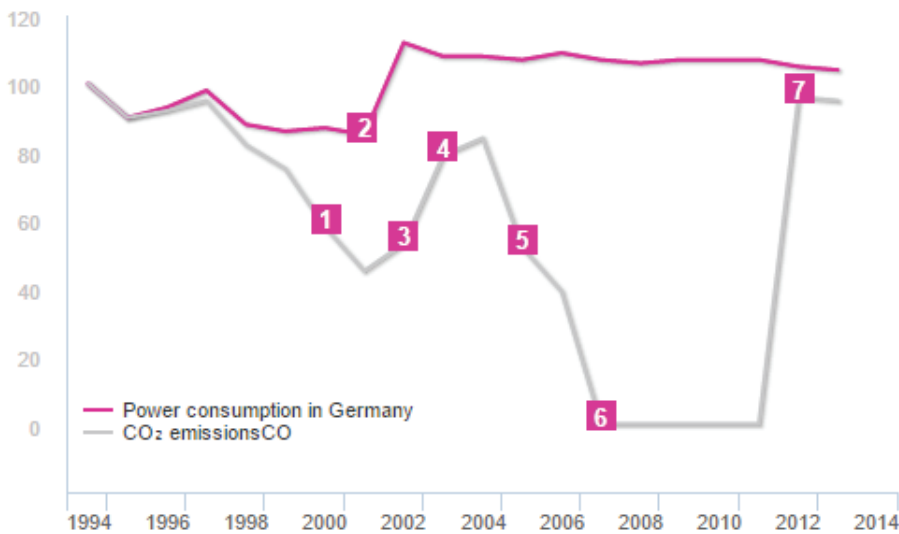
1 Increased procurement of power from cogeneration (CHP) plants
2 Rise in energy consumption for technical reasons
3 Power utilities no longer provide data on share of energy otained from cogeneration
4 Power utilities no longer provide data for their power mix > calculation based on power mix for Germany
5 Purchase of power from renewable energy sources
6 All electricity requirements covered directly or indirectly by renewable resourcesn
7 No purchase of RECS-certificates.

CO_2 EMISSIONS

ESG KPI „CO_2 EMISSIONS"

The CO_2 Emissions ESG KPI indicates the development of absolute as well as relative emissions compared to the base year 2008. The comparative value from the base year is 3,118,353 metric tons of CO_2. The CO_2 Emissions ESG KPI recorded a slight year-on-year decrease of 1.8 percentage points. Since our CO_2 emissions are largely driven by electricity consumption, the year-on-year development is the result of the effects described under the Energy Consumption ESG KPI. The ratio between actual emissions and our climate target base year 2008 also improved as a result of extending the scope for the CO_2 Emissions ESG KPI to include 10 more international T-Systems local business units (LBUs). For detailed comments on the figures for each individual company, please refer to the interactive benchmarking tool.

We extensively reviewed the ESG KPIs in terms of relevance for management practices and updated some of them. We adjusted the CO_2 Emissions ESG KPI to our international climate protection target. We expanded the KPI to include all Group entities that participate in helping us realize our climate protection target. The extended scope affects the current volume of CO_2 emissions as well as the figure recorded in 2008, on which our climate protection target is based.

We calculated our CO_2 emission values based on different energy and fuel consumption data. Calculation complied with the Greenhouse Gas (GHG) Protocol and was based on emission factors set forth by the International Energy Agency (IEA) and/or the GHG Protocol calculation tools. The total value reflects direct (Scope 1) and indirect (Scope 2) emissions.

Since our CO_2 emissions are largely driven by our power consumption, the resulting positive trend is similar to the development described for the Energy Consumption ESG KPI. We will also strive to achieve a slight reduction in our CO_2 Emissions ESG KPI for the years 2015 and 2016. Our expectation for the Group units participating in the climate protection target is that, in 2020, CO_2 emissions will lie 20 percent below the rate of the base year 2008 (excluding T-Mobile USA). The CO_2 Emissions ESG KPI figure will, however, also include emission figures for T-Mobile US. Since strong business growth will continue to drive power demand in the foreseeable future, the KPI will only improve slightly in the period up to the year 2016.

Reporting against standards

By measuring progress based on our CO_2 Emissions ESG KPI, we report our CO_2 emissions in accordance with the Greenhouse Gas Protocol together with our self-defined CO_2 reduction goal, thereby complying with criterion 13 of the German Sustainability Code (Greenhouse gas emissions). By reporting this data, we fully cover the G4-EN15 (Direct GHG emissions), G4-EN16 (Energy indirect GHG emissions) and G4-EN17 (Other indirect GHG emissions) GRI indicators and partially cover the E02-01 (Scope 1-3 greenhouse gas emissions) EFFAS indicator. This data is also relevant for criteria 7 (Rules and processes), 11 and 12 (Usage of natural resources) and 13 (Greenhouse gas emissions) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Changes compared against 2008 base year in thousands of metric tons of CO_2
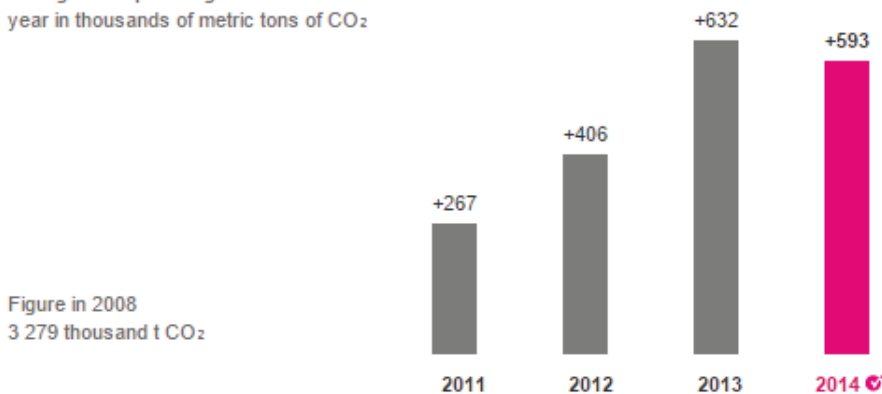
Figure in 2008
3 279 thousand t CO_2

	2011	2012	2013	2014 ◔
	+267	+406	+632	+593
CO_2 emissions in thousand t	3,412	3,587	3,816	3,872
Changes compared against 2008 in %	+8	+13	+20	+18

◔ Data verified by PwC. For detailed audit comments see "DT Group in Germany" and "T-Mobile USA".

TOTAL CO$_2$ EMISSIONS (SCOPE 1 & 2 EMISSIONS)

Because the majority our CO$_2$ emissions are generated by electricity consumption, the slight year-on-year increase in our emissions of around 1 percent can be primarily attributed to the inclusion of additional national companies in our reporting processes. Emissions would have decreased by around 3 percent without inclusion of these companies. This decrease can primarily be attributed to reduction in electricity consumption and associated emissions at Makedonski Telekom, T-HT Hrvatski Telekom and T-Systems UK. For detailed comments on the figures for each individual company, please refer to the interactive benchmarking tool.

We took reductions in emissions resulting from purchasing certificates for renewable energy into account when calculating our emissions. Certificates were purchased for the following national companies: T-Mobile Netherlands, Magyar Telekom Hungary, OTE, Cosmote Greece, T-Mobile Polska and Slovak Telekom. The emissions value for 2013 was corrected compared to the information published in the previous year's report. Please see the comments on the national companies for details.

Reporting against standards

By reporting our direct and indirect CO$_2$ emissions (Scope 1 & 2) in accordance with the Greenhouse Gas Protocol, we fully cover the G4-EN15 (Direct GHG emissions) and G4-EN16 (Energy indirect GHG emissions) and partially cover the E02-01 (Total Scope 1-3 greenhouse gas emissions) EFFAS indicator. This data is also relevant for criteria 11 and 12 (Usage of natural resources) and 13 (GHG emissions) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

CO₂ emissions
(Scope 1 & 2) in t
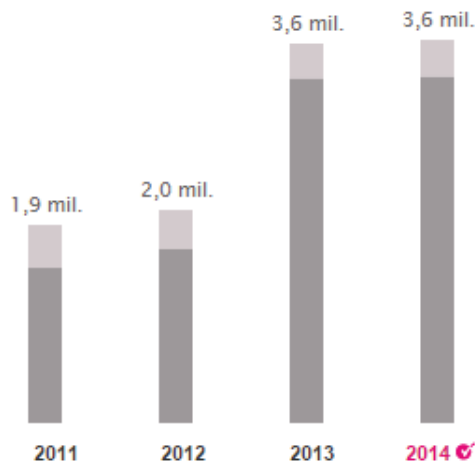
	2011	2012	2013	2014 ⚫
CO$_2$ emissions (Scope 1) in t	387,708	354,208	336,641	344,391
CO$_2$ emissions (Scope 2) in t	1,465,914	1,637,815	3,214,352	3,229,540
Carbon emission reduction through renewable energy certificates (in metric tons)	1,574,218	1,628,174	286,207	298,321

⚫ Data verified by PwC. For detailed audit comments see "DT Group in Germany" and "T-Mobile USA".

CO_2 EMISSIONS FROM BUSINESS TRAVEL (SCOPE 3 EMISSIONS)

The Deutsche Telekom Group was able to significantly reduce Scope 3 emissions in Germany during the reporting period. This can particularly be attributed to reduced emissions from flights. Reducing Scope 3 emissions is part of Deutsche Telekom's climate protection strategy which aims to systematically minimize all CO_2 emissions (Scope 1-3).

Reporting against standards

By reporting this data, we fully cover the G4-EN17 (Other indirect GHG emissions) and the E02-01 (Total Scope 1-3 greenhouse gas emissions) EFFAS indicator. This data is also relevant for criteria 11 and 12 (Usage of natural resources) and 13 (GHG emissions) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

CO_2 emissions
Scope 3 in t

81,558 74,407 70,734 65,858

2011 2012 2013 2014

CO_2 emissions from business travel
(Scope 3 emissions) 2014

Travel by rental car (external)

Travel by train

Total
65,858.00 t

Travel by plane

▪ Travel by train *   ▪ Travel by plane   ▪ Travel by rental car (external)
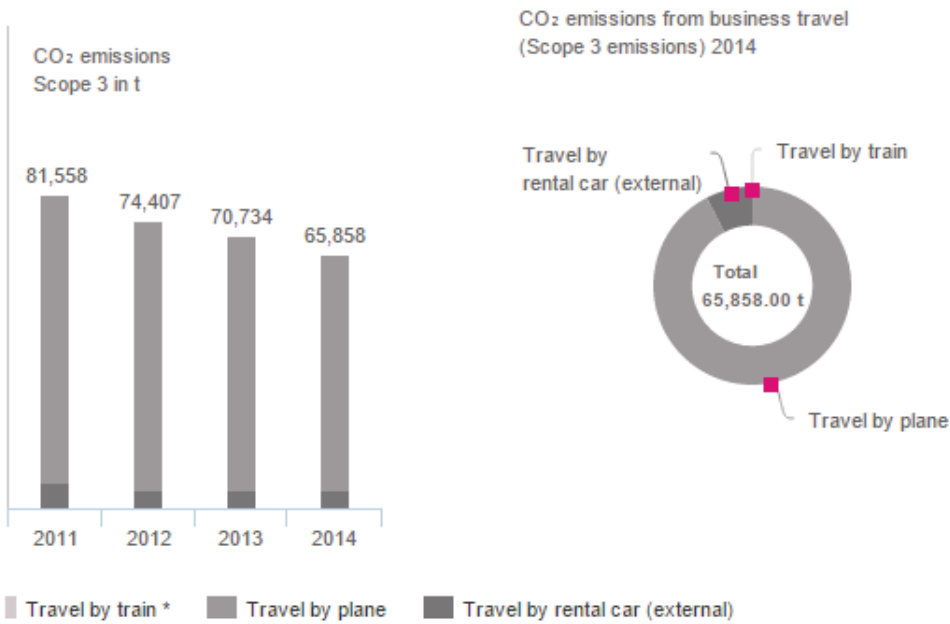
* All business trips taken with the Deutsche Bahn railway company have been carbon-neutral.

MOBILITY

NUMBER OF VEHICLES

The total number of vehicles at our company increased year over year by around 5 percent. This can particularly be attributed to the inclusion of three additional national companies in the reporting process. The number of vehicles would have decreased by around 3 percent without inclusion of these companies. The DT Group in Germany, Makedonski Telekom and Slovak Telekom, in particular, were able to considerably reduce the number of vehicles in their fleets. For detailed comments on the figures for each individual company, please refer to the interactive benchmarking tool.

The total number of natural gas-powered vehicles remained unchanged. Insufficient manufacturer offers limited our ability to expand this vehicle category. Regardless of this, we continue to focus on alternative and fuel-efficient engines - which of course must also be financially viable - when purchasing new company cars and service vehicles. You will find more information on Deutsche Telekom's climate friendly fleet management policies here.

Reporting against standards

Logistics and transport are carried out by service providers at Deutsche Telekom. The environmental impacts of transportation are influenced by the contractual arrangements with service providers. By reporting our vehicle data, we fully cover the G4-EN30 (Environmental impact of transport) GRI indicator. This data is also relevant for criterion 11 (Usage of natural resources) of the German Sustainability Code.

	2011	2012	2013	2014
Number of vehicles (total)	45,140	43,306	41,618	43,662
Number of vehicles with diesel fuel	37,005	34,931	33,538	35,352
Number of vehicles with gasoline fuel	7,958	8,234	7,903	8,051
Number of vehicles with alternative drives	177	141	177	259
Number of company cars	15,645	15,287	14,670	13,716
Number of service vehicles	29,495	28,019	26,948	29,946

MILEAGE

Mileage increased 4 percent in connection with the larger number of vehicles. This increase can primarily be attributed to the inclusion of three additional national companies in the reporting process. Mileage would have decreased by around 2 percent without inclusion of these companies. For detailed comments on the figures for each individual company, please refer to the interactive benchmarking tool.

Reporting against standards

Logistics and transport are carried out by service providers at Deutsche Telekom. The environmental impacts of transportation are influenced by the contractual arrangements with service providers. By reporting our vehicle data, we fully cover the G4-EN30 (Environmental impact of transport) GRI indicator. This data is also relevant for criterion 11 (Usage of natural resources) of the German Sustainability Code.

Mileage (total)	1,032,053	1,018,620	959,958	995,406
Mileage by company cars	458,709	476,854	447,749	436,257
Mileage by service vehicles	573,344	541,766	512,209	559,148
Mileage by vehicles with diesel fuel	872,539	854,930	800,365	842,698
Mileage by vehicles with gasoline fuel	153,811	158,516	154,170	147,277
Mileage by vehicles with alternative drives	5,703	5,174	5,424	5,431

FUEL CONSUMPTION

Total fuel consumption increased by around 4 percent. This can particularly be attributed to the inclusion of seven additional national companies in the reporting process. Fuel consumption would have decreased by around 2 percent without inclusion of these companies. Makedonski Telekom and Slovak Telekom in particular were able to considerably reduce their fuel consumption. For detailed comments on the figures for each individual company, please refer to the interactive benchmarking tool.

Reporting against standards

Logistics and transport are carried out by service providers at Deutsche Telekom. The environmental impacts of transportation are influenced by the contractual arrangements with service providers. By reporting our vehicle data, we fully cover the G4-EN30 (Environmental impact of transport) GRI indicator. This data is also relevant for criterion 11 (Usage of natural resources) of the German Sustainability Code.

	2011	2012	2013	2014	
Fuel consumption (total)	81,677,578	78,562,320	73,580,929	76,375,220	✓
Fuel consumption by company cars	33,672,498	33,530,307	31,514,921	30,992,181	✓
Fuel consumption by service vehicles	48,005,080	45,032,013	42,066,008	45,383,039	✓
Fuel consumption by vehicles with diesel fuel	62,593,130	59,893,066	55,816,139	58,135,612	✓
Fuel consumption by vehicles with gasoline fuel	18,559,375	18,161,792	17,373,845	17,873,299	✓
Fuel consumption by vehicles with alternative drives	525,073	507,461	390,945	366,309	✓

✓ Data verified by PwC. For detailed audit comments see "DT Group in Germany" and "T-Mobile USA".

JOBTICKET

In 2014, 23,904 employees of the Deutsche Telekom Group in Germany used a discount season ticket provided by their employer to commute in 30 public transportation systems.

We offer regional discount season tickets (monthly or annually) to our employees at many of our German Deutsche Telekom sites, especially in high-density population areas. The offer encourages our employees to use climate-friendly public transportation and helps them keep their commuting costs down.

Reporting against standards

By reporting on the use of discount season tickets, we partially cover the V04-13 (Percentage of services to reduce impact on climate) EFFAS indicator. This data is also relevant for criteria 2 (Implementation of the sustainability strategy) and 10 (Innovation and product management) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Year	Value
2011	23.700
2012	23.700
2013	23.000
2014	23.904
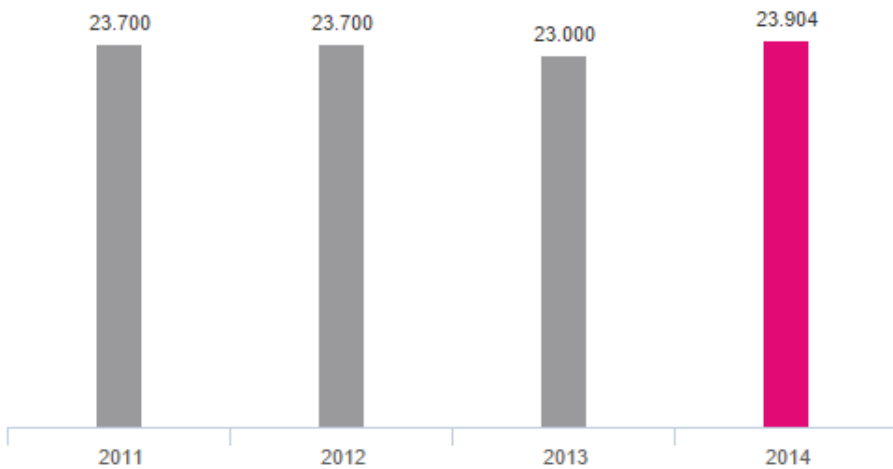
USED CELL-PHONE COLLECTION AND WASTE VOLUME

ESG KPI "USED CELL PHONE COLLECTION" (NEW) DEUTSCHE TELEKOM GROUP*

We extensively reviewed the KPIs in terms of relevance for man-agement practices and updated some of them. The reference for comparison of the Used Cell-Phone Collection ESG KPI was changed from "number of customers" to "number of devices in circulation." This makes it possible to more precisely illustrate the ratio of the number of cell phones brought to market to the number of those returned. When customers use the devices for longer periods of time, the environment benefits from this decision and, as a result, this has a positive impact on the KPI.

We are reporting on the new KPI retroactively from 2013.

Around 288,000 mobile devices were collected throughout the Group (excluding TMUS) in 2014, considerably less than in the previous year. 4.2 million devices were collected at TMUS alone in the previous year.

The new Used Cell-Phone Collection ESG KPI measures the rela-tion-ship of the number of collected devices (in thousands) to the number of devices in circulation (in millions). The collected devices are recorded in kilograms or in units. When using kilograms, we apply a Group-wide conversion factor of 7.25 units per kilogram unless another conversion factor is typically used in that country.

Mobile devices in circulation include smartphones, tablets and cordless phones. Units are reported by Procurement for reasons of data quality.

Reporting against standards

By reporting the Used Cell-Phone Collection ESG KPI as an indicator of progress achieved in the resource-efficient and environmentally friendly use of products, we fully cover the G4-EN27 (Initiatives to mitigate environmental impacts) GRI performance indicator. By reporting this data we also partially cover the E14-01 (Recycling ratio) EFFAS indicator. This data is also relevant for criteria 7 (Rules and processes), 10 (Innovation and product management), 11 and 12 (Usage of natural resources) of the German Sustainability Code. It is also used for report-ing on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Bar chart: 2013 = 17.7; 2014 = 17.9

* All business units for which we have basic KPI calculation data for 2013 and 2014 are taken into consideration. This KPI is not relevant to T-Systems units. Group value excludes TMUS, Crnogorski Telekom, Maktel and AMC.

ESG KPI "USED CELL PHONE COLLECTION" (NEW) DEUTSCHE TELEKOM GROUP IN GERMANY

We extensively reviewed our KPIs in terms of relevance for man-agement practices and updated some of them (see above).

153,000 used cell phones were collected in Germany in 2014, 8 percent fewer than in the previous year.

The new Used Cell-Phone Collection ESG KPI measures the rela-tionship of the number of collected devices (in thousands) to the number of devices in circulation (in millions). The collected devices are recorded in kilograms or in units. When using kilograms, we apply a Group-wide conversion factor of 7.25 units per kilogram unless another conversion factor is typically used in that country.

Mobile devices in circulation include smartphones, simple phones tablets and cordless phones. Units are reported by Procurement for reasons of data quality. This KPI is not relevant to T-Systems.

Reporting against standards

By reporting the Used Cell-Phone Collection ESG KPI as an indicator of progress achieved in the resource-efficient and environmentally friendly use of products, we fully cover the G4-EN27 (Initiatives to mitigate environmental impacts) GRI performance indicator. By reporting this data we also partially cover the E14-01 (Recycling ratio) EFFAS indicator. This data is also relevant for criteria 7 (Rules and processes), 10 (Innovation and product management), 11 and 12 (Usage of natural resources) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Bar chart: 2013 = 23.5; 2014 = 20

ESG KPI "USED CELL PHONE COLLECTION" (OLD) DEUTSCHE TELEKOM GROUP IN GERMANY

As mentioned above, we replaced our "number of customers" reference with the "number of devices in circulation" as a result of reviewing our ESG KPIs.

Despite this change, we continue to report on the earlier KPI in order to provide a point of reference for comparison with the previous year.

Our earlier Used Cell-Phone Collection ESG KPI indicates the number of cell phones collected (in thousands) in relation to the number of mobile customers (in millions). Data is recorded in kilograms or in units. When using kilograms, we apply a Group-wide conversion factor of 7.25 units per kilogram unless another conversion factor is typically used in that country.

Reporting against standards

By reporting the Used Cell-Phone Collection ESG KPI as an indicator of progress achieved in the resource-efficient and environmentally friendly use of products, we fully cover the G4-EN27 (Initiatives to mitigate environmental impacts) GRI performance indicator. By reporting this data we also partially cover the E14-01 (Recycling ratio) EFFAS indicator. This data is also relevant for criteria 7 (Rules and processes), 10 (Innovation and product management), 11 and 12 (Usage of natural resources) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Used cell phone collection (in thousands) /
number of customers (in mil.)
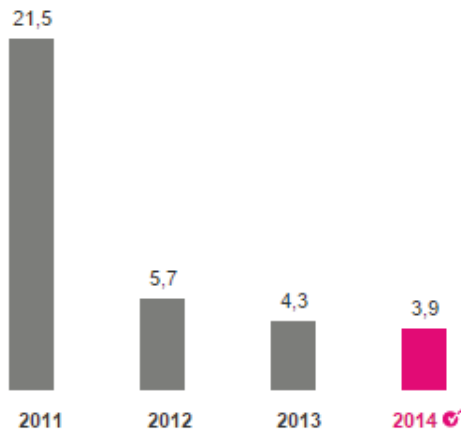
	2011	2012	2013	2014 ✓
	21,5	5,7	4,3	3,9
Used cell phone collection in thousands	762	208	167	154
Number of customers in mil.	35.4	36.6	38.6	39.0

✓ Data verified by PwC. Calculation of collected cell phones is partly based on projections.

WASTE GENERATION

Group-wide waste increased by around 9 percent compared to 2013. This increase can primarily be attributed to the increased amount of technical waste produced by Cosmote Group Greece and T-Mobile Polska as well as to the increased amount of hazardous technical waste produced by the DT Group in Germany. The amount of technical waste fluctuates from year to year as the result of projects that are conducted at irregular intervals. For detailed comments on the figures for each individual company, please refer to the interactive benchmarking tool.

Reporting against standards

By reporting the amount of waste we generate, we partially cover the G4-EN23 (Total weight of waste by type and disposal method) GRI indicator and the E04-01 (Total waste in tonnes) EFFAS indicator. This data is also relevant for criterion 11 (Usage of natural resources) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

Waste in t

2011: 67,701
2012: 67,672
2013: 69,573
2014: 76,049

Legend: Hazardous waste, Technical waste, Paper waste, Residual waste, Other waste

Waste generation 2014

Total 76,049 t
Other waste, Hazardous waste, Technical waste, Paper waste, Residual waste
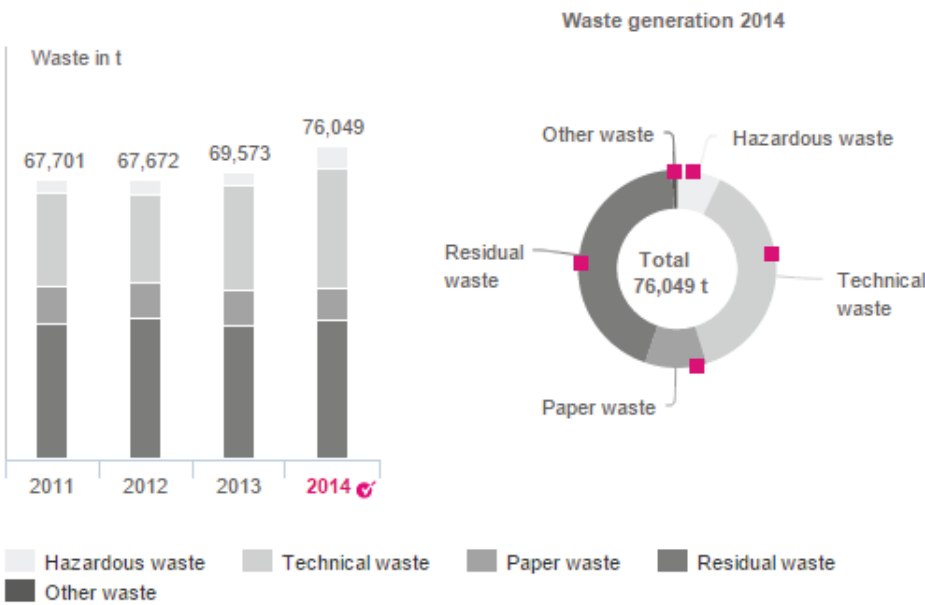
OTHER ENVIRONMENTAL DATA

WATER CONSUMPTION

Water consumption throughout the Group experienced a slight drop of around 1 percent. This can primarily be attributed to reduced water consumption in Germany. For detailed comments on the figures for each individual company, please refer to the interactive benchmarking tool.

Reporting against standards

By reporting our water consumption we fully cover the E28-01 (Total water consumption) EFFAS indicator. This data is also relevant for criterion 11 (Usage of natural resources) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

	2011	2012	2013	2014
Water consumption	3,876,605 m³	3,546,382 m³	3,487,910 m³	3,443,265 m³
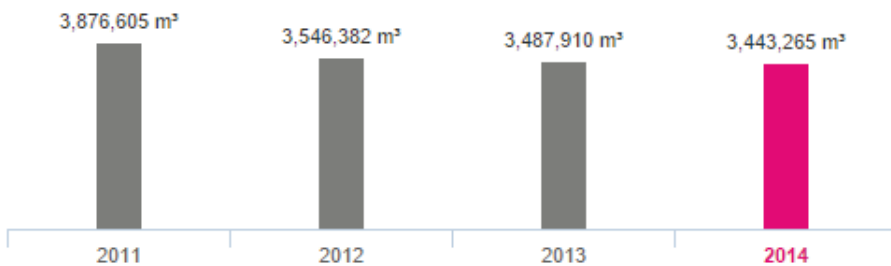
ONLINE CUSTOMER BILLS

16.7 million online bills were sent out in 2014. This is the equivalent of 59 percent of all bills and credit notes for fixed-line and mobile communications customers. This indicates that the percentage of online bills has grown continuously over the past four years.

Reporting against standards

By reporting data on the number of online customer bills, we fully cover the G4-EN27 (Initiatives to mitigate environmental impact) GRI indicator and partially cover the V04-13 (Percentage of services or products for increasing eco-efficiency of own products) EFFAS indicator. This data is also relevant for criteria 2 (Implementation of the sustainability strategy) and 10 (Innovation and product management) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).
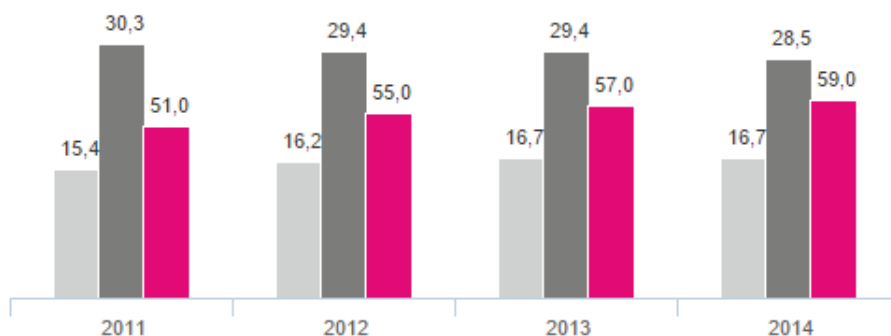
	2011	2012	2013	2014
Total number of new online customer bills (in millions)	15,4	16,2	16,7	16,7
Total number of new customer invoices (in millions)	30,3	29,4	29,4	28,5
Share of electronical bills (in %)	51,0	55,0	57,0	59,0

LAND USE

The property used by Deutsche Telekom in Germany covers most of our demands for technology, office and storage space and well as providing space for other needs. Total take-up decreased slightly year-on-year with a total of 8,870 square meters of space being used.

Reporting against standards

This data is relevant for criterion 11 (Usage of natural resources). It is also used for reporting on the Global Compact principles 7 (Precautionary approach) and 8 (Promoting environmental responsibility).

9.153.607 m² — 2011
8.960.339 m² — 2012
8.969.320 m² — 2013
8.869.644 m² — 2014
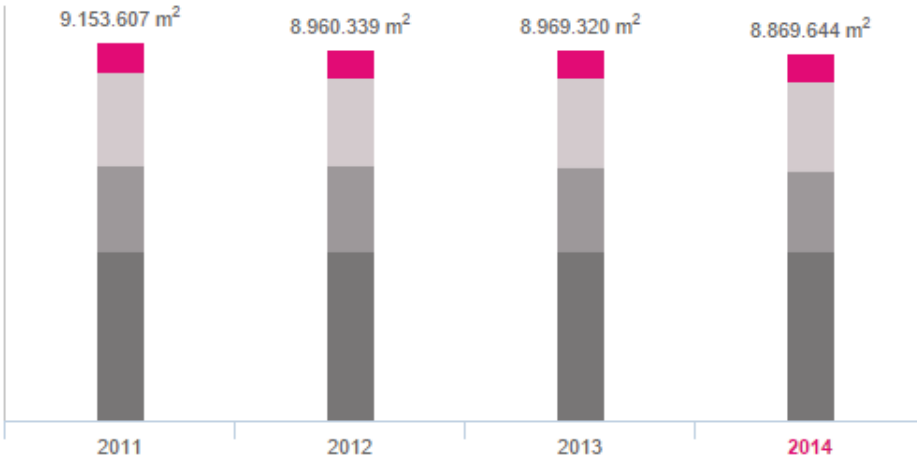
■ Storage space　■ Other space　■ Office space
■ Floor space for technical facilities

* Individual figures have been rounded.

Floor space for technical facilities
4,117,067 m²
46.4% *

Office space
1,932,278 m²
24.4% *

Total:
8,869,644 m²

Other space
2,160,951 m²
21.8% *

Storage space
659,348 m²
7.4% *
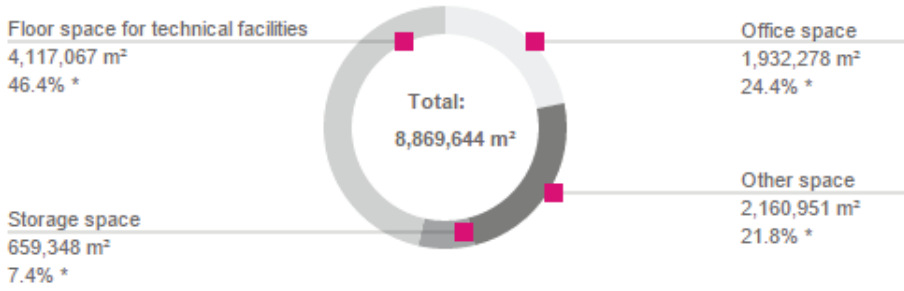
* Individual figures have been rounded.

SOCIAL INVOLVEMENT

ESG KPI-SET „COMMUNITY INVESTMENT", „BENEFICIARIES", „MEDIA LITERACY"

In 2014 we piloted three new KPIs to measure our social commitment and have begun reporting these externally for the first time in this report. Our activities are based on the methods employed by the London Benchmarking Group (LBG), which incorporate the aspects, "input," (effort/involvement), "output" (results) and "impact" (change).

The Community Investment ESG KPI illustrates activities in which Deutsche Telekom was involved in the community either financially, through its employees, or through donating materials.

The Beneficiaries ESG KPI reflects the number of people who got involved in community activities and the number of people in the target group that benefited from such activities.

The Media Literacy ESG KPI reflects the share of people we have reached through programs addressing this topic. This KPI establishes a direct correlation between these activities and our core business.

New ESG KPI in pilot reporting 2014 without data from T-Mobile US and some T-Systems units.

ESG KPI „Community Investment" (Input Split)
48.9 mil. €

KPI „Beneficiaries"** 13 mil. persons
KPI „Media Literacy" 40%
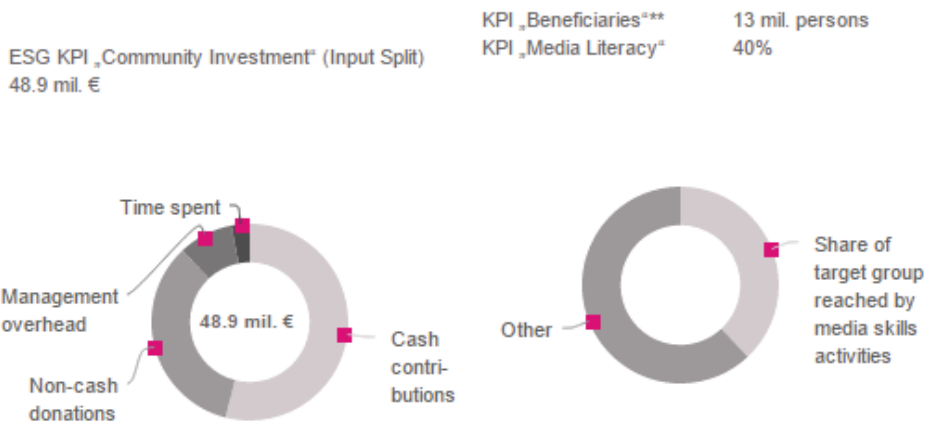
ESG KPI „SOCIAL COMMITMENT"

As shown below, we measure our performance in society with the Social Commitment ESG KPI. The ESG KPI shows that in 2014 our performance was rated significantly higher than the level of importance attached by the public to the subject.

We use an exclusive telephone survey of 2,000 people from the German residential population (customers and non-customers) con-ducted by TNS Infratest to measure our Social Commitment ESG KPI. The following questions were asked to determine the importance of social commit-

ment: "How important is it to you that companies are active in the community?" In order to rate the performance of the Deutsche Telekom Group in Germany, TNS Infratest read the names of several companies to those surveyed and asked them to indicate whether those companies were involved in the community by answering "yes" or "no."

Reporting against standards
This data is relevant for criteria 18 (Community) and 7 (Rules and processes) of the German Sustainability Code.
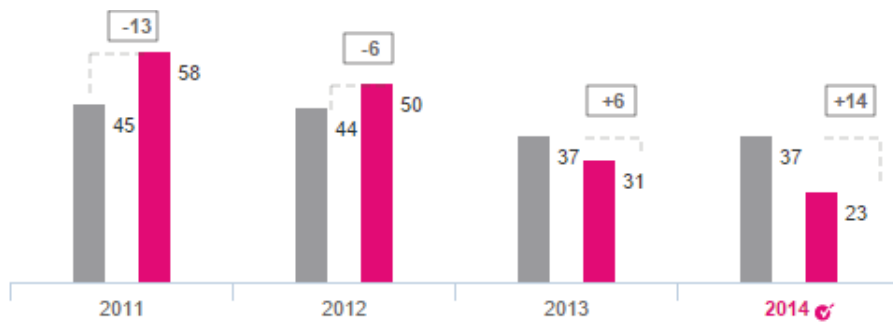
Activities: Percentage of respondents who considered Deutsche Telekom to be commited to social issues (in %).

Importance: Percentage of respondents who considered corporate social commitment to be "important" or "very important" (in %).

CR KPI "Social Commitment": Difference between the assessment of the importance of social commitment an Deutsche Telekoms's social commitment activities (expressed in percentage points).

Data verified by PwC. Data is partly provided by external service providers.

ENGAGEMENT@TELEKOM

Employees at the national companies show their commitment to society in many different ways. This commitment (corporate volunteering) frequently focuses on helping people who are not yet able to help themselves, children and young people in need. Corporate volunteering is very popular at almost all of our national companies. We have been

recording core data on these activities within the scope of our international implementation of engagement@telekom since 2012. Although fewer Social Days took place in 2014 than in the previous year, more participants were involved in these events. The focus here is increasingly shifting to more targeted, skill-based involvement that is less time-consuming.

	2012	2013	2014
Number of volunteering projects	380	219	154
Number of volunteers (employees)	14,829	16,847	23,248
Working hours	83,564	91,096	46,021

EMPLOYEE SATISFACTION

ESG KPI „EMPLOYEE SATISFACTION CR"

We use the CR Employee Satisfaction KPI to assess how well our employees identify and how satisfied they are with our CR activities. The calculation is based on an employee survey that is conducted at the national companies every two to three years. This KPI serves as the basis when defining future targets. This KPI was measured for the first time in 2010 and 2012. The next measurement phase is scheduled for spring 2015 and the results will be included in the next CR report.

The 2012 survey indicated a considerable increase in employee satisfaction with regard to our CR activities.

Reporting against standards

This data is relevant for criteria 7 (Rules and processes) and 14 (Employee rights and diversity) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 3 (Freedom of association) and 6 (Elimination of discrimination).

	2010	2012 ☑
Satisfaction	50	67
Identification	55	69

■ Satisfaction of employees with CR commitment (in percent).
■ Identification of employees with CR commitment (in percent).

☑ Data verified by PwC. Data is provided by external service providers. Values cannot be directly compared to the previous year because the general basis is different as some international subsidiaries participated for the first time.

SATISFACTION AND COMMITMENT INDEX
Managers

	2011	2012	2013	2014
Germany	83%	85%	86%	86%
International	70%	82%	81%	82%
Group (total)	78%	84%	84%	84%
Engagement-Index (Commitment-Index), scale of 1 to 5	3.8*	4.0	4.0*	4.0*

The calculated values originate from pulse check and employee survey current at the time, the most recent pulse check carried out in November 2013. Employee survey not carried out in 2013 according to plan.

* from prior year's MAB

PULS-CHECK

The results of the pulse survey on employee satisfaction were very good in 2014 as well. 73 percent of those surveyed internationally gave a positive response when asked how they feel at the company. These results show that the upward trend indicated in previous year results is ongoing.

Reporting against standards

This data is relevant for criteria 7 (Rules and processes) and 14 (Employee rights and diversity) of the German Sustainability Code. It is also used for reporting on the Global Compact principles 3 (Freedom of association) and 6 (Elimination of discrimination).

High ratings (agree) ■ Germany ■ International

Low ratings (disagree) ■ Germany ■ International

Category	Germany (high)	International (high)	Germany (low)	International (low)
Satisfaction	71	73	8	8
Product recommendation	76	78	7	5
Employer attractiveness	63	68	15	10
Changes	57	59	15	14
Strategy	74	57	9	15
Collaboration	57	58	15	15
Workload/quality	69	65	12	16
Work-life balance	68	60	13	18
HR development	61	54	17	20
Processes	80	75	7	8
Recognition	58	53	20	21
Guiding Principles	67	74	10	7

High ratings = Very good, good/agree fully, agree.
Low ratings = Poor, very poor/do not agree, do not agree at all.
"Neither agree nor disagree" ratings are not included.
Explanations of questions asked:
Satisfaction = How do you feel in the company?
Product recommendation = I recommend the products/services of our company to potential customers outside of my work environment.
Employer attractiveness = I would recommend our company as a great place to work.
Changes = I can understand the changes in our company.
Strategy = I can clearly explain to others the strategy of Deutsche Telekom.
Collaboration = In my experience, we all work together as partners at Deutsche Telekom in the interests of the Group's success.
Workload/quality = In my team, the workload and quality requirements are consistent with one another.
Work-life balance = The current working hours allow a good balance between private (family/leisure act.) and job-related interests.
HR development = Our company offers sufficient training opportunities to support my professional development.
Processes = Processes and procedures allow me to effectively meet my (internal and/ or external) customers' needs.
Recognition = Considering all my efforts and achievements, I feel that I have received the appropriate amount of recognition at work.
Guiding Principles = I feel that the Guiding Principles are reflected in my day-to-day work.

DIVERSITY AND COMPANY PENSION SCHEME

WOMEN IN MIDDLE AND UPPER MANAGEMENT

In 2014, the percentage of women in middle and upper management positions experienced a year-on-year increase, particularly in Germany, to 20 percent while remaining stable at our national companies at around 29 percent.

Reporting against standards

By reporting the percentage of women in middle and upper management, we fully cover the G4-LA12 (Composition of governance bodies and breakdown of employees) GRI indicator and the S10-02 (Percentage of women in managerial positions) EFFAS indicator and partially cover the S10-01 (Percentage of women in total workforce) EFFAS indicator. This data is also relevant for criterion 15 (Diversity and health) of the German Sustainability Code. It is also used for reporting on the Global Compact principle 6 (Elimination of discrimination).

Germany: 2011 13.8, 2012 14.6, 2013 19.4, 2014 20.0
International: 2011 28.8, 2012 29.1*, 2013 28.7, 2014 29.2
Group (total): 2011 24.7, 2012 24.0, 2013 25.0, 2014 25.6

■ 2011 ■ 2012 ■ 2013 ■ 2014 ✔
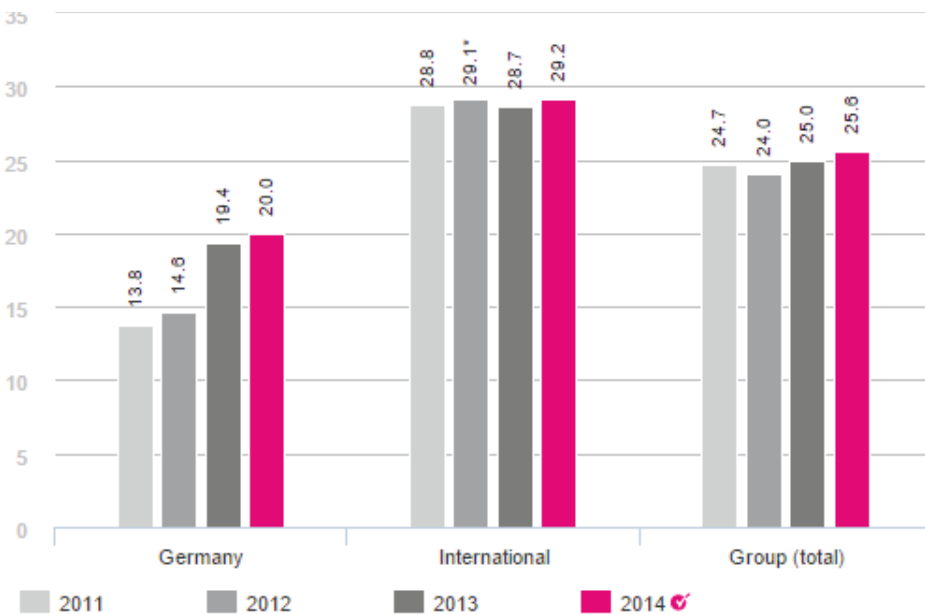
* Differences caused by rounding of figures corrected for 2012

✔ Data checked by PwC.

WOMEN IN TOTAL WORKFORCE

■ 35.5 Percentage of women in
total workforce

■ 64.5 Percentage of men in total
workforce
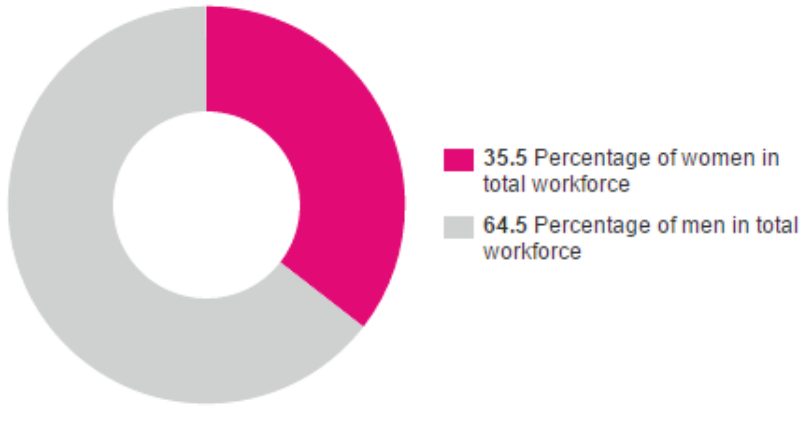
PART-TIME EMPLOYEES DEUTSCHE TELEKOM GROUP
IN GERMANY

The percentage of part-time employees came to around 13 percent
in 2014, remaining stable year over year.

Reporting against standards

By reporting this data, we partially cover the G4-10 GRI indicator. This
data is also relevant for criteria 14 (Employee rights) and 15 (Diversity
and health) of the German Sustainability Code. It is also used for report-
ing on the Global Compact principles 3 (Freedom of association and
the right to collective bargaining) and 6 (Elimination of discrimination).

	2011	2012	2013	2014
Part-time employees	11 %	12 %	13 %	13 %
Full-time employees	89 %	88 %	87 %	87 %

■ Part-time employees   ■ Full-time employees

PART-TIME EMPLOYEES DEUTSCHE TELEKOM GROUP
By reporting this data, we partially cover the G4-10 GRI indicator.

2013*   2014**

■ Full-time employees (women)   ■ Full-time employees (men)
■ Part-time employees (women)   ■ Part-time employees (men)
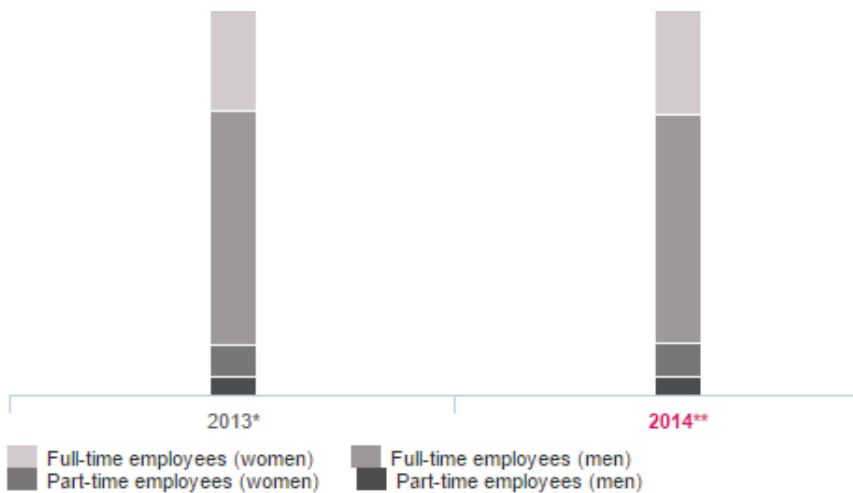
* No data included for Magyar Telekom, OTE International Investments Limited, C&B and Scout24 International2014.
** No data included for Deutsche Telekom North America, Deutsche Telekom International Finance B.V., C&B International, DeTeFleet, ICSS and GTS companies.

EMPLOYEES WITH DISABILITIES

Supporting and integrating people with disabilities is important to us. At 7 percent in 2014, the share of disabled employees in Germany again put us well over the statutory quota of 5 percent.

Reporting against standards

By reporting this data, we partially cover the G4-LA12 (Composition of governance bodies and breakdown of employees) GRI indicator. This data is also relevant for criterion 15 (Diversity and health) of the German Sustainability Code. It is also used for reporting on the Global Compact principle 6 (Elimination of discrimination).

Germany	6.3	6.6	6.7	7.1	7.6	7.5
Europe					2.5	2.8
Systems Solutions	3.6	3.7	3.8	4.1	4.2	4.6
Group Headquarters and Group Services	7.7	7.9	8.1	7.6	5.6	8.7
Group (total) in Germany	6.0	6.2	6.3	6.4	6.4	7.0

AGE STRUCTURE DEUTSCHE TELEKOM GROUP IN GERMANY

The age structure at Deutsche Telekom in Germany remained un-changed for the most part in 2014 compared to the previous year. The majority of our employees are between the ages of 46 and 55. We experienced a clear decrease in the age group between the ages of 36 and 45 in the four-year trend. The percentage of employees in this age group decreased from 31 to 28 and then, finally, to 25 percent. The share of employees between the ages of 56 and 65 increased from 11 to 13 percent compared to the previous year.

To help us effectively conduct and manage our demographics manage-ment activities, we have intensified our monitoring of such HR indicators as well as of qualitative indicators with a high relevance for demogra-phics. We consider it important to take both objective HR indicators as well as subjective assessments, e.g., from our employee survey, into account.
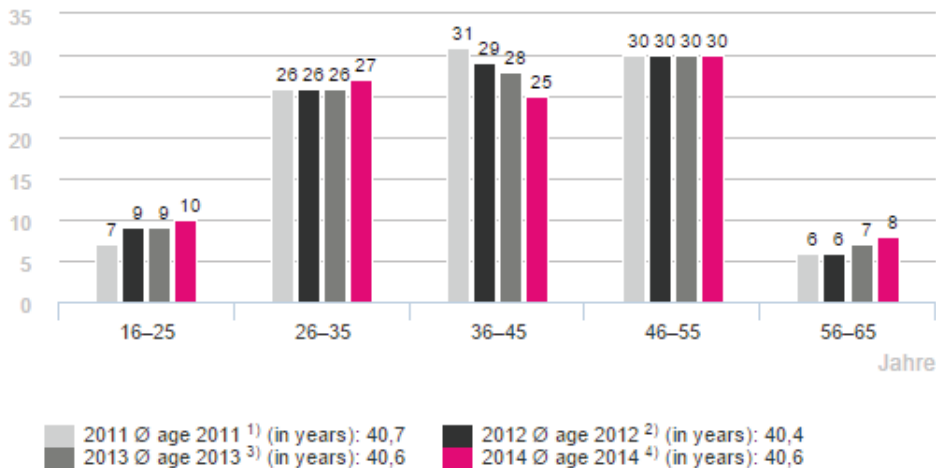
Reporting against standards

By reporting on this data, we partially cover the G4-LA12 (Composition of governance bodies and breakdown of employees) GRI indicator and fully cover the S03 -01 (Age structure/distribution) EFFAS indicator. This data is also relevant for criterion 15 (Diversity and health) of the German Sustainability Code. It is also used for reporting on the Global Compact principle 6 (Elimination of discrimination).

- 2011 Ø age 2011 [1] (in years): 40,7
- 2012 Ø age 2012 [2] (in years): 40,4
- 2013 Ø age 2013 [3] (in years): 40,6
- 2014 Ø age 2014 [4] (in years): 40,6

[1] No data included for T-Systems North America.

[2] No data included for: T-Systems North America, T-Systems Canada and Data Migration Consulting AG.

[3] No data included for: T-Systems North America, T-Systems Canada, Data Migration Consulting AG, IT Services Hungary, Szolgáltató Kft., C&B International and Scout International.

[4] No data included for: Deutsche Telekom North America, T-Systems North America, TSystems Belgium, T-Systems Japan, T-Systems Canada, T-Systems China, C&B International, Deutsche Telekom International Finance B.V. and ICSS and GTS companies.

AGE STRUCTURE AT THE DEUTSCHE TELEKOM GROUP

2011   Ø Alter 2011 [1] (in Jahren): 40,7   2012   Ø Alter 2012 [2] (in Jahren): 40,4
2013   Ø Alter 2013 [3] (in Jahren): 40,6   2014   Ø Alter 2014 [4] (in Jahren): 40,6
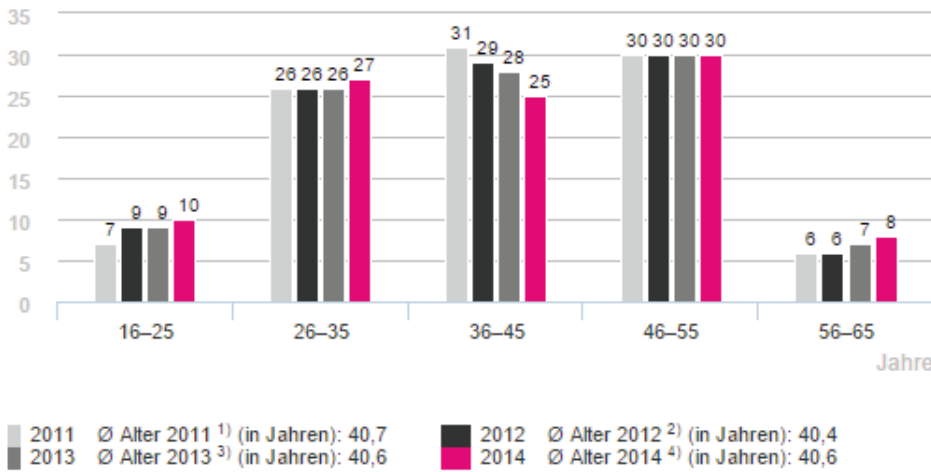
[1] T-Systems North America ist in den Angaben nicht enthalten.
[2] Enthält keine Daten für: T-Systems North America, T-Systems Canada und Data Migration Consulting AG.
[3] Enthält keine Daten für: T-Systems North America, T-Systems Canada, Data Migration Consulting AG, IT Services Hungary, Szolgáltató Kft., C&B International und Scout International.
[4] Enthält keine Daten für: Deutsche Telekom North America, T-Systems North America, T-Systems Belgium, T-Systems Japan, T-Systems Canada, T-Systems China, C&B International, Deutsche Telekom International Finance B.V. sowie ICSS- & GTS-Companies.

COMPANY PENSION SCHEMES

The increase in fund assets can be attributed to the payments of the increasing number of plan participants (as was the case in previous years). Because the majority of participants in the 2001 pension plan are still active, i.e., still paying into their retirement plans, this increase will remain steady over the next few years.

Please refer to the strategy and management section for more informa-tion on our sustainable investment strategy for assets associated with our company pension scheme and similar obligations in Germany.

Reporting against standards
By reporting this data we fully cover the G4-EC3 (Coverage of the organization's defined benefit plan obligations) GRI indicator.

Number of participants in Telekom Pension Fund (total) in thousands*
Telekom Pension Fund assests (total) in mil. €
Capital account obligations (Telekom's employer-financed pension schemes) in thousands
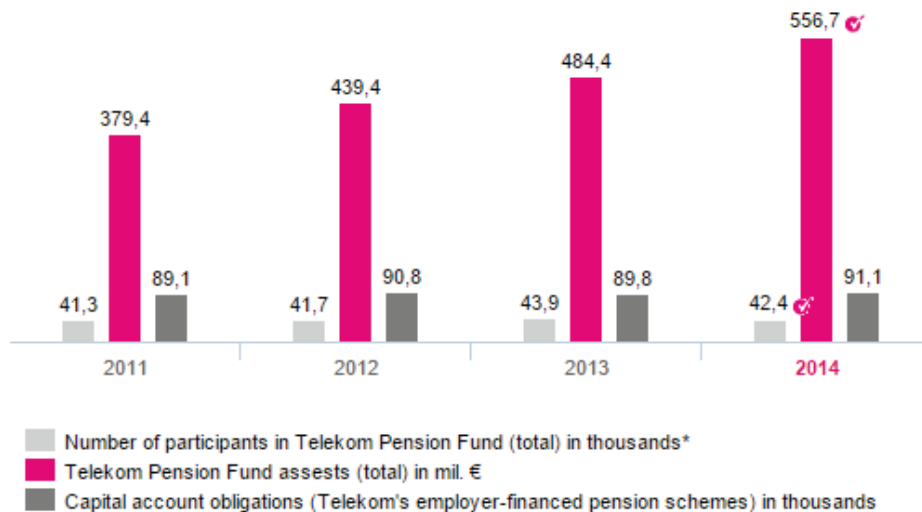
* The volume comprises the assets of the Telekom-Pensionsfonds in the 2001 pension plan.

✔ Verified by PwC: only number of participants in Telekom Pension Fund and Telekom Pension Fund assets.

TRAINING AND DEVELOPMENT

SKILLS DEVELOPMENT AT TELEKOM TRAINING

We conducted 31,160 seminars with 295,826 participants at Deutsche Telekom in Germany in 2014. Based on the number of days completed, the average comes to 4.0 days of training per employee. The number of online training sessions amounted to 844,788.

Reporting against standards

By reporting this data we fully cover the G4-LA9 (Average hours of training per year per employee) and G4-LA10 (Skills management and lifelong learning) GRI indicators as well as the S02-02 (Training expenses per employee) EFFAS indicator. This data also covers criterion 16 (Steps taken to promote the general employability of all employees) of the German Sustainability Code.

- **29%** Other (incl. personal skills, processes, sales training)
- **50%** IT/technology
- **11%** Leadership
- **8%** Service quality
- **2%** Project management
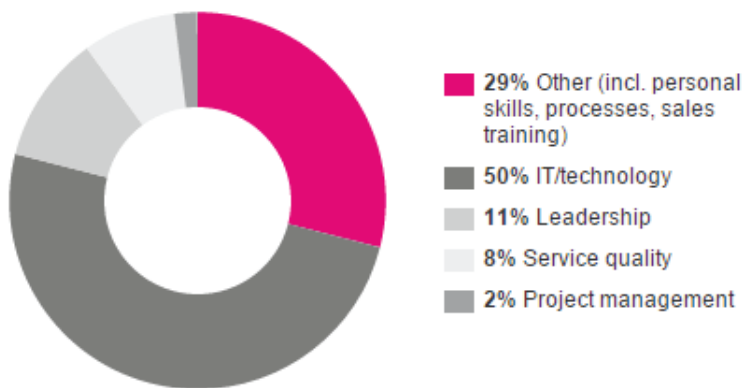
Seminars: 31.160
Participants: 295.826
Participant days: 467.149
Ø number of training days per participant: **1,6**; per employee: **4,0**
Number of web-based training courses carried out (content usages on internal e-learning platform): **844 788**

INTERNATIONAL DEVELOPMENT AND MANAGEMENT PROGRAMS

		2010	2011	2012	2013	2014
Participants FEP*/ LDP**	Total	661	612	409	491	487
Participants FEP/ LDP	Woman	35%	32%	43%	37%	39%
Participants Professional Programs ****	Total	162	164	167	165	
Participants Professional Programs ****	Women				45%	
Participants LEP***	Total	1,067	994	918		
Participants LEP	Men	890	802	712		
Participants LEP	Women	177	192	206		
Participants LEP	Germany	930	855	710		
Participants LEP	International	137	139	208		

* Führungskräfte-Entwicklungsprogramm

** Leadership Development Program

*** Leadership Excellence Program

**** no Professional Program ,the new concept will be launched in the second quarter of 2015.

LEP has not been available since 2013 due to a change to the conception of our leadership development portfolio.

APPRENTICES AND TRAINING PROGRAMS DEUTSCHE TELEKOM GROUP IN GERMANY

The number of trainees (including students) decreased from 9,399 to 9,140 year over year.

Reporting against standards

By reporting this data we partially cover the G4-LA9 (Average hours of training per year per employee) GRI performance indicator. This data is also relevant for criterion 15 (Diversity and health) of the German Sustainability Code.

Technical/IT
Business administration
Students on cooperative degree courses
On-campus students at the University of Applied Sciences in Leipzig
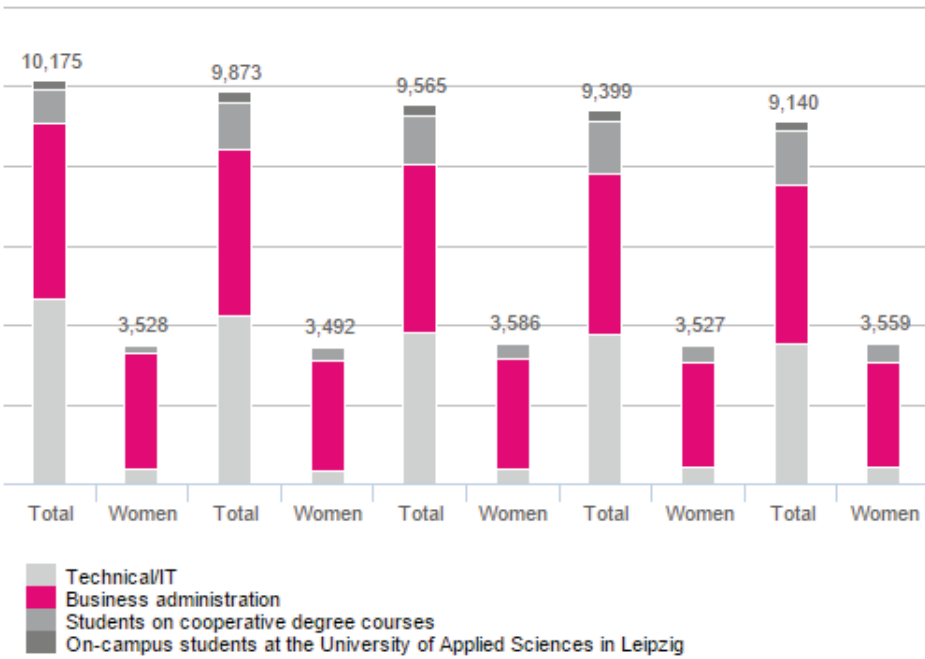
Examples for commercial training programs: office communications administrators, retail sales or dialog marketing assistants, industrial business administrators
Examples for cooperative study programs: Bachelor in Business Administration, Communications and Information Technology, Business Information Systems.

EMPLOYEE HEALTH

HEALTH RATE

The health rate at Deutsche Telekom in Germany remained constant at a high level over the course of the year at approximately 94.4 percent.

Reporting against standards

In combination with data on work-related accidents, the health rate data partially covers the G4-LA6 (Rates of injury, occupational diseases, lost days, and absenteeism) GRI performance indicator. This data is also relevant for criterion 15 (Diversity and health) of the German Sustainability Code.

	2009	2010	2011	2012	2013	2014
Germany	93.3	93.4	93.5	93.6	93.4	93.8
Europe	97.4	97.8	97.7	97.3	96.8	96.9
Systems Solutions	96.4	96.5	96.2	96.3	96.3	96.4
Group Headquarters and Group Services	94.0	94.3	94.4	94.5	94.3	93.8
Group (total)	94.0	94.2	94.1	94.2	93.9	94.4

OCCUPATIONAL ACCIDENTS

The number of all accidents at work and on the way to or from work remained constant year-on-year at around 8 per 1,000 employees.

Fortunately, there were no fatal accidents during the reporting period.

Total number of accidents at work and on the way to or from work   Accidents at work
Accidents on the way to or from work   Accidents at work, ø of all industries*
Accidents on the way to or from work, ø of all industries*
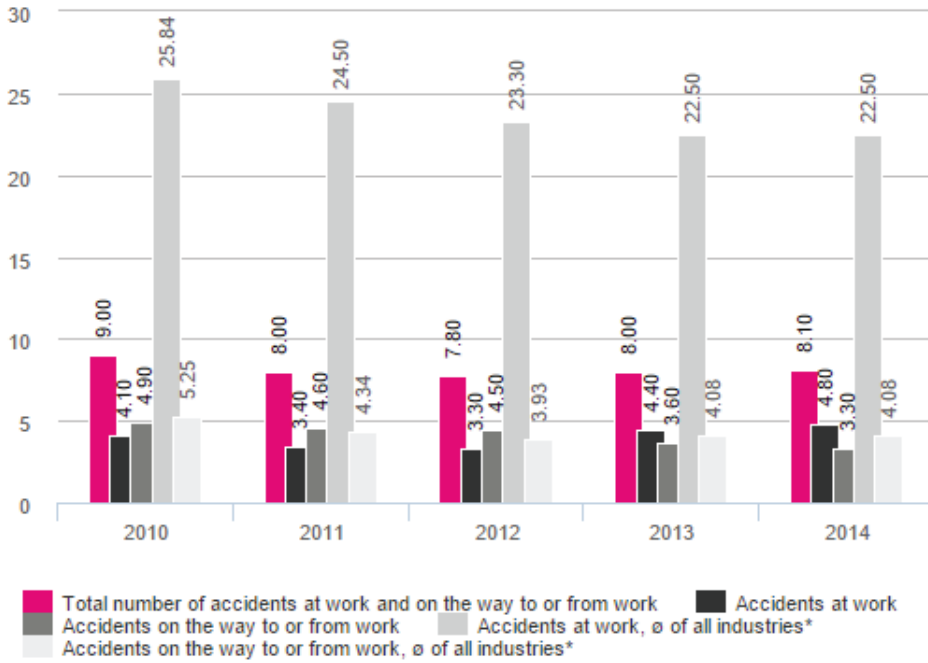
* Accidents from 2014 have not yet been included in the statistics published to date.

HEADCOUNT

WORKFORCE DEVELOPMENT WORLDWIDE

The number of employees continued to decrease year over year in 2014 at the Group level.

Reporting against standards

In combination with additional headcount data, the data on the trend in employee numbers worldwide fully covers the G4-LA1 (Employee turnover) GRI indicator. It also partially covers the S01-01 (Percentage of FTE leaving p.a.) EFFAS indicator.

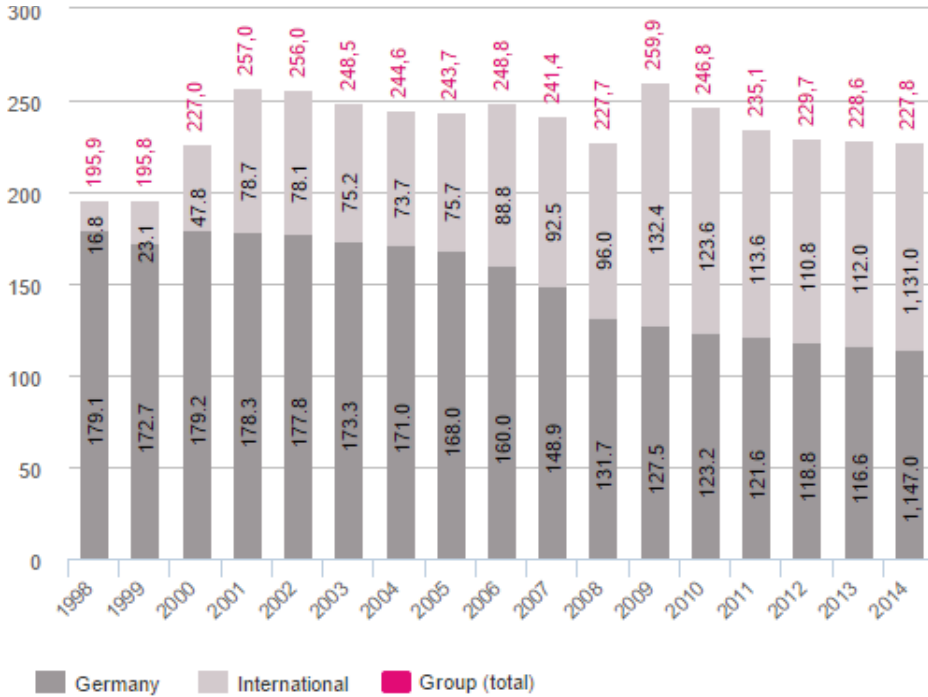|	2009*	2010*	2011*	2012*	2013*	2014
Germany	81,336	70,902	69,574	67,497	66,725	68,754
USA	40,697	37,760	32,868	30,288	37,071	39,683
Europe	71,163	63,338	58,794	57,937	53,265	51,982
Systems Solutions	46,021	51,742	52,170	52,106	49,540	47,762
Group Headquarters & Group Services	20,703	23,035	21,726	21,858	21,995	19,631
Group (total)	259,920	246,777	235,132	229,686	228,596	227,811

* Figures deviate from previous reporting due to restatements. These restatements result from organizational changes within the Group.

DEUTSCHE TELEKOM WORKFORCE 1998-2014

The number of employees continued to decrease year over year in 2014 at the Group level.

Reporting against standards

This data is relevant for criterion 15 (Diversity and health) of the German Sustainability Code.

Year	Group (total)	International	Germany
1998	195,9	16.8	179.1
1999	195,8	23.1	172.7
2000	227,0	47.8	179.2
2001	257,0	78.7	178.3
2002	256,0	78.1	177.8
2003	248,5	75.2	173.3
2004	244,6	73.7	171.0
2005	243,7	75.7	168.0
2006	248,8	88.8	160.0
2007	241,4	92.5	148.9
2008	227,7	96.0	131.7
2009	259,9	132.4	127.5
2010	246,8	123.6	123.2
2011	235,1	113.6	121.6
2012	229,7	110.8	118.8
2013	228,6	112.0	116.6
2014	227,8	1,131.0	1,147.0

■ Germany   ■ International   ■ Group (total)

*2009 figures include 32,990 Full-time Equivalent at OTE.

NUMBER OF EMPLOYEES BY COUNTRY

#	Country	Employees
1	Germany	114,749
2	Greece	13,271
3	Hungary	12,755
4	Romania	7,981
5	Slovakia	7,245
6	Croatia	4,994
7	Poland	4,876
8	Spain	3,349
9	Czech Republic	3,551
10	Netherlands	1,951
11	Austria	1,794
12	Macedonia	1,362
13	United Kingdom	880
14	Russia	890
15	Switzerland	672
16	Montenegro	657
17	Albania	437
18	France	270
19	Denmark	47
20	Belgium	39
21	Italy	30

Country	Employees
USA (incl. T-Mobile US)	
Brazil	
South Africa	1,491
Malaysia	1,131
Mexico	902
China	245
Singapore	110
Japan	23
Thailand	31
India	17
United Arab Emirates	16
Canada	7

* Darstellung Personal Click & Buy Services India Private Limited ab Februar 2014

PROPORTION OF CIVIL SERVANTS IN GROUP WORKFORCE

The number of civil servants employed in Germany decreased from 36,114 full-time positions in 2013 to 34,482 in 2014 as a result of the general employee trend.

Reporting against standards

In combination with additional headcount data, the data on the percentage of civil servants in the workforce fully covers the G4-LA1 (Employee turnover) GRI indicator.

	2009	2010	2011	2012	2013	2014
Active civil servants	29,188	25,570	23,516	21,958	20,523	19,881
Civil servants on temporary leave from civil servant status*	6,597	1,678	1,537	1,430	1,412	1,340
Civil servants at affiliated companies	13,267	16,729	15,774	14,836	14,179	13,260
Civil servants (total)	49,052	43,977	40,828	38,224	36,114	34,482
Number of non-civil servants in Germany	78,435	79,197	80,736	80,616	80,529	80,267
Total number of employees in Germany	127,487	123,174	121,564	118,840	116,643	114,749
Percentage of civil servants in Germany (in %)	38.5	35.7	33.6	32.2	30.96	30.05

* Civil servants whose status as such is currently suspended. They have temporarily switched to an employee relationship not covered by collective agreements.
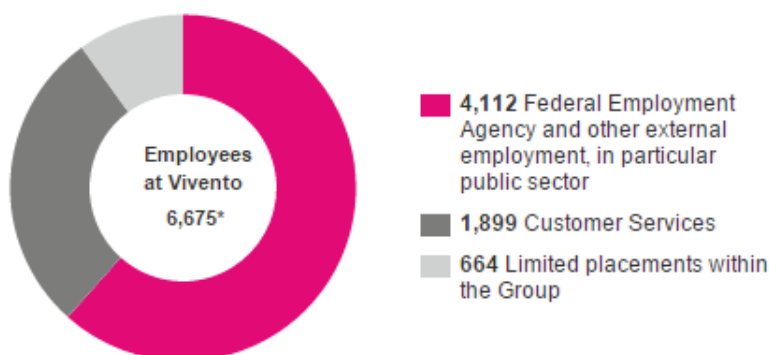** All figures calculated on the basis of precise detailed data. Since figures are rounded, totals may differ.

VIVENTO WORKFORCE

The number of employees at Vivento decreased slightly (6,675 compared to 6,964 in 2013). A total of 866 employees found new jobs.

Reporting against standards

In combination with additional headcount data, the data on the trend in employee numbers at Vivento fully covers the G4-LA1 (Employee turnover) GRI indicator.

Employees at Vivento 6,675*

- **4,112** Federal Employment Agency and other external employment, in particular public sector
- **1,899** Customer Services
- **664** Limited placements within the Group

Permanent employees and support staff: **592**
Number of employees who found a new job through Vivento in 2013: **766**
Staff transfers to Vivento since its foundation: **50,898**
Staff who have left Vivento since its foundation: **42,868**
* All figures calculated on the basis of precise details. Since figures are rounded, totals may differ.

TOOLS FOR SOCIALLY RESPONSIBLE STAFF RESTRUCTURING DEUTSCHE TELEKOM GROUP IN GERMANY

We continued our efforts to engage in socially acceptable staff restructuring in 2014. We use internationally proven tools giving employees the option to voluntarily leave the company as part of this process.

Reporting against standards

This data is relevant for criteria 6 (Rules and processes) and 14 (Employee rights) of the German Sustainability Code.

	2010	2011	2012	2013	2014
Early retirement (civil servants)	3,947	2,564	2,266	1,618	927
Early retirement (non-civil servants)	121	0	3	27	27
Severance payments	2,227	709	955	1,316	826
Partial retirement (start of passive phase)	846	959	1,417	711	332
Other socially responsible tools	782	163	120	241	471

FLUCTUATION RATE

Reporting against standards

In combination with additional data on the number of employees, the data on the fluctuation rate fully covers the G4-LA1 (Employee turnover) GRI indicator.

	2012	2013	2014
Germany	1.95%	1.82%	1.42%
International*	**	7.63%	8.57%
Group (total)*		4.17%	4.21%

* excluding USA
** Fluctuation figures for 2012 not yet complete for Systems Solutions.

TOTAL WORKFORCE COSTS

In bn. €

	2010	2011	2012	2013	2014
TWC[1]	17	15.6	15.5	15.3	15.4
of which: Germany	10.2	9.6	9.4	9.3	9.2
IWC[2] (PC[3] adjusted)	8.5	8.3	8.3	8.5	8.5
EWC[4] Leased and temporary workers	0.1	0.1	0.1	0.1	0.05
EWC[4] Freelancers and consultants	1.6	1.1	1.0	0.8	0.7
of which: international	6.8	6.1	6	6	6.1
IWC[2] (PC[3] adjusted)	5.5	5.3	5.2	5.2	5.3
EWC[4] Leased and temporary workers	0.2	0.3	0.3	0.2	0.3
EWC[4] Freelancers and consultants	1.1	0.6	0.6	0.6	0.6

[1] Total workforce cost: external workforce cost + personnel cost adjusted for special factors
[2] Internal workforce cost
[3] Personnel cost
[4] External workforce cost: cost of leased and temporary workers + cost of freelancers and consultants

TOTAL WORKFORCE QUOTE

In bn. €

	PA[1] adjusted	EWC[2]	TWC[3]	Umsatz*	TWQ[4] adjusted 2014	TWQ[4] adjusted 2013	TWQ[4] adjusted 2012
Germany	8.5	0.8	9.2	25.7	35.9%	35.4%	35.3%
International	5.2	0.8	6.1	36.9	16.6%	17.7%	19.2%
Group (total)	13.8	1.6	15.4	62.7	24.6%	25.5%	26.6%

[1] Personnel cost
[2] External workforce cost: cost of leased and temporary staff + cost of freelancers and consultants
[3] Total workforce cost: external workforce cost + personnel cost adjusted for special factors
[4] Total workforce ratio = TWC/revenue

* As revenue allocation is separated into Germany/international from an HR perspective, this reflects employee location, unlike the financial report, which allocates revenue to the country where it was generated.

IDEAS MANAGEMENT

GENIAL@TELEKOM. IDEAS MANAGEMENT

Employees submitted 13,231 suggestions for improvement via the genial@telekom idea platform in 2014. The savings generated by these improvements came to 106,6 million euros. We registered 196 patents in the reporting period as well.

Reporting against standards

Employee involvement is encouraged via the genial@telekom ideas management platform. This data is relevant for criterion 14 (Employee rights) of the German Sustainability Code.

|	2010	2011	2012	2013	2014
Ideas submitted	10,498	10,831	13,043	12,146	13,231
Savings in millions of EUR	136	116	104	83	107

PORTFOLIO OF INTELLECTUAL PROPERTY RIGHTS

196 patents were registered during the reporting period. By the end of 2014, we owned around 7,900 intellectual property rights (IPRs), fewer than in the previous year. We take a targeted approach to managing these IPRs in consideration of cost-benefit aspects. We regularly take stock of our IPRs and eliminate those that are no longer relevant.

Patents are gaining more and more significance in the telecommunications industry. Market players and their areas of activity are changing, with a knock-on effect on our IPR (intellectual property rights) agenda. On the one hand, our Group's scope for action must be maintained. On the other and alongside our own research and development activities,

we want to open the door to open innovation through cooperations and partnerships. National and international IPRs are vital for these types of activity. We are strongly dedicated to generating our own property rights. Industrial property rights include inventions, patent applications, patents, utility models and registered designs.

Reporting against standards

This data partially covers the V04-05 (Number of patents registered within last 12 months) and V04-06 (Percentage of patents registered within last 12 months in relation to total number of patents) EFFAS indicators.

	2011	2012	2013	2014
	> 7,500	7,600	7,500	7,900
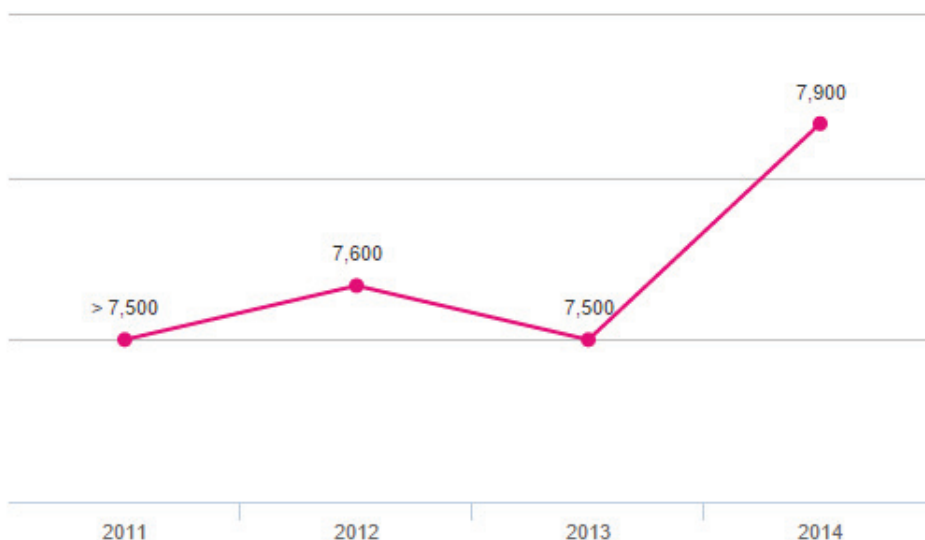
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