



**Rules of procedure for  
the Audit Committee  
of the Supervisory Board  
of Deutsche Telekom AG**

The Audit Committee adopts the following Rules of Procedure in accordance with § 11 (6) of the Rules of Procedure of the Supervisory Board of Deutsche Telekom AG (DTAG):

## **§ 1 General**

- (1) The Audit Committee of the Supervisory Board of DTAG has been formed on the basis of § 7 (1), no. 4 of the Rules of Procedure of the Supervisory Board of DTAG. Where these Rules of Procedure do not stipulate otherwise, the regulations laid down in the Rules of Procedure of the Supervisory Board of DTAG shall apply accordingly.
- (2) The Rules of Procedure of the Audit Committee govern the duties and responsibilities of the Committee resulting from the applicable legal provisions, the Articles of Incorporation, the Rules of Procedure, and resolutions passed by the Supervisory Board of DTAG, taking into account the requirements set out in the German Corporate Governance Code.

## **§ 2 Members and Chair of the Committee**

- (1) The Audit Committee shall have equal representation. It shall consist of 6 members. The members and the Chair<sup>1</sup> of the Audit Committee shall be appointed by the Supervisory Board from amongst its members by majority of the votes cast.
- (2) All members of the Audit Committee must be very familiar with the sector in which the company is active. At least one member of the Audit Committee must have expertise in the area of accounting and at least one further member of the Audit Committee must have expertise in the area of auditing.

The expertise in the area of accounting shall consist of specific knowledge and experience in the application of accounting standards and internal control and risk management systems, and the expertise in the area of auditing shall consist of specific knowledge and experience in the area of the auditing of financial statements. The area of accounting and auditing also includes sustainability reporting and its auditing.

- (3) Unless there are special reasons for this being the case, the Chair of the Supervisory Board shall not simultaneously be Chair of the Audit Committee. The Chair of the Audit Committee shall be a shareholders' representative on the Supervisory Board and shall have expert knowledge in at least one of the areas of accounting and auditing as defined in (2), sentence 2. They should be independent of the company, the Board of Management, and the controlling shareholder.

## **§ 3 Summary of the tasks of the Audit Committee**

- (1) The tasks of the Audit Committee derive from the applicable statutory provisions, from these Rules of Procedure and from the resolutions passed by the Supervisory Board, taking into account the German Corporate Governance Code.
- (2) The Audit Committee shall deal with monitoring

---

<sup>1</sup> For reasons of linguistic clarity, masculine pronouns are used throughout the Rules of Procedure. These pronouns nonetheless refer to both genders.

- (a) the accounting and accounting process;
- (b) the effectiveness of the internal control system, the risk management system, and the internal auditing system;
- (c) compliance, including the compliance management system;
- (d) the auditing of financial statements, specifically the selection and rotation, performance, suitability, and independence of the external auditor, the quality of the auditing of financial statements, the annual financial statements and consolidated financial statements of DTAG, the audit fee, and any additional service provided by the auditor, taking into account the appropriateness of all non-audit services provided for the Group.

#### **§ 4**

#### **Preparatory tasks of the Audit Committee**

- (1) The Audit Committee shall prepare the negotiations and resolutions of the Supervisory Board on the audit and adoption of the annual financial statements and the management report, on the proposal for resolution by the Board of Management on the appropriation of net income, on the approval of the consolidated financial statements and the Group management report, and on the audit of the non-financial (Group) statement. The Audit Committee shall make the relevant recommendations for resolution to the Supervisory Board.

The Audit Committee shall discuss the audit reports with the Board of Management and the external auditor. It shall discuss the audit procedure, the main focuses of the audit, and the audit methods with the external auditor, receive the audit reports from the external auditor regarding the audit results, including with regard to the internal control and risk management system for the accounting process, and discuss the findings with the Board of Management and the external auditor. Together with the commissioned external auditor, it shall – where necessary – also discuss their result of the review/audit of the non-financial (Group) statement.

- (2) The Audit Committee shall prepare the negotiations and resolutions of the Supervisory Board on the recommendation to the shareholders' meeting for the election of an external auditor and shall submit a recommendation to the Supervisory Board accordingly. If the audit of financial statements is put out for tender based on legal requirements, this recommendation must contain a minimum of two proposals for the external auditor, stating a justified preference. In such cases, the Audit Committee shall be responsible for the tender process.
- (3) To prepare its proposals in accordance with (1) and (2), sentence 1 above, the Audit Committee shall regularly assess the quality of the audit of the financial statement and the suitability of the external auditor. The Audit Committee shall discuss the risks with regard to the independence of the external auditor, including taking into account the total fees paid to the auditor, as well as the protective measures applied and documented by the external auditor to minimize this risk, with the external auditor.

To this end, the Audit Committee shall receive a written statement each year from the external auditor for the purpose of assessing its independence. This statement shall contain the following information as a minimum:

- (a) A statement that the external auditor or the audit company, auditing partner, and the members of the higher level of management, as well as the supervisory personnel responsible for carrying out the audit are independent of the audited company;

- (b) The extent to which, in the previous financial year, non-audit services were rendered for the Group, and the extent to which such services have been contracted for the current financial year;
  - (c) Confirmation that the external auditor responsible for the audit of the annual financial statements and consolidated financial statements of DTAG in the respective financial year has not provided audit services in a similar function for more than the preceding four business years;
  - (d) Confirmation that no prohibited non-audit services as set out in the Audit Committee's Policy for Commissioning Auditor Services were performed.
- (4) The specific requirements concerning the new invitation to tender for the auditing of the financial statements and the selection process for the appointment of the external auditor (cf. (2), sentence 2) are laid down in a separate Audit Committee guideline to be adopted on the "Selection process for the appointment of the external auditor" (Annex 1).

## **§ 5**

### **Concluding tasks of the Audit Committee**

The Audit Committee shall deal conclusively with the subjects listed below and shall adopt resolutions on these as required:

- (1) The Audit Committee shall monitor the effectiveness of the internal control system, the compliance management system, and the risk management system by considering the essential questions and significant issues. Alongside financial risks, the presentation of risks should also include reputational risks. With respect to the internal control system and the risk management system, the Audit Committee shall also deal with their appropriateness. In addition, the Audit Committee shall also deal with legal disputes, data privacy, as well as cybersecurity and the resulting risks for the Group. It shall deal with internal auditing and fraud reporting. The Audit Committee shall discuss these topics with the Board of Management, particularly with regard to the accounting process.
- (2) The Audit Committee shall also discuss individual topics of Group-wide significance with the Board of Management, where these are relevant to accounting in the annual financial statements and the consolidated financial statements, to the management report and the Group management report, and its functions in accordance with (1).
- (3) The Audit Committee shall monitor accounting and the accounting process. It shall discuss in particular the handling of essential topics such as the use of new accounting standards or the changing of those used to date, together with accounting options exercised. The Audit Committee can put forward recommendations or proposals to the Supervisory Board for safeguarding the integrity (compliance) of the accounting process.
- (4) The Audit Committee shall discuss the condensed financial statements, the interim report and other financial reports drawn up in the course of the year, including the external auditor's report, with the Board of Management and the external auditor. The Audit Committee shall have information submitted to it by the Board of Management as soon as possible about significant off balance-sheet transactions and other significant financial measures and transactions that are not covered by the annual financial statements or the consolidated financial statements.

- (5) The Audit Committee shall discuss the assessment of the audit risk, the audit strategy and audit plan, and the audit results together with the external auditor.
- (6) The Chair of the Audit Committee shall hold regular exchanges with the external auditor concerning the progress of the audit and report to the Audit Committee on these exchanges.
- (7) In implementing the resolution of the shareholders' meeting on the selection of the external auditor, the Audit Committee shall commission the external auditor to carry out the audit of the annual and consolidated financial statements, including the relevant management reports, as well as the review of the condensed financial statements and the interim management report, and other financial reports drawn up in the course of the year. The audit engagement shall set out the specific details of the scope of audit, the audit planning and methods, the focal points of the audit set out by the Audit Committee, the agreement on fees, and the external auditor's obligation to provide information.

As part of the audit engagement, the Audit Committee and the external auditor in particular agree

- (a) that the Chair of the Audit Committee shall be informed immediately if, during the financial year at the end of which the financial statements to be audited are prepared or during the audit of the financial statements, reasons – especially relationships of a business, financial, or personal nature – occur that give rise to concerns of bias;
- (b) that the external auditor shall immediately report on all significant findings and incidents which emerge during the audit and which have a direct bearing on the Supervisory Board's tasks;
- (c) that the external auditor shall report on all accounting activities and principles which the auditors consider to be critical and on all alternative accounting options under the accounting standards applying for Deutsche Telekom, which were discussed with the management;
- (d) that the external auditor shall deliver to the Audit Committee any other significant correspondence conducted with the Board of Management, for instance a summary of differences of opinion not yet resolved between the Board of Management and the external auditor;
- (e) that the external auditor shall report significant differences of opinion between the Board of Management and the external auditor if the underlying facts and circumstances have not been documented in writing;
- (f) that the external auditor shall advise the Audit Committee and make a note in the audit report of any facts discovered during the audit which might indicate a discrepancy in the Declaration of Conformity with the German Corporate Governance Code submitted by the Board of Management and Supervisory Board; and
- (g) that the external auditor shall inform the Audit Committee of all other circumstances which, in particular in accordance with EU Regulation no. 537/2014 on the audit of financial statements, are to be legally disclosed or reported to the Audit Committee.

The Audit Committee is empowered to appoint the external auditor on behalf of the Supervisory Board. In its external relationship DTAG is, in this respect, represented by the Chair of the Audit Committee and the Chair of the Supervisory Board.

- (8) The commissioning of all services of the external auditor and all members of its network<sup>2</sup> shall require the prior agreement of the Audit Committee. The Audit Committee shall set out which audit services and non-audit services are agreed in advance (“pre-approval”) in the “Policy for Commissioning Auditor Services” (Annex 2), which is to be resolved separately. In addition, at the start of the financial year, the Audit Committee shall set out the relevant fee caps and shall review the relevant service categories. Specific prior approval by the Audit Committee is necessary before the fee caps set by same may be exceeded.
- (9) The Audit Committee shall receive regular reports on all of the services provided by the external auditor, including those performed at subsidiaries of the Deutsche Telekom Group, the fees agreed for these services, and the cost incurred. In addition, the Audit Committee shall receive regular reports on the scope of the non-audit services provided and the resulting ratio of permissible non-audit services to audit fees for Group companies that are public-interest entities.

## **§ 6**

### **Right to information on the part of the Audit Committee**

- (1) For the purpose of fulfilling the task assigned to it, the Audit Committee is entitled to obtain all necessary information from the external auditor and from the Board of Management and to request the Board of Management to submit the company's business documents. Further rights to information are regulated in a gatekeeper agreement.<sup>3</sup>
- (2) The Audit Committee can authorize the Chair of the Audit Committee to exercise the rights assigned to the Audit Committee in (1) alone. It is the obligation of the Chair of the Audit Committee to report in sufficient scope to the members of the Audit Committee on the information provided to them.
- (3) In addition to (1), each member of the Audit Committee may obtain information, via the Chair of the Audit Committee, directly from the heads of the central units of DTAG that are responsible at DTAG for those tasks that are within the remit of the Audit Committee in accordance with § 107 (3) sentence 2 of the German Stock Corporation Act (AktG). The Committee member's written request for information shall be submitted to the Committee Chair while also stating the legal basis (§ 107 (4) sentence 4 AktG). The Committee Chair shall inform the Chair of the Supervisory Board on the exercising of the right to request information. The Committee Chair must immediately inform the other members of the Committee, the Chair of the Supervisory Board, and the Board of Management of the information received.
- (4) The Audit Committee shall have the right to commission independent advisors insofar as is necessary in connection with conducting the duties of the Audit Committee.

---

<sup>2</sup>For the definition of the term “network,” see § 319b of the German Commercial Code (HGB).

<sup>3</sup>An agreement on the provision of information concluded between the Chair of the Audit Committee and the Board of Management (most recently from December 12, 2016).

**§ 7**  
**Meetings**

- (1) The meetings of the Audit Committee shall take place at least four times per year. The procedural rules set out in the Rules of Procedure of the Supervisory Board shall apply analogously to convening and conducting meetings and making resolutions.
- (2) In addition to the members of the Audit Committee, the member of the Board of Management for Finance and the member of the Board of Management for Human Resources and Legal Affairs generally attend the meetings of the Audit Committee. The Chair of the Audit Committee may request other members of the Board of Management or other persons providing information to attend the meetings. If the external auditor is involved as an expert, members of the Board of Management or other persons providing information will not take part in the negotiations on the respective agenda items unless the Audit Committee believes their presence is necessary.
- (3) The Audit Committee also regularly meets with the external auditor without the Board of Management.
- (4) The Office of the Supervisory Board shall produce minutes of each meeting of the Audit Committee, which are to be signed by the meeting chair and provided to the members of the Audit Committee and the members of the Supervisory Board for information.

**§ 8**  
**Reporting to the Supervisory Board**

- (1) The Chair of the Audit Committee shall report regularly to the Supervisory Board on the work and the meetings of the Audit Committee, and in particular on the results of the audit of the financial statements, the contribution that the audit of the financial statements made to the integrity (compliance) of the accounting process, and the role that the Audit Committee played in the auditing process.
- (2) The Audit Committee shall regularly perform a self-assessment of its work and shall report to the Supervisory Board accordingly.