

CORPORATE GOVERNANCE REPORT 2019

In the following text, the Board of Management and the Supervisory Board report on corporate governance at Deutsche Telekom AG in accordance with Section 3.10 of the German Corporate Governance Code. This Corporate Governance Report is published together with the Corporate Governance Statement in accordance with § 289f HGB, which is published on Deutsche Telekom's website.

[Corporate Governance Statement in accordance with § 289f HGB](#)

Sound, systematic corporate governance is particularly important for an international group such as Deutsche Telekom with its many subsidiaries and associates. The Company complies with legal requirements, national provisions, such as the recommendations of the Government Commission on the German Corporate Governance Code, as well as with international standards. The Board of Management and the Supervisory Board are convinced that sound corporate governance, taking company and industry-specific issues into account, is an important building block for the future success of Deutsche Telekom AG. Accordingly, responsibility for compliance with the principles of sound corporate governance is vested in senior management.

In the 2019 financial year, the Board of Management and Supervisory Board once again carefully examined the corporate governance of Deutsche Telekom AG and the Deutsche Telekom Group as well as the contents of the German Corporate Governance Code. During the reporting period just ended, as in prior years, Deutsche Telekom AG again fulfilled all of the Code's recommendations. The Supervisory Board and Board of Management of Deutsche Telekom AG therefore issued an unqualified Declaration of Conformity with the German Corporate Governance Code on December 30, 2019:

DECLARATION OF CONFORMITY PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

- I. The Board of Management and Supervisory Board of Deutsche Telekom AG hereby declare that, in the period since the issuance of the most recent declaration of conformity pursuant to § 161 of the Stock Corporation Act on December 30, 2018, Deutsche Telekom AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection on April 24, 2017 in the official section of the Federal Gazette (Bundesanzeiger), without exception.
- II. The Board of Management and Supervisory Board of Deutsche Telekom AG hereby declare further that Deutsche Telekom AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code, published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) on April 24, 2017, without exception.

The Declaration of Conformity can also be found on the website of Deutsche Telekom AG. This website also provides access to the declarations of conformity from previous years.

[Declaration of Conformity](#)

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Board of Management and the Supervisory Board work closely together for the good of the Company and maintain regular contact. The Board of Management agrees the Company's strategic alignment with the Supervisory Board and discusses the status of strategy implementation with the Supervisory Board at regular intervals. The Supervisory Board of Deutsche Telekom AG holds a minimum of four meetings a year. In the 2019 financial year, there were four Supervisory Board meetings and a one-day off-site conference on the strategic alignment of the Company. In addition, 27 Supervisory Board committee meetings were held. The Board of Management keeps the Supervisory Board fully and regularly informed in good time on corporate strategy, planning, business developments, the risk situation, risk management, compliance, innovation focuses, and any deviations in the business developments from original plans, as well as significant business transactions involving the Company and major Group companies. The Board of Management submits specific transactions to the Supervisory Board that are of fundamental importance and require its approval as defined. The Board of Management regularly submits written and oral reports. Between meetings, the Board of Management also informs the Supervisory Board of the current business development of the Group and its segments on a monthly basis. The Board of Management reports to the Supervisory Board on individual issues in writing or in discussions. The information and reporting obligations of the Board of Management specified by the Supervisory Board go beyond statutory requirements. The activities of the Board of Management and the Supervisory Board, as well as the Audit Committee of the Supervisory Board, are specified in separate Rules of Procedure. Those that govern the Board of Management provide guidance on its schedule of responsibilities and the majorities required for resolutions, among other matters. The Chairmen of the two Boards also exchange information regularly in person.

[For further information on cooperation between the Board of Management and the Supervisory Board, please refer to the section "Supervisory Board's report to the 2020 shareholders' meeting."](#)

COMPOSITION OF THE BOARD OF MANAGEMENT

Up until the end of 2019, the Board of Management's schedule of responsibilities stated that there were nine Board departments: the department of the Chairman of the Board of Management; Finance; USA and Group Development; Human Resources; Data Privacy, Legal Affairs and Compliance; T-Systems; Germany; Technology and Innovation; and Europe. Effective January 1, 2020, the individual units of the Data Privacy, Legal Affairs and Compliance Board department were reassigned to the Finance, Technology and Innovation, and Human Resources Board departments. The former Human Resources Board department will continue to operate as a Board department under the new designation Human Resources and Legal Affairs. As of April 1, 2020, the Data Privacy, Legal Affairs and Compliance Board department will be dissolved and the Board of Management thus reduced from nine to eight Board departments. Each Board of Management member is authorized to manage the sphere of responsibility allocated to him or her. Certain matters are subject to approval by the full Board of Management. Furthermore, every Board member can submit matters to the full Board of Management for decision. Members of the Board of Management should not be older than 65 years of age (standard age limit). In September 2015, the Supervisory Board set out target figures for the number of women on the Board of Management. The Supervisory Board set a short initial deadline for implementation at the end of 2015 within which the current proportion of women on the Board of Management (1 of 7) was to remain stable. The Supervisory Board also resolved that the proportion of women should increase to 2 of 7 within the second implementation period by the end of 2020.

For further information on the women's quota, please refer to the Corporate Governance Statement at www.telekom.com/en/investor-relations/management-and-corporate-governance

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of Deutsche Telekom AG consists of twenty members, ten representing the shareholders and ten representing the employees. The Supervisory Board members representing the shareholders are elected by the shareholders' meeting by simple majority. As in previous years, elections to the Supervisory Board were for individual members held at the last shareholders' meeting on March 28, 2019. For each candidate proposed to the shareholders' meeting on March 28, 2019, a résumé was included with the agenda containing relevant details of their expertise, skills, and experience, as well as their most important activities next to the Supervisory Board mandate. The standard five-year terms of office of the individual Supervisory Board members representing the shareholders end on different dates. This ensures continuity regarding the Supervisory Board's composition. The Supervisory Board members representing employees were most recently elected at the delegates' assembly on November 20, 2018, according to the provisions of the German Codetermination Act (Mitbestimmungsgesetz – MitbestG). The résumés of all Supervisory Board members are published on the Deutsche Telekom website and updated annually.

For further information on changes to the composition of the Supervisory Board, please refer to the section "[Supervisory Board's report to the 2020 shareholders' meeting.](#)"

As for its composition, the Supervisory Board has set itself the following objectives:

- Taking into account the Company's specific situation, the Supervisory Board resolves to consider the aspect of diversity in addition to the requisite expertise of a candidate when issuing recommendations for future appointments to the Supervisory Board to the competent election bodies.
- The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability, and expert experience required to properly perform its tasks.
- The Supervisory Board supports an appropriate degree of women's representation on the Supervisory Board. A minimum of 30 percent of members of the Supervisory Board shall be women.
- In view of the Company's international focus, candidates with an international background are to be given appropriate consideration in future appointments to the Supervisory Board.
- Conflicts of interest are to be avoided in appointments to the Supervisory Board.
- The term of office for members of the Supervisory Board shall end no later than the close of the shareholders' meeting after the Supervisory Board member reaches the age of 75 unless there are special reasons for this not to be the case (standard age limit).
- A regular limit of three terms of office shall apply for membership on the Supervisory Board. Appointments by court order that are limited until the next shareholders' meeting shall not, however, be considered a term of office.
- The Supervisory Board shall include at least sixteen members who are independent within the meaning of Section 5.4.2 of the German Corporate Governance Code. It is assumed that those Supervisory Board members elected in accordance with the Codetermination Act are independent in principle as defined. On the shareholders' representative side, at least six members of the Supervisory Board must therefore be independent.

The Supervisory Board considers the following skills, expertise and knowledge to be essential for it to exercise its role (profile of skills and expertise):

1. Strategic skills and expertise

- TC/IT industry, related industries
- Market (competition and customers), sales, and customer business
- Products
- Market participants
- Regulated industries
- M&A processes

2. Financial skills and expertise

- Accounting processes, risk management, audit of financial statements
- Financial KPIs and systems
- Capital and financial markets

3. Control skills and expertise

- Management/CEO
- Supervisory board
- International management experience
- Codetermination
- Legal affairs/compliance
- Regulatory and competition law

4. Innovation skills and expertise

- New technologies
- Digitalization
- IT/NT/telecommunications

5. Sustainability expertise, social skills

- Human Resources
- Change management
- Organizational and cultural change
- Diversity
- Sustainability

Regarding the achievement level of the Supervisory Board membership targets and meeting the stipulations of the profile of skills and expertise:

The proportion of women on the Supervisory Board remained at 40 percent throughout the 2019 financial year. This thus meets the 30 percent minimum representation target for women members of the Supervisory Board, which is now a legal requirement.

The Supervisory Board is composed in such a way that its members as a group possess the knowledge, ability, and expert experience required to properly perform its tasks. The members of the Supervisory Board represent various different professions and many of them have a multinational background. The avoidance of conflicts of interest and compliance with the standard age limit and the regular limit on terms of office were taken into consideration in the appointments to the Supervisory Board.

The Supervisory Board is convinced that, as a whole, it meets the stipulations of the profile of skills and expertise.

Furthermore, the proposals for election took account of the targets resolved by the Supervisory Board for its own composition as well as the skills and expertise profile drawn up by the Supervisory Board for itself as a whole.

With the election of Dr. Rolf Bösing by the shareholders' meeting, the Supervisory Board gained an expert with many years of experience in financial statement analysis, equity investments, corporate social responsibility, internal auditing, finance management, human resources, labor relations, and innovation. Dr. Bösing gained this expertise in a number of leadership positions within the federal ministries, the Saarland State Chancellery, and the Senate Chancellery and the Authority for Economic Affairs, Transport and Innovation of the Free and Hanseatic City of Hamburg. In 2018, he stepped into the role of State Secretary at the Federal Ministry of Finance.

With the election of Lars Hinrichs by the shareholders' meeting, the Supervisory Board gained a venture capital specialist with many years of experience in business model development and strategic partnerships. Lars Hinrichs also has a strong background in entrepreneurship, social networking, social media, and e-commerce as the founder and CEO of XING AG, later going on to become a member of its supervisory board.

With the election of Karl-Heinz Streibich by the shareholders' meeting, the Supervisory Board gained a renowned expert with many years of experience, in particular in the areas of IT services and telecommunications services. Karl-Heinz Streibich has an extensive background in leading international IT/software enterprises as CEO of Software AG, member of the Board of Management of T-Systems, and CEO of debis Systemhaus GmbH, among others.

The Supervisory Board is convinced that – in accordance with the recommendation of the German Corporate Governance Code – it has an appropriate number of independent members to provide impartial advice to and monitor the Board of Management.

The Supervisory Board believes that Lars Hinrichs, Dr. Helga Jung, Prof. Michael Kaschke, Dagmar P. Kollmann, Harald Krüger, Prof. Ulrich Lehner, Karl-Heinz Streibich, and Margret Suckale are independent Supervisory Board members within the meaning of the German Corporate Governance Code.

The Supervisory Board will continue to ensure that the candidates proposed for election at the shareholders' meeting can dedicate the required amount of time to their Supervisory Board tasks at Deutsche Telekom AG.

TASKS ASSIGNED TO THE SUPERVISORY BOARD

The Supervisory Board appoints the members of the Board of Management and regularly supervises its management of the Company. The Supervisory Board is directly involved in all decisions of strategic importance to the Company. This involvement is guaranteed through the specification of approval provisos for the Supervisory Board and through the agreement of the strategic alignment of the Company. The work of the Supervisory Board is specified in Rules of Procedure. To clarify the reporting obligations on the part of the Board of Management, the Supervisory Board has drawn up a list of transactions subject to approval. This list forms an integral part of the Rules of Procedure for the Supervisory Board and the Board of Management,

respectively. The Supervisory Board and Audit Committee each assess the efficiency of their work every two years, which also provides new impetus for their work on a regular basis. The self-assessment carried out to this end is based on a comprehensive questionnaire followed by intense discussion and consultation on the results by the Supervisory Board and Audit Committee. The Supervisory Board carried out an examination of its efficiency in the 2019 financial year. As well as the work of the Supervisory Board as a whole, this also considered the work of all of the Board's committees. A separate evaluation of the Audit Committee's work was additionally carried out in the 2018 financial year.

The members of the Supervisory Board take on the necessary training and development measures required for their tasks on their own and are supported by Deutsche Telekom AG in doing so with a range of options including information events and workshops with internal and external experts. The Company offers new Supervisory Board members a customized program to introduce them to the industry and the situation of the Company. Furthermore, a meeting extraordinary to regular reporting is held to inform the members of the Audit Committee about the latest changes in the law, new accounting and auditing standards, and any changes in corporate governance issues. The members of the Supervisory Board are also kept up to date about any new requirements for work on the Supervisory Board at the regular Board and committee meetings.

In order to perform its tasks more effectively, the Supervisory Board has nine committees. The General Committee deals with personnel matters relating to the Board of Management and prepares the meetings of the Supervisory Board. The Audit Committee performs the tasks required by law and recommended by the German Corporate Governance Code. These include, in particular, monitoring accounting and the accounting process, the effectiveness of the internal control system, the risk management and internal auditing system, the audit of financial statements, compliance, and data privacy. The Staff Committee deals with general personnel matters not relating to the Board of Management. The Finance Committee deals in particular with the Company's investment planning and focuses, and handles complex financial and commercial business transactions. The Technology and Innovation Committee supports and promotes innovation and technological developments at infrastructure and product level and supports the Board of Management with advice on how to tap new growth areas. Furthermore, the Supervisory Board has formed a Nomination Committee, which consists exclusively of shareholders' representatives. The Nomination Committee is responsible in particular for proposing to the Supervisory Board suitable candidates for the latter to subsequently recommend to the shareholders' meeting for election. In addition, there is a Mediation Committee, which was formed in accordance with § 27 (3) of the Codetermination Act. Furthermore, a Special Committee for U.S. Business was established in May 2014. A temporary Special Committee on the Acquisition of Spectrum in Germany was constituted from January 1, 2019 through June 12, 2019 to supervise the Company's activities as part of the 5G auction proceedings in Germany.

For further information on the composition and working methods of the committees, please refer to the section "[Supervisory Board's report to the 2020 shareholders' meeting.](#)"

The committees' chairpersons report to the Supervisory Board on a regular basis on the work of the committees. The Chairwoman of the Audit Committee, Dagmar P. Kollmann, has expert knowledge of accounting and auditing. She is also particularly knowledgeable and experienced in the application of accounting standards and internal control procedures. She is independent, and is not a former member of the Board of Management of Deutsche Telekom AG. Like the members of the full Supervisory Board, the members of the Audit Committee overall are very familiar with the sector in which Deutsche Telekom AG is active.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and presides over its meetings. In addition to the organizational tasks relating to the Supervisory Board, he maintains regular contact with the Chairman of the Board of Management and the members of the Board of Management to discuss issues relating to the Company's strategy, planning, business development, the risk situation, risk management, and compliance, and is informed of the general business situation and significant events. In this context, the Chairman of the Board of Management in particular informs the Chairman of the Supervisory Board of all events that are significant to the situation, development, and governance of the Company. If necessary, the Supervisory Board is also informed between meetings.

For further information on the members of the Supervisory Board and any seats they hold on the supervisory boards of other companies, please refer to the section "[Boards, seats, and further information.](#)"

AVOIDING CONFLICTS OF INTEREST

Board of Management members and Supervisory Board members are obliged to disclose immediately any conflicts of interest to the Supervisory Board. Any functions assumed by members of the Board of Management that are not covered by their Board of Management mandate are subject to approval by the General Committee of the Supervisory Board.

For further information on any conflicts of interest that may have arisen, please refer to the section "[Supervisory Board's report to the 2020 shareholders' meeting.](#)"

RISK AND OPPORTUNITY MANAGEMENT

The Board of Management and the Supervisory Board consider the approach to the management of opportunities and risks arising in connection with the Company's business activities to be of fundamental importance for professional corporate governance. The Board of Management receives regular reports from the Group's Risk Management unit concerning current risks and their development. In turn, it reports to the Supervisory Board on the risk situation and the risk management system. The risk management system in place at Deutsche Telekom AG is evaluated by the external auditor, and it is constantly being

expanded and improved. In addition to the responsibilities assigned by law and those recommended by the German Corporate Governance Code, the Audit Committee also deals with risk management, including the monitoring of the effectiveness of the internal risk management system. The system is designed to manage a variety of risks, including financial risks and risks to the Company's reputation.

For further information, please refer to the section "[Risk and opportunity management](#)" in the combined management report.

COMPLIANCE

Compliance involves the observance of legal requirements and internal Group rules. Deutsche Telekom AG has a Group-wide compliance organization that is continuously being improved.

For further information on our compliance organization, please refer to the annual Corporate Responsibility Report at: www.cr-report.telekom.com

There is also a Compliance Committee that supports the Board of Management in further developing the framework for an effective compliance management system. The members of the Compliance Committee are experienced managers in the areas of compliance, legal affairs, security, internal auditing, and human resources. The Chief Compliance Officer, appointed by the Board of Management, chairs the Compliance Committee. A compliance officer has been appointed for each of the operating segments. Individual business units have additional compliance officers/contacts depending on their respective size and risk situation. Clear reporting structures have been implemented throughout the Group.

Deutsche Telekom AG has implemented a comprehensive compliance management system. According to this system, a compliance program is set up based on a structured risk assessment process performed once a year throughout the Group.

For further information on compliance management system, please refer to Deutsche Telekom AG's website: <https://www.telekom.com/en/company/compliance>

The compliance management system also includes the Code of Conduct, the Code of Ethics, and various policies. The Code of Conduct defines how employees and management should practice value-based and legally compliant conduct in their daily business activities. The Code of Ethics addresses the members of the Board of Management of Deutsche Telekom AG and persons within the Group who carry special responsibility for financial reporting. It obliges these individuals to comply with the principles of honesty, integrity, transparency, and ethical conduct.

The Code of Conduct and the Code of Ethics are published on Deutsche Telekom AG's website: www.telekom.com/en/company/compliance/code-of-conduct; www.telekom.com/en/investor-relations/management-und-corporate-governance

The compliance management system in place at Deutsche Telekom AG and other selected national and international companies was certified as being appropriate and effectively implemented by an external auditor in stages from 2016 through 2018 in accordance with IDW audit standard 980 with the focus on anti-corruption.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Deutsche Telekom AG has implemented a process to systematically assess the effectiveness of its internal controls over financial reporting. This process again provided evidence of the controls' effectiveness throughout the Group for the 2019 financial year. The Audit Committee assumes the task of monitoring the accounting and financial reporting processes on behalf of the Supervisory Board. The system of internal controls over financial reporting is updated on an ongoing basis and monitored separately by Internal Audit and external auditors. The Audit Committee also monitors the effectiveness of the internal control system, which goes beyond financial reporting.

For a description of the main features of the accounting-related internal control system, please refer to the section "[Accounting-related internal control system](#)" in the combined management report.

ACCOUNTING AND AUDIT OF FINANCIAL STATEMENTS

An agreement has been reached with the external auditor of Deutsche Telekom AG that the Chairman of the Supervisory Board/the Audit Committee shall be advised immediately of any issues uncovered during the audit that might give rise to statements of exclusion or reservation in the external auditor's report, unless these issues can be resolved forthwith. Moreover, it has been agreed that the external auditor shall immediately report any findings and issues that emerge during the audit and that have a direct bearing upon the tasks of the Supervisory Board. According to this agreement, the external auditor undertakes to inform the Supervisory Board or make a note in the audit report of any facts discovered during the audit that might indicate a discrepancy in the Declaration of Conformity submitted by the Board of Management and Supervisory Board with the German Corporate Governance Code. The Audit Committee supervises the independence of the external auditor.

TRANSPARENT SHAREHOLDER COMMUNICATION

We are committed to providing institutional investors, retail shareholders, financial analysts, and the general public with regular, comprehensive, transparent and up-to-date information about the Company's position at the same time and on an equal basis to ensure a high level of transparency and equality of information. Significant information, such as press releases, ad-hoc notifications, presentations from analyst conferences, all financial reports and the financial calendar, is made available on the

Company's websites. Additionally, the Chairman of the Supervisory Board once again made himself available to investors to discuss matters specific to the Supervisory Board.

SHARE OWNERSHIP BY MEMBERS OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

Total direct or indirect holdings of shares in the Company or associated financial instruments by members of the Board of Management and the Supervisory Board do not exceed 1 percent of the shares issued by the Company.

Bonn, February 18, 2020

The Supervisory Board and the Board of Management