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# Invitation to the shareholders' meeting on April 1, 2021



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# Invitation to the ordinary shareholders' meeting

We hereby invite our shareholders to attend the **Company's ordinary shareholders' meeting to take place at 10:00 a.m. (Central European Summer Time – CEST) on Thursday, April 1, 2021.**

On the basis of a resolution by the Board of Management with the approval of the Supervisory Board pursuant to § 1 (2) sentence 1 and (6) sentence 1 of the German act on temporary measures under company, cooperative, association, foundation, and residential property law to combat the effects of the COVID-19 pandemic (*Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie – COVID-19-MaßnahmenG (GesRuaCOVBekG)*), the shareholders' meeting will be held without the physical presence of the shareholders or their proxies in the form of a

**virtual shareholders' meeting** with

1. Audio and video of the entire shareholders' meeting being broadcasted via [www.telekom.com/hv](http://www.telekom.com/hv);
2. The option for shareholders to (also) exercise their voting rights via electronic communication channels (namely by postal/online voting), and to grant proxy authorization;
3. The right of shareholders to submit questions by way of electronic communication (up until midnight of March 30, 2021 (CEST));
4. The option, in derogation of § 245 no. 1 of the German Stock Corporation Act (*Aktiengesetz – AktG*), for shareholders who have exercised their voting rights in accordance with number (2) above to object to a resolution of the shareholders' meeting without the need to attend the meeting in person.

Further details and supplementary information are provided below the agenda to the shareholders' meeting, in particular under the section entitled "Right to attend, voting rights and voting by proxy."

The location of the ordinary shareholders' meeting, within the meaning of the German Stock Corporation Act (*Aktiengesetz – AktG*), is Deutsche Telekom AG headquarters, Friedrich-Ebert-Allee 140, 53113 Bonn, Germany. The chair of the meeting, the attesting notary, individual members of the Board of Management, and the Company-appointed proxies will be in attendance there. Members of the Supervisory Board may attend via a video and audio link-up on the basis of a resolution by the Board of Management with the approval of the Supervisory Board pursuant to § 1 (2) sentence 1 and (6) sentence 1 GesRuaCOVBekG. There is neither an entitlement to nor the possibility for shareholders and their proxies (with the exception of the Company-appointed proxies) to attend the shareholders' meeting in person.

# Agenda

## 1 Submissions to the shareholders' meeting pursuant to § 176 (1) sentence 1 AktG

The Board of Management shall make available to the shareholders' meeting, pursuant to § 176 (1) sentence 1 of the German Stock Corporation Act (*Aktiengesetz – AktG*), the following submissions and the Board of Management explanatory report on the details pursuant to § 289a and § 315a German Commercial Code (*Handelsgesetzbuch – HGB*):

- The approved annual financial statements of Deutsche Telekom AG as of December 31, 2020,
- The approved consolidated financial statements as of December 31, 2020,
- The combined management and Group management report,
- The Supervisory Board's report, and
- The proposal by the Board of Management on the appropriation of net income.

All the aforementioned documents are available under the following website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

The Supervisory Board approved the annual financial statements and the consolidated financial statements compiled by the Board of Management pursuant to § 172 AktG on

February 25, 2021. With their approval by the Supervisory Board, the annual financial statements are adopted. Adoption of the annual financial statements and approval of the consolidated financial statements by the shareholders' meeting pursuant to § 173 AktG is therefore not required. Rather, the submissions relating to agenda item 1 shall be made available and explained at the shareholders' meeting without the necessity (with the exception of the resolution proposal for agenda item 2) for a resolution to be taken on them within the meaning of the German Stock Corporation Act.

## 2 Resolution on the appropriation of net income

The Board of Management and the Supervisory Board propose the adoption of the following resolution:

The net income of EUR 5,129,092,899.85 posted in the 2020 financial year shall be used as follows:

Payment of a dividend of EUR 0.60 per no par value share carrying dividend rights = EUR 2,846,081,898.60

And the remaining balance is carried forward = EUR 2,283,011,001.25.

The total dividend and the remaining balance to be carried forward to unappropriated net income set out in the proposal for resolution on the appropriation of net income are based on the dividend-bearing capital stock of EUR 12,143,282,767.36, divided up into

4,743,469,831 no par value shares, on February 16, 2021.

The number of shares carrying dividend rights may change up to the date on which the vote on the resolution regarding the appropriation of net income is taken. In this case, the Board of Management and Supervisory Board shall submit to the shareholders' meeting a suitably amended resolution proposal regarding the appropriation of net income, which envisages the unchanged payment of EUR 0.60 per no par value share carrying dividend rights. The adjustment shall be made as follows: If the number of shares carrying dividend rights and thus the total dividend decreases, the amount to be carried forward to unappropriated net income increases accordingly. If the number of shares carrying dividend rights and thus the total dividend increases, the amount to be carried forward to unappropriated net income decreases accordingly.

If the motion of the Board of Management and Supervisory Board is accepted, the following shall apply to payment of the dividend:

As the dividend for the 2020 financial year is to be paid in full from the tax contribution account in accordance with § 27 ("Contributions other than into nominal capital") of the Corporation Tax Act (*Körperschaftsteuergesetz – KStG*), payment will be made without deducting capital gains tax or the solidarity surcharge. Dividends paid to shareholders in Germany are not subject to taxation. Dividends do not entail tax refunds or tax credits. In the German tax authorities' view the dividend payment reduces the acquisition costs of the shares for tax purposes.

Pursuant to § 58 (4) sentence 2 AktG, the dividend entitlement of the shareholders falls due on the third business day following the resolution of the shareholders' meeting. The resolution on the appropriation of net income cannot stipulate an earlier due date on account of § 58 (4) sentence 3 AktG. Accordingly, the dividend is to be paid out on April 8, 2021.

## 3 Resolution on the approval of the actions of the members of the Board of Management for the 2020 financial year

The Board of Management and the Supervisory Board propose the adoption of the following resolution:

The actions of the Board of Management members holding office in the 2020 financial year shall be approved for this period.

## 4 Resolution on the approval of the actions of the members of the Supervisory Board for the 2020 financial year

The Board of Management and the Supervisory Board propose the adoption of the following resolution:

The actions of the Supervisory Board members holding office in the 2020 financial year shall be approved for this period.

**Resolutions on the appointment of the independent auditor and the Group auditor for the 2021 financial year as well as the independent auditor to review the condensed financial statements and the interim management report in the 2021 financial year and perform any review of additional interim financial information**

The Supervisory Board proposes, based on a corresponding recommendation from the Audit Committee, the adoption of the following resolution:

- a)** PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, shall be appointed independent auditor and Group auditor for the 2021 financial year.
- b)** PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, shall, in addition, be appointed independent auditor to review the condensed financial statements and the interim management report (§ 115 (5) German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) in the 2021 financial year.
- c)** The appointment of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, resolved by the shareholders meeting on June 19, 2020 under agenda item 8, as independent auditor for any review of additional interim financial reports (§ 115 (7) German Securities Trading Act) in the first quarter of the 2021 financial year is repealed; instead, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, is appointed as independent

auditor for any review of additional interim financial reports (§ 115 (7) German Securities Trading Act) for the first quarter of 2021.

- d)** PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, is also appointed as independent auditor for any review of additional interim financial reports (§ 115 (7) German Securities Trading Act) in the third quarter of the 2021 financial year and the first quarter of the 2022 financial year.

It is intended to hold a separate vote at the shareholders' meeting on the resolutions proposed by the Supervisory Board in the above letters a) through d).

In its recommendation, the Audit Committee has declared that this recommendation is free from influence by a third party and that no clause within the context of Art. 16 (6) of the EU Auditor Regulation (Regulation (EU) No. 537/2014) restricting the choices was imposed on the committee.

The Company initially planned to change the independent auditor in the 2021 financial year and carried out a selection process pursuant to Art. 16 of the EU Auditor Regulation (Regulation (EU) No. 537/2014) to this end. Subsequently, the Audit Committee made a justified recommendation for Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart (EY), and Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, and communicated its justified preference for EY. Due to the currently still unclear accusations against EY, the Audit Committee no longer holds itself to this recommendation or preference. Instead, the Audit

Committee has now recommended to move the change of independent auditor (which must take place in the 2024 financial year at the latest) to the 2022 financial year and to retain the previous independent auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PwC), until then.

The shareholders' meeting on June 19, 2020 had already appointed EY as independent auditor for any review of additional interim financial reports for the first quarter of 2021 under item 8 of the agenda. EY did not accept the audit order, however. Instead, EY has expressly rejected acceptance in the meantime, which means the previous independent auditor may be retained if the aforementioned appointment is repealed.

The change of the independent auditor to review the condensed financial statements and the interim management report now planned in the 2022 financial year will take place based on a new selection process.

PwC has declared to the Supervisory Board that there are no business, financial, personal, or other relationships existing between them, their executive bodies, and audit managers on the one hand, and the Company and the members of its executive bodies on the other, that may cast doubt on their impartiality.

**6 Election of a Supervisory Board member**

The current term of office for Dr. Helga Jung, member of the Supervisory Board elected by the shareholders' meeting, expires at the end of the shareholders' meeting on April 1, 2021.

Dr. Helga Jung is to be elected to a further term of office on the Supervisory Board by the shareholders' meeting. In accordance with the Supervisory Board's decision to limit the proposed term of shareholder representatives to around four years in future elections, Dr. Helga Jung should be elected for the period up to the end of the shareholders' meeting that passes a resolution on the approval of the Supervisory Board's actions for the 2024 financial year.

The Supervisory Board proposes the adoption of the following resolution:

Dr. Helga Jung, former Member of the Board of Management of Allianz SE, Munich, member of various supervisory boards, resident in Ettringen (Bavaria), is elected to the Supervisory Board as a shareholder representative for the period up to the end of the shareholders' meeting that passes a resolution on the approval of the Supervisory Board's actions for the 2024 financial year.

**Details on item 6 of the agenda, in particular pursuant to § 124 (2) sentences 1 and 2 AktG and to recommendation C.13 of the German Corporate Governance Code:**

Pursuant to §§ 96 (1) and (2), § 101 (1) AktG in conjunction with § 7 (1) sentence 1 no. 3 of the Codetermination Act (*Mitbestimmungsgesetz* – MBG) of 1976, the Supervisory Board of Deutsche Telekom AG is composed of ten members representing shareholders and ten members representing employees.

Pursuant to § 96 (2) sentence 1 AktG, at least 30 percent of the seats on the Supervisory Board must be held by women and 30 percent by men. No objection pursuant to § 96 (2)

sentence 3 AktG was raised to the joint compliance with the aforementioned minimum quota requirement. At least six seats on the Supervisory Board must be held by women and at least six by men, in order to comply with the minimum quota requirement in accordance with § 96 (2) sentences 1 and 2 AktG. At present, the Supervisory Board comprises three women and seven men representing shareholders, and six women and four men representing employees, which brings the total to nine women and eleven men. Thus the minimum quota requirement is already met overall, regardless of whether men or women are elected to the Supervisory Board in the election to take place at the shareholders' meeting. If the shareholder representatives alone are considered, the minimum quota requirement will also be met if a woman is elected, that is, if the nominated candidate list is accepted.

The Supervisory Board's nomination for item 6 of the agenda is based on a corresponding recommendation by the Nomination Committee while also considering the targets adopted by the Supervisory Board regarding its composition, thereby also taking into account the skills profile developed by the Supervisory Board for the overall Board. Thus the diversity concept developed by the Supervisory Board regarding its composition will also be implemented. The diversity concept, the Supervisory Board's current targets, and skills profile are published in the Corporate Governance Statement, together with an implementation status report. It is available under the following website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

Dr. Helga Jung is already currently a member of the Supervisory Board of Deutsche Telekom AG. The Supervisory Board is of the opinion that no personal or business relationships exist between Dr. Helga Jung on the one hand and companies in the Deutsche Telekom Group, the executive bodies of Deutsche Telekom AG, or a shareholder with a direct or indirect holding of more than 10 percent of Deutsche Telekom AG shares carrying voting rights, on the other, which an objective shareholder would regard decisive for his/her vote.

Further information about agenda item 6, in particular the resume of the candidate and details pursuant to § 125 (1) sentence 5 AktG, has been appended to the agenda under "Further information on item 6, in particular the resume of the candidate and details pursuant to § 125 (1) sentence 5 AktG." This information is also available under the following website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

**7 Resolution on the authorization to acquire and use own shares with possible exclusion of subscription rights and any right to tender shares as well as of the option to redeem own shares, reducing the capital stock**

The existing authorization to purchase own shares pursuant to § 71 (1) no. 8 AktG, which was granted by the shareholders' meeting on May 25, 2016, is due to expire on May 24, 2021 and shall therefore be replaced by a new authorization.

The Board of Management and the Supervisory Board propose the adoption of the following resolution:

a) The Board of Management shall be authorized to purchase shares of the Company by March 31, 2026, with the amount of capital stock accounted for by these shares totaling up to EUR 1,218,933,400.57, which is 10% of the capital stock, subject to the proviso that the shares to be purchased on the basis of this authorization in conjunction with the other shares of the Company which the Company has already purchased and still possesses or are to be assigned to it under § 71d and § 71e AktG do not at any time account for more than 10% of the Company's capital stock. Moreover, the requirements under § 71 (2) sentences 2 and 3 AktG must be complied with. Shares shall not be purchased for the purpose of trading in own shares.

This authorization may be exercised in full or in part. The purchase can be carried out in partial tranches spread over various purchase dates within the authorization period until the maximum purchase volume is reached. Dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties acting for the account of Deutsche Telekom AG or for the account of dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG are also entitled to purchase the shares.

b) The shares are purchased through the stock exchange in adherence to the principle of equal treatment (§ 53a AktG). Shares can instead also be purchased by means of a

public purchase or share exchange offer presented to all shareholders, which, subject to a subsequently approved exclusion of the right to tender shares, must also comply with the principle of equal treatment (§ 53a AktG). The shares can also be purchased on the stock exchange through a bank or some other company meeting the requirements of § 186 (5) sentence 1 AktG (hereinafter jointly: issuing company) in such a way that the issuing company is commissioned to purchase the shares as part of a specific buyback program under the conditions stipulated under number (4).

(1) If the shares are purchased through the stock exchange, the equivalent value per share paid by the Company (excluding transaction costs) may not be more than 10% above or 20% below the market price of the shares determined by the opening auction on the trading day on which the contractual transaction was concluded in the Xetra trading system of Deutsche Börse AG (or a subsequent system).

(2) If the shares are purchased through a public purchase offer presented to all shareholders, the purchase price offered or the limits of the purchase price range offered per share (excluding transaction costs) may not be more than 10% above or below the average market price of the share between the 9<sup>th</sup> and 5<sup>th</sup> trading day before the date of publication of the offer, established on the basis of the arithmetical average of the closing auction prices of the share in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the 9<sup>th</sup>, 8<sup>th</sup>, 7<sup>th</sup>, 6<sup>th</sup>

and 5<sup>th</sup> trading day before the date of publication of the offer. The volume of the offer may be limited. If the total number of offered shares exceeds this volume, the shares can be purchased in accordance with the ratio of offered shares; furthermore, provision can be made for the preferential acceptance of small quantities of up to 100 shares offered per shareholder as well as for rounding off in accordance with prudent commercial practice in order to avoid arithmetical fractional shares. Any further rights of shareholders to tender their shares shall be excluded to this extent.

- (3) If the shares are purchased through a public share exchange offer presented to all shareholders, the offered equivalent value, i.e. the value of the offered consideration, per share (excluding transaction costs) may not be more than 10% above or below the average market price of the share between the 9<sup>th</sup> and 5<sup>th</sup> trading day before the date of publication of the offer, established on the basis of the arithmetical average of the closing auction prices of the share in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the 9<sup>th</sup>, 8<sup>th</sup>, 7<sup>th</sup>, 6<sup>th</sup> and 5<sup>th</sup> trading day before the date of publication of the offer. If shares are offered as a consideration, which are listed on stock exchanges in Germany or abroad within the meaning of § 3 (2) AktG, the average market price between the 9<sup>th</sup> and the 5<sup>th</sup> trading day before the date of publication of the offer shall be used to determine the equivalent value, established on the basis of the arith-

metical average of the closing prices in the German or international market, which complies with the requirements of § 3 (2) AktG, on the 9<sup>th</sup>, 8<sup>th</sup>, 7<sup>th</sup>, 6<sup>th</sup> and 5<sup>th</sup> trading day before the date of publication of the offer. If the share is traded on multiple stock exchanges, solely the market with the highest transaction volume shall be used. The volume of the offer may be limited. If the total number of offered shares exceeds this volume, the shares can be purchased in accordance with the ratio of offered shares; furthermore, provision can be made for the preferential acceptance of small quantities of up to 100 shares offered per shareholder as well as for rounding off in accordance with prudent commercial practice in order to avoid arithmetical fractional shares. Any further rights of shareholders to tender their shares shall be excluded to this extent.

- (4) As part of a specific buyback program, an issuing company can be commissioned on a previously stipulated minimum number of trading days in the Xetra trading system of Deutsche Börse AG (or a subsequent system) and no later than the end of a previously agreed period, either to purchase an agreed number of shares or to purchase shares for a previously stipulated total purchase price, and to transfer these to the Company, whereby (i) the issuing company must purchase the shares through the stock exchange in compliance with the principle of equal treatment (§ 53a AktG) and (ii) the purchase price per share to be paid by the Company must be subject to a discount of at least 0.25% up to a maximum 5% in

respect of the arithmetical average of the volume-weighted average price (VWAP) of the share in the Xetra trading system of Deutsche Börse AG (or a subsequent system) during the actual buyback period. This purchase price may also effectively be achieved by means of a cash payment and/or equivalent amount in shares to be made at the end of or after the expiry of the actual buyback period. Moreover, the issuing company must (iii) buy the shares to be supplied on the stock exchange at prices that lie within the range defined in number (1) for the customary purchase of shares through the stock exchange.

- c) The Board of Management shall be authorized to sell shares of Deutsche Telekom AG that are purchased based on the above purchase authorization again through the stock exchange observing the principle of equal treatment (§ 53a AktG).
- d) The Board of Management shall be authorized to offer the shares of Deutsche Telekom AG, which are purchased based on the above authorization, to shareholders for subscription on the basis of an offer presented to all the shareholders observing their subscription rights and observing the principle of equal treatment of shareholders (§ 53a AktG).
- e) The Board of Management shall be authorized, with the approval of the Supervisory Board, to sell the shares purchased on the basis of the above purchase authorization other than through the stock exchange or by offering them to all shareholders, if the shares purchased are sold for cash payment

at a price that is not significantly lower than the market price of Company shares of equal ranking on the date of sale. This authorization is limited to a proportion of the capital stock not exceeding a total of EUR 1,218,933,400.57 – which is 10% of Deutsche Telekom AG's capital stock on the date of the resolution on this authorization adopted by the shareholders' meeting – or – if this value is lower – 10% of the capital stock on the date of sale of the shares. The authorized volume decreases by the proportion of capital stock that is accounted for by the shares or that relates to option and/or conversion rights and obligations from bonds issued or sold since this authorization was granted, with subscription rights being excluded, directly pursuant to, in accordance with, or analogous to § 186 (3) no. 4 AktG.

- f) The Board of Management shall be authorized, with the approval of the Supervisory Board, to use shares of Deutsche Telekom AG acquired on the basis of the above purchase authorization for the purpose of listing Company shares on foreign stock exchanges where they are not quoted.
- g) The Board of Management shall be authorized, with the approval of the Supervisory Board, to offer and/or grant shares of Deutsche Telekom AG acquired on the basis of the above purchase authorization to third parties in the context of mergers or acquisitions of companies, business units or interests in companies, including increasing existing shareholdings, or other assets eligible for contribution in connection with such acquisitions, including claims against the Company.

h) The Board of Management shall be authorized to use shares of Deutsche Telekom AG acquired on the basis of the above purchase authorization to fulfill option and/or conversion rights and obligations from convertible bonds and/or bonds with warrants issued, either directly or through a company in which the Company has a (direct or indirect) majority holding, by the Company on the basis of the authorization under item 6 on the agenda for the shareholders' meeting on May 17, 2018.

i) The Board of Management shall be authorized to offer and/or grant shares of Deutsche Telekom AG acquired on the basis of the above purchase authorization to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies; this includes authorization to offer and/or grant the shares free of charge or offer them for purchase under other special conditions. Shares acquired on the basis of the above purchase authorization can also be transferred to a bank, or to some other company meeting the requirements of § 186 (5) sentence 1 AktG, which, along with the shares, assumes the obligation to use the shares exclusively for the purpose of granting shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies. The Board of Management shall be authorized to acquire the shares to be granted to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies via securities loans from a bank, or some other company meet-

ing the requirements of § 186 (5) sentence 1 AktG, and then use the shares of Deutsche Telekom AG acquired on the basis of the above purchase authorization to repay these securities loans.

j) The Board of Management shall be authorized to redeem shares of Deutsche Telekom AG purchased on the basis of the above purchase authorization, without such redemption or its implementation requiring a further resolution of the shareholders' meeting. The redemption shall lead to a capital decrease. The Board of Management may determine otherwise, i.e., that the capital stock remains unchanged upon redemption and instead that the proportion of the remaining shares in the capital stock is increased through redemption pursuant to § 8 (3) AktG. In such a case, the Board of Management is authorized to adjust the statement on the number of shares in the Articles of Incorporation.

k) The Supervisory Board shall be authorized to use shares of Deutsche Telekom AG, acquired on the basis of the above purchase authorization, to fulfill rights of Board of Management members to receive shares of Deutsche Telekom AG, which the Supervisory Board has granted to these members as part of the arrangements governing Board of Management compensation.

l) The subscription rights of shareholders shall be excluded if the Board of Management uses Deutsche Telekom AG shares in accordance with the authorizations under c), e), f), g), h) and i), and if the Supervisory Board uses Deutsche Telekom AG shares in accordance with the authorization under k).

Furthermore, the Board of Management may, with the approval of the Supervisory Board, exclude the subscription rights of shareholders for fractional amounts if shares in Deutsche Telekom AG are sold to the Company's shareholders by offering them for sale in accordance with d).

The total portion of the capital stock attributable to shares for which subscription rights have been excluded under l), together with the total portion of the capital stock attributable to new shares from authorized capital or relating to warrant and/or conversion rights, or obligations issued to satisfy option and/or conversion rights, that were issued after the start of April 1, 2021 under disapplication of subscription rights must not exceed 10% of the capital stock of Deutsche Telekom AG; the amount of the capital stock on April 1, 2021 or – if this value is lower – of the capital stock on the date of sale of the shares shall be authoritative. If the issue is carried out in direct, analogous or mutatis mutandis application of § 186 (3) sentence 4 AktG, this shall also constitute the disapplication of subscription rights.

m) The above authorizations can be used once or several times, individually or jointly, in whole or related to partial volumes of the shares purchased. The price at which shares of Deutsche Telekom AG are listed on such stock exchanges in accordance with the authorization in f) or at which they are provided to third parties in accordance with the authorizations in c) and e) must not be less than a price of 5% below the market price of the share established by the opening auction in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the

day of the initial public offering or of the binding agreement with the third party. If on the day concerned no such market price is determined or is not determined by the time of the initial public offering or the binding agreement with the third party, then the last closing price of the Deutsche Telekom AG share determined in the Xetra trading system of Deutsche Börse AG (or a subsequent system) shall be decisive instead.

n) The authorization to purchase own shares granted to the Board of Management by the shareholders' meeting of Deutsche Telekom AG on May 25, 2016 under agenda item 6 shall end when this new authorization takes effect; the authorizations granted by the shareholders' meeting resolution of May 25, 2016, on the use of repurchased shares shall not be affected.

o) In addition, provided the permitted purchase volume in accordance with a) has not yet been used up, the authorizations under e) to k) and l) sentences 1, 3, and 4 and m) shall also apply for the Deutsche Telekom AG shares that have been or will be acquired free of charge by Deutsche Telekom AG, a dependent Group company of Deutsche Telekom AG within the meaning of § 17 AktG, or third parties acting for the account of Deutsche Telekom AG or for the account of a dependent Group company of Deutsche Telekom AG within the meaning of § 17 AktG. If such shares are used for the purposes named under e) to k) or if the Board of Management decides that there should be such shares available for these purposes, then the Board of Management may no longer make use of the purchase authorization under a) in the corresponding amount.

The Board of Management has prepared a written report on the exclusion of subscription rights in the event of sale of own shares pursuant to §§ 71 (1) no. 8, 186 (4) sentence 2 AktG, as well as on the exclusion of any right to tender shares. This report has been appended to the agenda under “Board of Management’s reports to the shareholders’ meeting”. It is also available under the following website upon convocation of the shareholders’ meeting, as well as over the full duration of the shareholders’ meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

### **8 Resolution on the authorization to use equity derivatives to acquire own shares with possible exclusion of any right to tender shares**

In addition to the authorization proposed in agenda item 7 regarding the acquisition of own shares pursuant to § 71 (1) no. 8 AktG, the Company shall be authorized to acquire its own shares also using equity derivatives.

The Board of Management and the Supervisory Board propose the adoption of the following resolution:

a) Further to the authorization regarding the acquisition of own shares granted by the shareholders’ meeting on April 1, 2021 under agenda item 7, Deutsche Telekom AG shares may also be acquired pursuant to the provisions below using equity derivatives under the said authorization. The Board of Management shall be authorized (1) to sell options which oblige the Company to acquire own shares if the options are exercised (hereinafter: put options), and (2) to acquire options which entitle the Company to ac-

quire its own shares if the options are exercised (hereinafter: call options). Shares can also be acquired (3) by using combinations of put options and call options (hereinafter jointly: equity derivatives or derivatives).

All the equity derivatives used under this authorization must not exceed a number of shares which is no more than 5% of the capital stock of Deutsche Telekom AG on the date the shareholders’ meeting adopts a resolution on this authorization; the shares acquired by exercising this authorization must be taken into account when calculating the acquisition limit for the shares acquired in accordance with the authorization granted by the shareholders’ meeting on April 1, 2021 under agenda item 7 (a)). The term of the individual derivatives must not be more than 18 months, must end no later than March 31, 2026 and must be chosen in such a way that the own shares cannot be acquired after March 31, 2026 when exercising the derivatives.

b) The derivative transactions must be concluded with a bank or some other company meeting the requirements of § 186 (5) sentence 1 AktG (hereinafter jointly: issuing company). It must be ensured that only shares which have been acquired from the issuing company previously observing the principle of equal treatment through the stock market at a price that is not significantly higher or lower than the current share price in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the date of the conclusion of the stock market transaction and that may not be more than 10% above or 20% below the share price in the Xetra trading system of

Deutsche Börse AG (or a subsequent system) established by the opening auction on the trading day on which the stock market transaction was concluded are used as payment for the derivatives. The price agreed in the derivative transaction (excluding transaction costs) for the acquisition of a share when exercising the options (exercise price) may – including or excluding any collected or paid option premium – not be more than 10% above or 20% below the share price established by the opening auction in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the trading day on which the derivative transaction was concluded.

A call option premium paid by the Company must not be significantly higher and a put option premium collected by the Company must not be significantly lower than the theoretical market value of the respective options calculated according to accepted financial mathematical methods; the agreed exercise price, among other things, shall be taken into account as part of the calculation.

- c) If own shares are acquired using equity derivatives in compliance with the above provisions, shareholders shall not be entitled to conclude such derivative transactions with the Company.
- d) Shareholders are entitled to tender their shares only to the extent that the Company is obliged through the derivative transactions to accept the shares from them. Any further right to tender shares is excluded.
- e) The provisions contained in the authorization in c) through m) under agenda item 7 granted

by the shareholders’ meeting on April 1, 2021 shall also apply to the usage of own shares acquired using equity derivatives.

The Board of Management has prepared a written report on the exclusion of any possible right to tender shares for the acquisition of own shares using equity derivatives. This report has been appended to the agenda under “Board of Management’s reports to the shareholders’ meeting”. It is also available under the following website upon convocation of the shareholders’ meeting, as well as over the full duration of the shareholders’ meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

### **9 Resolution on the approval of the compensation system for the Board of Management members**

Pursuant to § 120a (1) AktG, the shareholders’ meeting of a company listed on the stock exchange must decide whether to approve the compensation system for Board of Management members submitted by the Supervisory Board after any major change to the compensation system but at least every four years. The first resolution must take place by the end of the first shareholders’ meeting following December 31, 2020.

Under consideration of the requirements described in § 87a (1) AktG, the Supervisory Board resolved to introduce a new compensation system for the Board of Management members on February 25, 2021. This compensation system has been appended to the agenda under “Compensation system for Board of Management members (item 9 of the agenda)”. It is also available under the following

website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

The Supervisory Board proposes, based on a corresponding recommendation from the General Committee, the adoption of the following resolution:

The compensation system for Board of Management members resolved by the Supervisory Board on February 25, 2021 is approved.

[www.telekom.com/hv](http://www.telekom.com/hv)

The Board of Management and the Supervisory Board propose the adoption of the following resolution:

The compensation of Supervisory Board members in accordance with § 13 of the agenda, including the underlying compensation system, which is contained in the invitation to the shareholders' meeting, appended to the agenda under "Compensation of Supervisory Board members (item 10 of the agenda)," is confirmed.

## **10** Resolution on the compensation of Supervisory Board members

Pursuant to § 113 (3) 3 AktG, the shareholders' meeting of a company listed on the stock exchange must resolve on the compensation of Supervisory Board members at least every four years. The first resolution must take place by the end of the first shareholders' meeting following December 31, 2020. A resolution that confirms the compensation is permitted.

The compensation of the Supervisory Board is regulated by § 13 of the Articles of Incorporation and was most recently amended by the shareholders' meeting on May 25, 2016. § 13 of the Articles of Incorporation, along with the compensation system which regulates compensation for the Supervisory Board described there, is appended to the agenda under "Compensation of Supervisory Board members (item 10 of the agenda)". They are also available under the following website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

# Further information on item 6 of the agenda, in particular the resume of the candidate and details pursuant to § 125 (1) sentence 5 AktG.

## Dr. Helga Jung

Former member of the Board of Management of Allianz SE, Munich, member of various supervisory boards, resident in Ettringen (Bavaria), member of the Supervisory Board since May 25, 2016

### Personal details:

Year of birth: 1961  
Place of birth: Mindelheim  
Nationality: German

### Career history:

2012 – 2019 Member of the Board of Management at Allianz SE  
2018 – 2019 Responsible for Mergers & Acquisitions, Legal, Compliance, Privacy & Data Protection, Human Resources  
2012 – 2018 Responsible for Iberia/Latin America, Mergers & Acquisitions, Legal, Compliance

2000 – 2011 Head of Group Mergers & Acquisitions at Allianz SE, formerly Allianz AG

1993 – 2000 Various positions in the finance department of Allianz AG

1987 – 1993 Research associate to the Chair of Auditing and Controlling, Prof. Dr. A. G. Coenenberg, University of Augsburg

### Education and training:

1993 Doctorate at the University of Augsburg under Prof. Dr. A. G. Coenenberg

1982 – 1987 Studied business administration at the University of Augsburg

1980 – 1982 Training as a bank clerk at Bayerische Hypotheken- und Wechsel-Bank AG

### Member of supervisory boards in Germany required to be formed by law by business enterprises:

- Deutsche Telekom AG, Bonn
- Allianz Deutschland AG, Munich (the company is not listed on the stock exchange)
- Allianz Global Corporate & Specialty SE, Munich (Deputy Chairwoman; the company is not listed on the stock exchange)
- Allianz Lebensversicherungs-AG, Stuttgart (Deputy Chairwoman; the company is not listed on the stock exchange)
- Allianz Versicherungs-AG, Munich (the company is not listed on the stock exchange)

### Member of comparable supervisory bodies of companies in Germany or abroad:

- None –

# Board of Management's reports to the shareholders' meeting

## **Board of Management's report on item 7 of the agenda: Report on the exclusion of subscription rights in the event of sale of own shares pursuant to §§ 71 (1) no. 8, 186 (4) sentence 2 of the German Stock Corporation Act (Aktengesetz - AktG), as well as on the exclusion of any right to tender shares**

Item 7 on the agenda contains the proposal to authorize the Company to acquire own shares, with the amount of capital stock accounted for by these shares totaling up to EUR 1,218,933,400.57 – which is 10% of the capital stock – by March 31, 2026, pursuant to § 71 (1) no. 8 AktG. The existing authorization to purchase own shares, which was granted by the shareholders' meeting on May 25, 2016, is due to expire on May 24, 2021 and is to be replaced. The renewed authorization is also to have a term of five years. The authorization granted to the Board of Management by the shareholders' meeting on May 25, 2016 to purchase own shares shall expire when this new authorization takes effect; the authorizations granted by the shareholders' meeting resolution of May 25, 2016 on the use of purchased own shares shall remain unaffected.

On the basis of the new authorization proposed in item 7 on the agenda of this year's shareholders' meeting, the Company can purchase own shares either on the stock exchange or by means of a public offer to purchase or exchange shares that is presented to all shareholders.

Under the proposed authorization, if the Company purchases own shares by means of a public purchase offer presented to all shareholders, or a public share exchange offer presented to all shareholders, the shares can be purchased on the basis of the ratio of shares offered (offer quotas), providing the total number of shares offered exceeds a volume specified by the Board of Management. Only if the purchase is essentially made based on offer quotas rather than shareholding quotas will the technical purchase process be economically viable. Furthermore, the possibility is to be provided for preferential acceptance of small quantities of up to 100 shares offered per shareholder. This option is designed on the one hand to avoid having small remainders of shares, which tend to be uneconomical and may lead to de facto discrimination against small shareholders. It also helps simplify the technical aspects of the purchase process. Finally, provision is to be made in all instances to allow rounding off in accordance with proven commercial practice to avoid arithmetical fractional shares. In this respect, the purchase quota and/or the number of shares to be purchased by the individual shareholder accepting the offer can be rounded off, in accordance with commercial practice, as necessary to represent the purchase of whole shares in the processing system. In the aforementioned cases, it is necessary to exclude any further right to tender shares, and the Board of Management and the Supervisory Board are convinced that such exclusion is justified, and rea-

sonable vis-à-vis shareholders, for the reasons specified above.

The shares should be purchased on the stock exchange through a bank or some other company meeting the requirements of § 186 (5) sentence 1 AktG (hereinafter jointly: issuing company) in such a way that the issuing company is commissioned, as part of a specific buyback program, on a previously stipulated minimum number of trading days in the Xetra trading system of Deutsche Börse AG (or a subsequent system) and no later than the end of a previously agreed period, either to purchase an agreed number of shares or to purchase shares for a previously stipulated total purchase price, and to transfer these to the Company, whereby the purchase price per share to be paid by the Company must be subject to a discount of at least 0.25% up to a maximum 5% in respect of the arithmetical average of the volume-weighted average price (VWAP) of the share in the Xetra trading system of Deutsche Börse AG (or a subsequent system) during the actual period of the buyback. This purchase price may also effectively be achieved by means of a cash payment and/or equivalent amount in shares to be made at the end of or after the expiry of the actual buyback period. In such cases, the issuing company does not acquire the shares for its own account but for the account of Deutsche Telekom AG. The issuing company must accordingly buy the shares to be supplied on the stock exchange at prices that lie within the range for the usual purchase of shares through the stock exchange in compliance with the principle of equal treatment (§ 53a AktG). In a buyback program structured in this way, Deutsche Telekom AG benefits from a discount of 0.25% to 5%, guaranteed upon conclusion

of the agreement, in respect of the arithmetical average of the volume-weighted average price (VWAP) during the buyback period. The issuing company is willing to guarantee this discount since it recognizes an opportunity to acquire the shares with an even higher discount. On the other hand, it bears the risk of being unable itself to apply this discount. In this situation, Deutsche Telekom AG receives the shares with a guaranteed discount, while the issuing company has to make up the difference. Deutsche Telekom thus ensures a fixed discount over a longer period, even if the markets change in such a way after commissioning the issuing company that it is more difficult for the issuing company to actually achieve the discount.

Own shares may be purchased in accordance with the proposed authorization by Deutsche Telekom AG directly or indirectly through dependent Group companies of Deutsche Telekom AG within the meaning of § 17 AktG or third parties for the account of Deutsche Telekom AG or for the account of the dependent Group companies of Deutsche Telekom AG pursuant to § 17 AktG.

The authorization in agenda item 7 provides for the possibility of reselling acquired own shares, either through the stock exchange (in c) of the authorization) or via an offer presented to all shareholders (in d) of the authorization). At the same time, Deutsche Telekom AG is also to have the option of selling own shares by means other than through the stock exchange or through an offer to all shareholders, and to sell shares for cash payment at a price which is not significantly lower than the market price (in e) of the authorization). In addition, Deutsche Telekom AG is to be able to use repurchased

own shares to list shares on foreign stock markets on which the Company's shares have not yet been listed (in f) of the authorization). Furthermore, the Company is to have the option of purchasing own shares so that it can offer and/or grant these to third parties in the context of mergers or acquisitions of companies, business units or interests in companies, including increasing existing shareholdings, or other assets eligible for contribution for such acquisitions, including claims against the Company (in g) of the authorization). In addition, the Company is to have the option of using own shares to fulfill option and/or conversion rights and obligations from bonds issued by the Company, either directly or by a company in which the Company has a (direct or indirect) majority holding (in h) of the authorization) on the basis of the authorization under item 6 on the agenda for the shareholders' meeting on May 17, 2018. Furthermore, the authorization provides for the option of offering and/or granting purchased shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies, as well as to Managing Board members of lower-tier affiliated companies (in i) of the authorization). However, Deutsche Telekom AG shall also have the option of redeeming own shares without any further resolution of the shareholders' meeting (in j) of the authorization). Finally, the Supervisory Board is to be able to use Deutsche Telekom AG shares to fulfill rights of Board of Management members to obtain Deutsche Telekom AG shares, which the Supervisory Board has granted to these members as part of the arrangements governing Board of Management compensation (in k) of the authorization).

The authorizations under e) to k) shall not only apply for own shares acquired under the new purchase authorization. Rather, own shares of

Deutsche Telekom AG that have been or will be acquired free of charge may also be used for the purposes specified in e) to k) of the authorization (in o) of the authorization). This is so as to prevent own shares acquired free of charge from being first sold – through the stock market or by way of an offer to all shareholders – and then having to be bought back again on the basis of a) of the authorization so as to be able to use them for the purposes named in e) to k) of the authorization. In light of this, however, the relevant use of own shares acquired free of charge shall only be permitted to the extent that the permitted purchase volume under a) of the authorization has not yet been used up, and the permitted purchase volume under a) of the authorization shall be reduced accordingly if own shares acquired free of charge are used for the purposes named under e) to k) of the authorization or if the Board of Management decides that such shares are to be made available for these purposes. With regard to the use of own shares acquired free of charge for the purposes named under e) to k) of the authorization, l) sentences 1, 3, and 4 and m) of the authorization shall also apply accordingly. To this extent, the following comments on e) to i) and k) of the authorization shall also apply accordingly.

The cases in which subscription rights are excluded are listed in l) of the proposed authorization. Under l) the subscription rights of shareholders are excluded if the Board of Management uses Deutsche Telekom AG shares in accordance with the authorizations under c), e), f), g), h) and i), and if the Supervisory Board uses Deutsche Telekom AG shares in accordance with the authorization under k). Furthermore, subscription rights for fractional amounts may be excluded when offering own

shares for sale to the Company's shareholders in accordance with l) sentence 2.

An appropriate provision in l) sentences 3 and 4 of the authorization should, in the interest of shareholders, guarantee that the aforementioned options to sell own shares under disapplication of subscription rights, including all other authorizations to exclude subscription rights, are limited to a share volume equivalent to a total of 10 percent of the capital stock of Deutsche Telekom AG.

Regarding specific aspects of the aforementioned cases of exclusion of subscription rights:

**Re. c) of the authorization:**

If the Board of Management sells own shares on the stock exchange, shareholders do not have any subscription rights. Under § 71 (1) no. 8 sentence 4 AktG, the sale of own shares on the stock exchange – as well as the acquisition of the same through the stock exchange – is compliant with the principle of equal treatment pursuant to § 53a AktG. The price at which the repurchased own shares are sold to third parties on a stock exchange shall in no case be more than 5% below the market price established by the opening auction in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the day of the binding agreement with the third party. This is specified under m) of the authorization. If on the day concerned no such market price is determined or is not determined by the time of the binding agreement with the third party, then the last closing price of the Deutsche Telekom AG share determined in the Xetra trading system of Deutsche Börse AG (or a subsequent system) shall be decisive instead.

**Re. e) of the authorization:**

Pursuant to § 71 (1) no. 8 sentence 5 AktG in conjunction with § 186 (3) sentence 4 AktG, the Board of Management is to be authorized, with the approval of the Supervisory Board, to sell the repurchased shares of Deutsche Telekom AG representing no more than 10% of the capital stock, excluding the subscription rights of the shareholders, other than through the stock exchange or an offer to all shareholders for a cash payment at a price that is not significantly lower than the market price of Company shares of equal ranking on the date of sale. The price at which the repurchased own shares are sold to third parties shall in no case be more than 5% below the market price established by the opening auction in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the day of the binding agreement with the third party. This is specified under m) of the authorization. If on the day concerned no such market price is determined or is not determined by the time of the binding agreement with the third party, then the last closing price of the Deutsche Telekom AG share determined in the Xetra trading system of Deutsche Börse AG (or a subsequent system) shall be decisive instead. The final price at which own shares are sold is set shortly before they are sold.

The option of selling repurchased own shares to the exclusion of subscription rights for cash payment serves the interests of the Company to attain the best possible price when selling own shares. The option of excluding subscription rights in accordance with § 186 (3) sentence 4 AktG enables the Company to take advantage of opportunities arising from any given situation on the stock market to place shares quickly, flexibly and cost-effectively.

The amount realized by setting a price close to market levels tends to result in a considerably higher inflow of cash per share than would be the case if the stock placement included shareholders' subscription rights. By dispensing with the processing of subscription rights, which is a time-consuming, expensive process, the equity required can also be furnished in a timely manner through market opportunities that arise at short notice. Although § 186 (2) sentence 2 AktG permits when granting subscription rights the announcement of the subscription price no later than three days before the expiry of the subscription period, this also entails a risk given the volatility of the stock markets, i.e., a risk of a price change over several days, which can lead to safety margins being deducted when fixing the selling price and thus to conditions which are not optimal. In addition, the Company, when granting subscription rights, is unable to respond quickly to favorable or unfavorable market conditions due to the length of the subscription period.

The option of selling own shares under the best possible conditions and without a significant subscription rights markdown is especially important for the Company because it must be able to swiftly and flexibly exploit opportunities in rapidly changing and newly emerging markets. In view of this, it can be necessary, or at least useful, to borrow funds at short notice.

The proposed authorization is limited to a proportion of capital stock totaling no more than EUR 1,218,933,400.57 – which is 10% of the Company's capital stock on the date the shareholders' meeting adopts the resolution on April 1, 2021. Should the capital stock

be reduced, for example through the redemption of repurchased own shares, the amount of capital stock on the date of the sale of the shares is decisive. The authorized volume should be decreased by the proportion of capital stock that is accounted for by the shares or that relates to option and/or conversion rights and obligations from bonds issued or sold since the shareholders' meeting on April 1, 2021 adopted the resolution directly, pursuant to, in accordance with, or analogous to § 186 (3) sentence 4 AktG. This should ensure that the 10 percent limit provided for in § 186 (3) sentence 4 AktG is observed, taking into account all authorizations with the possibility of excluding subscription rights in accordance with § 186 (3) sentence 4 AktG. Due to the fact that the authorization is limited to this level and the selling price for the own shares to be granted has to be based on the market price, shareholders' financial interests and interests regarding voting rights are suitably safeguarded when own shares are sold to third parties and shareholders' subscription rights excluded on the basis of the provision in § 71 (1) no. 8 sentence 5 in conjunction with § 186 (3) sentence 4 AktG. Shareholders who wish to maintain their relative interest and share of voting rights currently have the opportunity to purchase the number of shares required for this on the stock exchange. Around 68% of the shares of Deutsche Telekom AG are in free float. The total trading volume in the 2020 calendar year corresponded to around 71% of the Company's capital stock.

**Re. f) of the authorization:**

The subscription rights of the shareholders are also to be excluded if the Board of Management uses the repurchased shares of Deutsche Telekom AG, with the approval of the Super-

visory Board, to list the Company's shares on foreign stock exchanges on which shares of the Company have not yet been listed. Deutsche Telekom AG is engaged in fierce competition on the foreign capital markets. For its future business development, it is of crucial importance that the Company be appropriately endowed with equity capital and have the opportunity to obtain equity capital on the market at all times and under appropriate conditions. For this reason, Deutsche Telekom AG is endeavoring to broaden its base of shareholders in other countries as well and to make investment in the Company's shares an attractive proposition. Deutsche Telekom AG needs to be able to tap into the world's major capital markets. The price at which the repurchased own shares are listed on foreign stock exchanges must not be more than 5% below the market price established by the opening auction in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the first day of listing. This is specified under m) of the authorization. If on the day concerned no such market price is determined or is not determined by the time of the initial public offering, then the last closing price of the Deutsche Telekom AG share determined in the Xetra trading system of Deutsche Börse AG (or a subsequent system) shall be decisive instead.

**Re. g) of the authorization:**

The subscription rights of shareholders also are to be excluded if the Board of Management, with the approval of the Supervisory Board, offers and/or grants the repurchased Deutsche Telekom AG shares to third parties in the context of mergers or acquisitions of companies, business units or interests in companies, including increases of existing shareholdings, or other assets eligible for contri-

tribution for such acquisitions, including claims against the Company.

Deutsche Telekom AG is engaged in national and global competition. It must therefore always be in a position to act swiftly and flexibly on national and international markets. In particular, this includes the opportunity to improve its competitive position through mergers with other companies or the acquisition of companies, business units and interests in companies. This also includes increasing investments in Group companies.

The optimal use of this opportunity in the interest of shareholders and the Company involves, in individual cases, carrying out the merger or the acquisition of companies, business units or interests in companies by offering shares of the acquiring company. It has been seen in practice both on international and national markets that the acquirer's shares are often requested as consideration for attractive acquisitions. For this reason, Deutsche Telekom AG must be given the opportunity to offer and/or grant shares as consideration for mergers or acquisitions of companies, business units or interests in companies.

In addition, the resolution proposal makes express provisions for the exclusion of shareholders' subscription rights in order to offer and/or grant repurchased own shares to acquire assets eligible for contribution in connection with the acquisition of companies, business units or interests in companies. In the case of an intended acquisition, it can make economic sense to acquire other assets in addition to the actual object acquired, for example those which serve the economic pur-

poses of the acquired object. This applies in particular if a company that is being acquired does not own the industrial or intangible property rights relating to its operations. In such and comparable cases, Deutsche Telekom AG must be in a position to acquire assets related to the acquisition plan and to tender shares as a consideration for this – because the seller requests it, for example. A prerequisite according to the proposed authorization is that the assets concerned be eligible for contribution in the event of a capital increase by way of contribution in kind.

The Board of Management shall, in particular, also be entitled to the exclusion of subscription rights to offer and/or to grant the owners of claims against Deutsche Telekom AG – whether securitized or unsecuritized – arising in connection with the sale of companies, business units or interests in companies to Deutsche Telekom AG shares in Deutsche Telekom AG wholly or partially in lieu of the cash payments. In cases where, for example, the Company has initially agreed to pay in cash for the acquisition of a company or an interest in a company, this may give the Company the added flexibility of subsequently offering shares in lieu of cash, thus protecting its liquidity. In individual cases, this procedure may be more beneficial than financing the purchase price through prior disposal of any repurchased shares over the stock exchange, where negative price effects are conceivable.

The authorized capital 2017 pursuant to § 5 (2) of the Articles of Incorporation can also be used to grant shares in the context of mergers or acquisitions of companies, business units or interests in companies, including increasing existing shareholdings, or other assets eligible

for contribution for such acquisitions, including claims against the Company. Furthermore, there shall be also be the possibility to use repurchased own shares as an acquisition currency. The proposed authorization is designed to give Deutsche Telekom AG the leeway it requires to flexibly exploit opportunities for mergers or the acquisition of companies, business units or interests in companies or other assets eligible for contribution for such acquisitions and in doing so to also provide shares as a consideration without increasing capital – something which is more time-consuming given the need for entry in the commercial register – where this is appropriate.

To be able to carry out such transactions swiftly and with the necessary flexibility, the Board of Management needs to be authorized to grant own shares excluding shareholders' subscription rights. Such a decision by the Board of Management shall be contingent on the Supervisory Board's approval, however. When subscription rights are granted, mergers and the acquisition of companies, business units or interests in companies or other assets eligible for contribution in conjunction with such acquisitions are not possible in exchange for the granting of bought-back shares, and the Company and its shareholders cannot benefit from the associated advantages.

There are currently no concrete plans to make use of this authorization. When opportunities arise for mergers or acquisition of companies, business units or interests in companies, or there is an opportunity to acquire other assets eligible for contribution for such acquisitions, the Board of Management shall examine each case to decide whether to use own shares for this, excluding shareholders' sub-

scription rights. The Board of Management shall only use the authorization if it is convinced that granting Deutsche Telekom AG shares for a merger or acquisition is in the best interests of the Company. In such cases, the Board of Management shall also carefully review and ascertain that the value of the contribution in kind is commensurate with the value of the shares.

#### **Re. h) of the authorization:**

In addition, the Company shall have the option of using repurchased shares to fulfill option and/or conversion rights and obligations from bonds issued by the Company, either directly or by a company in which the Company has a (direct or indirect) majority holding, on the basis of the authorization under item 6 on the agenda of the shareholders' meeting held on May 17, 2018. Instead of increasing capital, it may be appropriate at times to use own shares entirely or partially to fulfill subscription rights to the Company's shares arising from such bonds, since such action is a suitable way of counteracting the dilution of capital stock, and of the voting rights of shareholders, that can occur to some extent if such rights are fulfilled by creating new shares. The authorization therefore provides for own shares to be used in such a way. In such cases, shareholders' subscription rights shall also be excluded.

The authorization granted under item 6 of the agenda by resolution of the shareholders' meeting on May 17, 2018 is available for inspection at the commercial register in Bonn as part of the notarized minutes of said shareholders' meeting. The resolution can also be found in the invitation to the shareholders' meeting on May 17, 2018, which was published in the Federal Gazette (Bundesanzeiger) on

April 5, 2018. The wording of this granted authorization is also available under the following website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

#### **Re. i) of the authorization:**

The Board of Management shall also be authorized to offer and/or grant the repurchased shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies; this shall include authorization to offer the shares free of charge or offer them for purchase under other special conditions. These repurchased shares can also be transferred to a bank, or to some other company meeting the requirements of § 186 (5) sentence 1 AktG, which, along with the shares, assumes the obligation to use the shares exclusively for the purpose of granting shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies. The Board of Management may also acquire shares that are to be granted to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies via securities loans from a bank, or from some other company meeting the requirements of § 186 (5) sentence 1 AktG, and then use the repurchased shares to repay such securities loans. In all such cases, shareholders' subscription rights shall be excluded.

Deutsche Telekom AG is to be put in a position to promote employee ownership of company stock by granting shares. Granting shares to

employees serves the purpose of integrating employees, increasing their willingness to help shoulder responsibility, as well as enhancing their loyalty to the Company and making it a more attractive place to work. Granting shares to employees is therefore in the interest of the Company and its shareholders. It is in keeping with the intent of the law, and it is facilitated by law in many ways. According to the proposed authorization, however, the possible beneficiaries should comprise not only employees of Deutsche Telekom AG and of lower-tier affiliated companies but also Managing Board members of lower-tier affiliated companies. These managers have a major influence on the development of the Deutsche Telekom Group and Deutsche Telekom AG. It is therefore also important to offer them a strong incentive for lasting value enhancement, and to strengthen their identification with and loyalty to the companies in the Deutsche Telekom Group. Deutsche Telekom AG should, in particular, also be in a position to create variable remuneration components with a long-term incentive effect for certain managers in the Group as well as for certain or all employee groups.

Offering or granting shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies makes it possible, for instance, to create variable remuneration components with a long-term incentive effect, which take account not only of positive but also of negative developments. The granting of shares with a lock-up on selling them over several years can, in particular, create not just a bonus but also a genuine penalty effect in the event of negative developments. This instrument can therefore bring about greater financial co-responsibili-

ty in the interests of both the Company and its shareholders.

When granting own shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies, special terms and conditions may be granted. In addition to conventional employee/management participation programs, these may also include, in particular, share-matching plans, under the terms of which plan participants purchase shares on the stock exchange or from the Company (investment shares) by making monetary payment in a first step and several years later, in a second step, receive a specified number of shares (matching shares) for the shares acquired in the first step without the need to make any additional payment. Arrangements under which the participants receive these matching shares immediately, instead of several years later, and under which all of these shares are subject to a lock-up period, are also conceivable. For the Group's business leaders, i.e., for certain employees of Deutsche Telekom AG at the level just below the Board of Management and for certain members of the Managing Boards of Group companies as well as for the top managers of the Deutsche Telekom Group who, without being business leaders, belong to the levels labeled Management Groups MG 1 to MG 3, there are already share matching plans with a total of some 1,200 plan participants from Deutsche Telekom AG and German and foreign Group companies. These plans are based on the share-matching plan for Board of Management members (see below under "Re. k) of the authorization"). However, in the case of the business leaders there is an obligation to make a personal investment of just 10% (for

the Board of Management it is a third) of the short-term variable remuneration; for the other plan participants, participation is entirely voluntary (no investment obligation). In all cases, the maximum possible personal investment is one half of the short-term variable remuneration. After expiration of the lock-up period, which is four years as for the Board of Management, and continuous employment at the Company, the business leaders (like the Board of Management) shall receive one matching share per investment share. For the other managers of Management Groups MG 1 to MG 3, the right to participate in the plan and the ratio between investment shares and matching shares (which can range from 3:1 to 1:1) depend on a prior personal performance assessment. More information about the share-matching plans is available in the combined management report and Group management report. This report is available under the following website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

**[www.telekom.com/hv](http://www.telekom.com/hv)**

Furthermore, there are also plans to establish an employee share ownership plan under which all employees of the Deutsche Telekom Group are generally given the possibility once per year to purchase Company shares for up to an amount of EUR 1,000.00 and receive an additional share for every two shares purchased under this scheme at no additional cost. All shares purchased through this program will be subject to a four-year lock-up period.

However, use of the usage authorization under i) of the proposed authorization should not be confined to the existing or planned employee/

management participation programs described above. Nonetheless, no own shares can or should be granted to members of the Board of Management of Deutsche Telekom AG on the basis of this proposed usage authorization.

In addition to granting shares directly to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies, it shall also be possible that the shares are acquired by a bank, or some other company meeting the requirements of § 186 (5) sentence 1 AktG, with the obligation to use the shares exclusively for the purpose of granting shares to these beneficiaries. Shares are then granted to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies through the company that has acquired the shares as an intermediary. With this approach, the process can be facilitated, for example, by having a bank largely carry out the procedure.

In addition, the shares to be granted to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies may also be acquired via securities loans from a bank or some other company meeting the requirements of § 186 (5) sentence 1 AktG, and then the repurchased shares used to repay these securities loans. Using a securities loan to acquire shares also facilitates the process. In particular, this makes it possible to repurchase precisely the quantity of shares that is required to grant shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier

affiliated companies at any fixed point in time. The shares acquired in the context of the proposed purchase authorization shall therefore not only be used to grant shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies themselves, but can also be used to meet lenders' claims to repayment of loans. In terms of economic effect, the shares are also used here to grant shares to employees of Deutsche Telekom AG and of lower-tier affiliated companies as well as to Managing Board members of lower-tier affiliated companies.

#### **Re. k) of the authorization:**

Furthermore, the Supervisory Board shall be authorized to use the repurchased shares to fulfill the rights of Board of Management members to obtain Deutsche Telekom AG shares which the Supervisory Board has granted to these members as part of the arrangements governing Board of Management compensation. The granting of such rights can be provided for in the contract of employment, or such rights can be granted by way of a separate agreement, whereby the conclusion of a separate agreement may, seen from the viewpoint of the Board member, be (wholly or partially) voluntary or compulsory.

Granting shares to Board of Management members may increase their loyalty to the Company. At the same time it is possible to create variable remuneration components, with management bonuses not being paid out in cash but in shares, which are then, however, subject to a lock-up (pursuant to § 193 (2) no. 4 AktG at least four years) during which time the Board of Management member concerned cannot sell the shares. By means of

such or similar arrangements, the aim of appropriate Board of Management compensation in accordance with § 87 (1) AktG and recommendation G.10 of the German Corporate Governance Code can be met, which state that the variable remuneration components granted to a Board of Management member should be paid primarily in Company shares or corresponding share-based components, taking the respective tax burden into account. The granting of shares with a lock-up on selling them over several years or similar arrangements can, in particular, create not just a bonus but also a genuine penalty effect in the event of negative developments. This tool therefore brings about greater financial co-responsibility of the Board of Management members, in the interests of the Company and its shareholders.

Like the previous compensation system for Board of Management members, the new system contains a component that obliges Board members to invest a third of the short-term variable remuneration stipulated by the Supervisory Board in the form of a personal investment in Deutsche Telekom AG shares, which are subject to a four-year lock-up period. The amount of the personal investment may be increased voluntarily up to half of the short-term variable remuneration stipulated by the Supervisory Board. For each share purchased in this way, the entitled Board of Management member receives at the end of four years during which he or she was continuously employed in the Company another share from Deutsche Telekom AG as part of the share-matching plan without the need to make any additional payment. The previous compensation system for Board of Management members is described in the combined

management and Group management report. The new compensation system for Board of Management members is described under "Compensation system for Board of Management members (item 9 of the agenda)". It is also available, along with the combined management and Group management report, under the following website upon convocation of the shareholders' meeting, as well as over the full duration of the shareholders' meeting:

[www.telekom.com/hv](http://www.telekom.com/hv)

#### **Re. l) sentence 2 of the authorization**

Furthermore, the Board of Management is to be entitled to exclude shareholder subscription rights for fractional amounts with the approval of the Supervisory Board when offering own shares for sale to the Company's shareholders. The possibility of excluding subscription rights for fractional amounts serves the purpose of making the implementation of the subscription ratio technically feasible. The own shares excluded from shareholders' subscription rights as free fractional shares are realized by selling them on the stock exchange or in some other way to the best benefit of the Company. Due to the limitation to fractional amounts the potential dilution effect is low.

#### **Concluding remarks**

Considering all the aforementioned facts and circumstances, the Board of Management and the Supervisory Board regard the exclusion of subscription rights in the aforementioned cases, also making allowance for any dilution effect arising from the exercise of the authorizations in question to the disadvantage of the shareholders, as justified and reasonable vis-à-vis shareholders for the reasons given. The Board of Management shall report to the

shareholders' meeting on the details of any usage of the authorization to buy back own shares.

#### **Board of Management's report on item 8 of the agenda: Report on the exclusion of any possible right to tender shares for the acquisition of own shares using equity derivatives**

Item 8 on the agenda contains the proposal to authorize the Company to use equity derivatives for the acquisition of own shares in accordance with the authorization proposed under agenda item 7. To this end, the Board of Management is to be authorized (1) to sell options that upon exercise, obligate the Company to acquire shares (hereinafter: put options), and (2) to acquire options that upon exercise, entitle the Company to acquire shares in the Company (hereinafter: call options). Own shares can also be acquired in accordance with the authorization proposed under item 8 on the agenda by using combinations of put options and call options (hereinafter jointly: equity derivatives or derivatives). The proposed authorization envisages that all the equity derivatives used under this authorization may relate to a number of shares that does not exceed 5% of the capital stock of Deutsche Telekom AG on the date the shareholders' meeting adopts a resolution on this authorization.

#### **Usable equity derivatives and their advantages**

The proposed authorization allows the usage of put options and call options as well as combinations of these equity derivatives.

When the put options are sold, the Company grants the buyer the right to sell Deutsche Telekom AG shares at a price stipulated in the put option (exercise price) to the Company. The Company receives an option premium as a consideration. If the put option is exercised, the option premium paid by the buyer of the put option reduces the total equivalent value paid by the Company to acquire the share. Exercising the put option then makes commercial sense for the option owner if the Deutsche Telekom AG share price is below the exercise price on the date of exercising because the option owner can then sell the shares at a higher exercise price. From the Company's perspective, the share buyback using put options has the advantage that it can specify the exercise price when concluding the option transaction, whereas the liquidity will only flow out on the date the options are exercised. The usage of put options for share buybacks can be sensible, for instance, if the Company intends to buy back own shares at low share prices, but is not certain about the optimum buyback date, i.e. the date of the most favorable Deutsche Telekom AG share price. It can be advantageous here for the Company to sell put options, whose exercise price is below the Deutsche Telekom AG share price on the date of concluding the put-option transaction. The usage of put options offers, in particular, the advantage that the buyback – compared with an immediate buyback – takes place at a lower price level. If the option owner does not exercise the option, because the share price on the date of the exercise is above the exercise price, the Company can in this way not acquire equity shares, but still has the collected option premium.

When a call option is acquired, the Company receives the right against payment of an option

premium to buy a previously stipulated number of shares at a previously stipulated price (exercise price) from the seller of the option, the writer. Exercising the call option makes commercial sense for the Company if the Deutsche Telekom AG share price is higher than the exercise price since it can then buy the shares at a lower exercise price from the writer. In this way, the Company can hedge against rising share prices. In addition, the Company's liquidity is preserved since the stipulated acquisition price for the shares must only be paid when the call options are exercised.

#### **Term of the usable equity derivatives**

The longer the term of an equity derivative, the greater the probability that the Deutsche Telekom AG share price unpredictably deviates from the share price when the derivative transaction was concluded. The proposed authorization therefore envisages that the term of the individual derivatives may not be more than 18 months in each case. It is also envisaged that the term of the individual derivatives must end no later than March 31, 2026 and must be chosen in such a way that the own shares cannot be acquired after March 31, 2026 when exercising the derivatives. The reason is that the buyback authorization proposed in agenda item 7 will also expire at the end of March 31, 2026 and subsequently no more shares can be bought back on the basis of this provision. Since the authorization proposed under agenda item 8 supplements this buyback authorization, the timing of the two should occur simultaneously.

#### **Further arrangements of the usable equity derivatives**

In accordance with the proposed authorization, the derivative transactions must be con-

cluded with a bank or some other company meeting the requirements of § 186 (5) sentence 1 of the German Stock Corporation Act (*Aktiengesetz - AktG*) (hereinafter jointly: issuing companies). In accordance with the proposed authorization, it must also be ensured that the derivatives are only paid with shares which have been acquired from the issuing company previously observing the principle of equal treatment through the stock market at a price that is not significantly higher or lower than the current share price in the Xetra trading system of Deutsche Börse AG (or a subsequent system) on the date of conclusion of the stock market transaction and that is no more than 10 % higher or 20 % lower than the share price established by the opening auction on the trading day on which the stock market transaction was concluded in the Xetra trading system of Deutsche Börse AG (or a subsequent system). For this reason, the issuing company must also comply with the requirements in the authorization proposed in agenda item 7 under b) (1) for the Company when acquiring shares on the stock market. To ensure this, a relevant obligation with put options must already be part of the agreement with the issuing company; the Company may only exercise call options if it is ensured that these requirements are met when supplying the shares. As a result of the issuing company only supplying shares that it has previously acquired through the stock market at the current share price in the Xetra trading system of Deutsche Börse AG (for a subsequent system) on the date of acquisition through the stock market, the rule of equal treatment of shareholders should be met in accordance with the provisions in § 71 (1) no. 8 sentence 4 AktG.

The price agreed in the derivative (excluding transaction costs) for the acquisition of a Deutsche Telekom AG share when exercising the derivatives must both including and excluding a received or paid option premium not be more than 10 % higher or 20 % lower than the share price established by the opening auction on the trading day on which the derivative market transaction was completed in the Xetra trading system of Deutsche Börse AG (or a subsequent system). The Company is therefore placed in a position in respect of the permissible acquisition price of the shares in the starting point as if it were to acquire the shares directly through the stock market on the date the relevant derivative transaction was concluded. For the acquisition authorization proposed under agenda item 7 envisages under b) (1) the same lowest and highest equivalent values for the acquisition of own shares through the stock market. Nonetheless, the proposed authorization on the use of equity derivatives also envisages in this respect another restriction whereby the relevant limit values both with and also without inclusion of a received or paid option premium have to be met.

The call option premium paid by the Company must not be significantly higher and the put option premium collected by the Company must not be significantly lower than the theoretical market value of the respective options calculated according to accepted financial mathematical methods; the agreed exercise price, among other things, shall be taken into account as part of the calculation. This and the limited scope in which own shares can be acquired using equity derivatives, corresponds to the basic notion transferred to any right to purchase for shareholders of § 186 (3)

sentence 4 AktG which applies to the exclusion of subscription rights.

#### **Exclusion of any right to tender shares**

If own shares are acquired using equity derivatives in compliance with the above provisions, shareholders shall not be entitled under the proposed authorization to conclude such derivative transactions with the Company. By the fact that the company can conclude the derivative transactions with an issuing company, the Company is enabled – unlike with an offer to conclude equity transactions to all shareholders – to conclude the derivative transactions at short notice. This gives the Company the necessary flexibility to be able to respond quickly to market situations.

When acquiring own shares using these equity derivatives, shareholders should be entitled to tender their shares only to the extent that the Company is obliged to accept the shares from them from the derivative transactions. Any further right to tender shares is excluded in the proposed authorization. Otherwise, the use of the equity derivatives envisaged in the proposed authorization as part of the acquisition of own shares would not be possible and the Company would not benefit from the associated advantages.

The aforementioned specifications ensure that the shareholders do not suffer substantial financial loss when acquiring own shares using equity derivatives. Since the Company collects or pays a fair market price, the shareholders, in particular, not involved in the derivative transactions do not suffer any substantial loss of value. The shareholders' position essentially corresponds to their position with

the share buyback through the stock exchange where not all shareholders are actually able to sell shares to the Company. The provisions governing the arrangements of the equity derivatives and the requirements for the shares to be supplied to ensure that the principle of equal treatment of shareholders is also ensured with this mode of acquisition. It is therefore justified that any claims of shareholders to conclude the aforementioned derivative transactions with the Company are excluded.

Considering all the above-mentioned facts and circumstances, the Board of Management and the Supervisory Board regard the exclusion of any right to tender shares as justified and reasonable for the shareholders for the reasons given. The Board of Management shall report to the shareholders' meeting on the details of any plans to make use of the authorization to buy back own shares using equity derivatives.

#### **Usage of shares acquired using equity derivatives**

The provisions contained in the authorization proposed under agenda item 7 in c) through m) shall also apply to the usage of own shares acquired using equity derivatives. For further information see Board of Management's report on item 7 of the agenda.

# Compensation system for Board of Management members (item 9 of the agenda)

1. Objective of the compensation system of the Board of Management and reference to the corporate strategy
2. Procedure to determine the concrete total compensation of the Board of Management and to review of the Board of Management compensation system
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## 1. Objective of the compensation system of the Board of Management and reference to the corporate strategy

The new compensation system of the Board of Management defines the framework conditions in accordance with which the Supervisory Board can grant the members of the Board of Management remuneration components. The Supervisory Board has prepared the new compensation system in line with the regulations of the German Stock Corporation Act (AktG) in the version amended by the Act Implementing the Second Shareholder Rights Directive (ARUG II) as well as the recommendations for

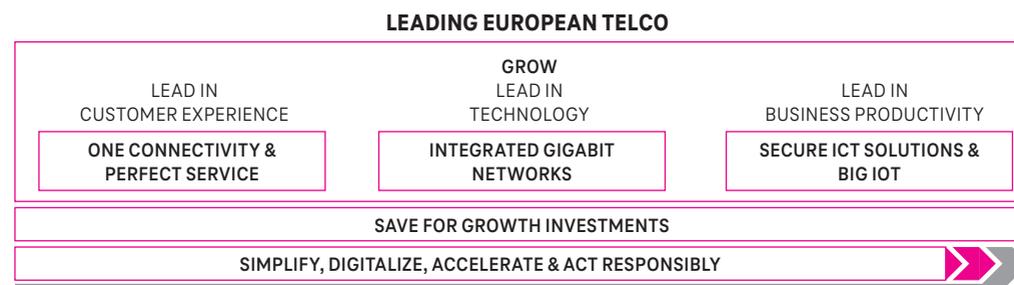
the compensation system for management board members in Section G of the German Corporate Governance Code (GCGC) in the version dated December 16, 2019. The objective is to introduce the rules of the new compensation system with retroactive effect to January 1, 2021, within two months following the 2021 shareholders' meeting and to transfer all members of the Board of Management to this new compensation system.

When drafting the compensation system for members of the Board of Management, the Supervisory Board worked on the basis of the following principles:

- ▶ **Conforming to regulatory/statutory requirements in Germany as well as the principles of good corporate governance**
- ▶ **Promoting the implementation of the long-term strategy for sustainable corporate development**
- ▶ **Determining reasonable compensation levels within market standards**
- ▶ **Strong focus on pay for performance**
- ▶ **Focus on shareholders' interests while accounting for stakeholders' interests**
- ▶ **As consistent as possible with the compensation system for executives within the Group**
- ▶ **Intuitive and easy-to-understand compensation system**

The aspiration and strategy of Deutsche Telekom is to be the “leading European telecommunications company”. Lead in customer experience, lead in technology, and leading in supporting the productivity of other companies. With these aspirations, Deutsche Telekom is targeting further growth and is more than just an infrastructure

company. It is a trustworthy companion to its customers in an increasingly complex world. Simplifying and enriching people's lives, both personally and professionally, everywhere and all the time, is our task. We connect people and companies with the latest technologies. Our strategic areas of operation are derived from this leadership goal:



## One connectivity & perfect service

We want to offer our customers a seamless and technology-neutral telecommunications experience. To do so, we offer our customers fixed line and mobile connectivity, as well as other services such as television and smart home products – all from a single source. As a premium provider, our flawless customer service sets us apart from the competition. To ensure this, we will continue to improve service quality and reliability.

## Integrated gigabit networks

Well built-out networks are the foundation for our Company motto “Life is for sharing”. Deutsche Telekom wants to offer its customers the best network and the fastest connections at all times, without them having to worry about the technology. The goal is to provide seamless access, regardless of whether they are using smartphones, laptops, tablets, or other devices. To achieve it, Deutsche Telekom has been investing heavily for years, particularly in fiber-optic build-out and the best mobile communications network.

## Secure ICT solutions & big IoT

Companies act both locally and globally. We make sure they are connected internationally: with their international sites, with their customers, and with their products in the Internet of Things. With the T-Security business unit, Deutsche Telekom also already offers a full portfolio of the most crucial security services.

To be successful in these areas of operation, Deutsche Telekom will continue to make heavy investments. We generate the leeway for this by making savings in other areas and becoming more efficient for example. It is also for this reason that we want to make Deutsche Telekom

– on the whole – simpler, more digital, and faster. For example, we will simplify our offerings and further automate our internal processes. This will ensure that we can respond to our customers’ needs even more quickly.

The “Act responsibly” addition also sets out that, for all business decisions, the social and ecological consequences of those decisions be taken into consideration from the outset. The strategy applies from digital responsibility and media literacy to climate protection and resource conservation.

Alongside further aspects, the compensation system for the Board of Management greatly contributes to promoting this long-term corporate strategy. By selecting appropriate liquidity and profitability KPIs as financial performance *indicators*, this system creates incentives to generate the required means to be able to successfully implement Deutsche Telekom’s investment strategy. By using KPIs for the customer and employee satisfaction as non-financial KPIs, the stakeholders’ interests – which are also important to be able to be successful in the strategic areas of operation and achieve the financial performance indicators – are also appropriately taken into consideration. The Supervisory Board has also added ecological objectives to the compensation system to ensure that – within the framework of the Company’s sustainability strategy – the “Act responsibly” – and “Enable sustainability” mission is also emphasized via the compensation of the Board of Management.

Through consideration of the share price in various elements of the compensation of the Board of Management and the direct obligation to acquire and maintain shares in the Company, the objec-

tive is to ensure the greatest possible reconciliation of interests between the shareholders and the Board of Management of Deutsche Telekom.

The compensation system should be structured in such a manner that the challenging task of the members of the Board of Management, namely managing a global telecommunications company that operates in a very dynamic competitive field and is subject to intense regulation, is taken into consideration. At the same time, the compensation of the Board of Management should be globally competitive to support Deutsche Telekom when searching for highly-qualified managers.

Through this approach, the Board of Management compensation system provides incentives to successfully implement the corporate strategy, to ensure a sustainable development of the Company, and is also focused on creating long-term value for the shareholders. This meets all requirements of the German Stock Corporation Act and all recommendations of the German Corporate Governance Code 2020 (GCGC).

This compensation system was developed over a period of around two years alongside the regulatory developments. It was continually refined within the context of the General Committee meetings and interim states were also regularly discussed in the Supervisory Board meetings. Alongside this, discussions were held in 2020 with investors and proxy advisors in order to be able to also consider the investors’ perspective regarding the requirements and structure of an effective compensation system. The Chairman of the Supervisory Board used these events to align the opinion of the Supervisory Board with the requirements of the investors, explain the reasoning of the Supervi-

sory Board, to respond to criticisms from the investors, and to notify the Supervisory Board of the investor feedback during the course of the coordination of the compensation system. The new Board of Management compensation system was resolved by the Supervisory Board in the Supervisory Board meeting that took place on February 25, 2021.

## 2. Procedure to determine the concrete total compensation of the Board of Management and to review of the Board of Management compensation system

### 2.1 Determination of the compensation amounts

In accordance with § 87 (1) AktG, the Supervisory Board defines the total compensation for each member of the Board of Management. To this end, the Supervisory Board obtains support from the General Committee for issues regarding the compensation of the Board of Management. The General Committee drafts suggestions for the Board of Management compensation system, analyzes further developments, and prepares decisions for the definition of targets and derives the target achievements. These suggestions are then discussed and resolved by the Supervisory Board. In the event that the Supervisory Board would like to call upon an external compensation expert for its discussions, the independence of this person is ensured.

The Supervisory Board defines the concrete target total compensation and the maximum compensation for the upcoming financial year. Here, the Supervisory Board ensures that this compensation is in appropriate relation to the duties and performances of the member of the Board of Management as well as to the situation of the

Company and that it does not exceed the usual compensation without good reason. The Supervisory Board has aligned the compensation structure with a sustainable and long-term development of the Company in which the variable components of remuneration have a basis of assessment lasting several years. With regard to the variable compensation, the percentage of the long-term targets is greater than the percentage of the short-term targets. The performance criteria relevant for the variable remuneration components are defined by the Supervisory Board for each member of the Board of Management. These criteria are based on operational and, primarily, strategic targets. Here, the Supervisory Board determines the extent to which the targets are decisive for each individual member of the Board of Management and for all members of the Board of Management as a whole. It is not possible to retrospectively amend the target values or the comparison parameters.

Following the end of the financial year, the General Committee – in line with the target achievement – recommends the amount of the individual remuneration components to be paid for the relevant financial year. These components are discussed and resolved by the Supervisory Board. In doing so, the Supervisory Board ensures that the compensation of the Board of Management is comprehensible in terms of reason and size.

The level of the total compensation is regularly subject to a review of its appropriateness by the Supervisory Board. Here, the General Committee prepares a horizontal and vertical comparison of compensation. Using this comparison of compensation, the Supervisory Board discusses the appropriateness and the normality of the compensation and makes a decision

regarding a need to amend the compensation if the comparison indicates a need to do so.

### 2.1.1 Horizontal comparison of compensation

With regard to the horizontal comparison of compensation, Deutsche Telekom primarily aligns itself to the compensations granted by DAX 30 companies. In doing so, the criteria “revenue”, “number of employees”, and “market capitalization” are used in order to perform a statistical comparison of Deutsche Telekom within the reference group. Here, the objective is to ensure that the compensation at Deutsche Telekom represents an offer that is market-standard yet also competitive compared to other DAX-listed companies. According to the statistical comparison, Deutsche Telekom is currently in the upper quarter of the DAX 30 companies and therefore wishes to ensure that the compensation of the Board of Management is also on this level. In addition to the fundamental orientation towards the level of compensation at DAX 30 companies, the Supervisory Board also regularly observes and examines the development of the European and global compensation level in the telecommunications sector. Due to the highly fluctuating sizes of the competing telecommunications companies and the significantly different compensation models and levels in the respective target markets, the horizontal compensation comparison is given a greater weight on the basis of the data from the DAX 30 peer group; the results from the industrial comparison supplement the knowledge gained.

### 2.1.2 Vertical comparison of compensation

The Supervisory Board also takes the compensation structures within Deutsche Telekom into account when defining the compensation of the Board of Management. With this in mind, a

qualitative assessment is performed of the remuneration components that are offered at various employee levels within the Company, which elements have differences in terms of their structure, and how high the average employee compensation is at the individual hierarchical levels. Within this vertical comparison of compensation, the Supervisory Board limits its assessment to the German workforce and also takes into account senior management and the workforce as a whole, whereby a distinction is made between seven employee levels. In this comparison, the development of the compensations over time is also always taken into consideration.

### 2.2 Review of the Board of Management compensation system

The General Committee prepares the regular review of the compensation system by the Supervisory Board. Where necessary, the General Committee recommends potential changes to the system to the Supervisory Board. If a change to the system is made, it is presented to the shareholders' meeting once again for approval. If the compensation system remains the same over time, the system is submitted to

the shareholders' meeting not later than four years after the last approval of the system. If the shareholders' meeting does not grant approval for a compensation system, the General Committee will recommend a new, amended compensation system to the Supervisory Board which, following consultation and resolution, the Supervisory Board will present for approval at the next ordinary shareholders' meeting.

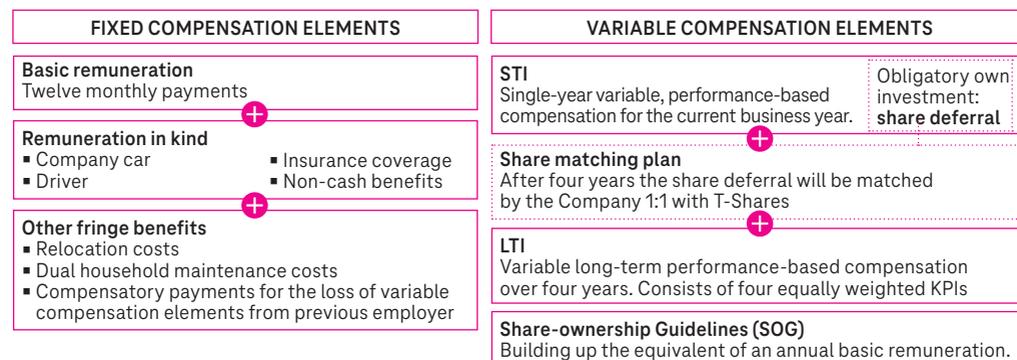
### 3. Contractual terms, durations of appointment, and age limits

The Supervisory Board takes the regulations of § 84 AktG and the German Corporate Governance Code into account with regard to the appointment of members of the Board of Management and the term of Board of Management contracts.

The initial appointment of members of the Board of Management is for a maximum of three years. The maximum term for re-appointments or extensions to the term of office is five years.

The Supervisory Board has defined a standard age limit of 65 years for members of the Board of Management.

### 4. Components of the total compensation of the Board of Management



## 4.1 Fixed compensation components

Overview of the potential fixed elements of the compensation system for the Board of Management		
Compensation component	Structure	Objectives and bearing on strategy
<b>Basic remuneration</b>	<ul style="list-style-type: none"> <li>- Fixed agreed compensation</li> <li>- Paid out at the end of each month</li> </ul>	<ul style="list-style-type: none"> <li>- Reflects the person's position within the Board of Management, personal experience, and market conditions</li> <li>- Guaranteed element of the compensation of the Board of Management</li> </ul>
<b>Remuneration in kind</b>	<ul style="list-style-type: none"> <li>- Provision of a company car/Driver</li> <li>- Annual health checkup</li> <li>- Insurances</li> <li>- Consultation on security-related issues and measures for structural and technical security</li> </ul>	<ul style="list-style-type: none"> <li>- Assumption of costs which are incurred in the Company's interests</li> </ul>
<b>Other fringe benefits</b>	<ul style="list-style-type: none"> <li>- Reimbursement of any job-related relocation costs incurred</li> <li>- Time-limited reimbursement of dual household maintenance costs</li> <li>- Compensatory payments for the loss of variable compensation elements from previous employer in the event of a transfer to Deutsche Telekom</li> </ul>	<ul style="list-style-type: none"> <li>- Compensation for financial losses which arise as part of Board activities or are incurred due to the transfer to Deutsche Telekom</li> </ul>

### 4.1.1 Basic remuneration

The basic remuneration is determined for all Board of Management members based on market conditions in accordance with the requirements of stock corporation law taking into consideration market standards for compensation and is paid on a monthly basis. It takes the individual role of the member of the Board of Management on the Board of Management, experience, the area of responsibility, and the market conditions into consideration. In the event of temporary incapacity for work caused by illness, accident or any other reason for which the respective Board of Management member is not responsible, the fixed basic remuneration continues to be paid. The continued payment of remuneration ends at the latest after an uninterrupted period of absence of six months, or for a maximum of three months following the end of the month in which the Board of Management member's permanent incapacity for work is established.

### 4.1.2 Remuneration in kind

In accordance with market-oriented and corporate standards, the Company grants all mem-

bers of the Board of Management additional benefits, some of which are viewed as non-cash benefits and taxed accordingly. Within the context of a specified budget, members of the Board of Management are eligible for a company car for business and private use. Where necessary, they may also make use of a personal driver. In accordance with the contract, the members of the Board of Management are obligated to have an annual health check. The costs for this check are assumed by the Company. The Company grants the members of the Board of Management accident and liability insurance and bears the allocated non-cash benefits. Required means of communication are made available to the members of the Board of Management – also at their homes – free of charge. Members of the Board of Management can also receive consultation regarding security-relevant measures. If necessary, costs for measures to ensure structural security can be assumed.

### 4.1.3 Other fringe benefits

The fringe benefits are not a permanent and guaranteed component of the compensation of

the Board of Management and, in fact, are only granted by the Supervisory Board if necessary. The need for the benefits as described below generally arises in connection with an engagement of a new member of the Board of Management who has an active employment relationship with another employer. If a member of the Board of Management moves their main place of residence to Germany at the request of the Company, the Supervisory Board can grant either a full or a flat-rate financial reimbursement for additional services such as those related to relocation, dual household maintenance, accommodation, language courses, and costs associated with international schools for the children of members of the Board of Management. The same applies for assuming the costs for tax consulting services if a member of the Board of Management relocates to Germany from abroad and must pay tax in other countries beside Germany. Furthermore, the Supervisory Board can also define a compensation payment if a new member of the Board of Management is affected by significant losses to their variable remuneration components as a result of their transfer to Deutsche Telekom.

## 4.2 Variable compensation components

The variable remuneration should establish the right incentives to achieve the operational and strategic targets of the Company, to link the interests of shareholders and members of the Board of Management, and also to support the sustainability drive of Deutsche Telekom in the long-term without, at the same time, leading to temptation to take inappropriate risks. The variable compensation components reflect both the performances of the members of the Board of Management as a collective as well as the individual performances of individual members, and the economic development of Deutsche Telekom. When defining target-relevant success factors, the Supervisory Board ensured that they are in line with Deutsche Telekom's strategy. The financial success factors are derived from the corporate planning and measure the fulfillment of budget values. The Supervisory Board of Deutsche Telekom will retrospectively disclose the concrete ambition level of the used success factors of a variable compensation to be paid out in the compensation report.

### Overview of the potential variable elements of the compensation system for the Board of Management

Compensation component	Structure	Objectives and bearing on strategy
<b>Variable remuneration that is calculated on the basis of the achievement of short-term objectives (STI)</b>	<ul style="list-style-type: none"> <li>- Term of one year</li> <li>- Disbursement date: after the shareholders meeting of the following year</li> <li>- Possible target achievements: 0–150 percent</li> <li>- The relevant target achievements are; <ul style="list-style-type: none"> <li>1/3 Group targets</li> <li>1/3 Segment targets</li> <li>1/3 ESG targets</li> </ul> </li> <li>- Applicability of individual performance factor: 0.8–1.2</li> <li>- Possible total target achievement taking into account the individual performance factor: 0–180 percent</li> </ul>	<ul style="list-style-type: none"> <li>- Achieving single-year corporate targets derived from medium-term planning</li> <li>- Operational successes at Group and segment level taken into account</li> <li>- Continual development of the operating business</li> <li>- Creating the conditions for dividend and investment capabilities</li> <li>- Sustainable and ecological aspects of the Company's business taken into account</li> <li>- Taking stakeholders' interest into account</li> <li>- Performance of individual members of the Board of Management may also be taken into account</li> </ul>
<b>Obligation to invest (personal investment)</b>	<ul style="list-style-type: none"> <li>- Each year after the STI is defined by the Supervisory Board</li> <li>- Minimum investment volume is 1/3 of the STI</li> <li>- Maximum investment volume is 1/2 of the STI</li> <li>- Holding period of 4 years (from time of investment)</li> </ul>	<ul style="list-style-type: none"> <li>- Reaching target figures and short-term corporate targets</li> <li>- Acts as incentive for long-term increase in shareholder value</li> <li>- Synchronizes the interests of members of the Board of Management with those of shareholders</li> <li>- Retention effect for the member of the Board of Management</li> </ul>

<b>Share matching plan (SMP)</b>	<ul style="list-style-type: none"> <li>- Requires the personal investment made four years earlier</li> <li>- Each year following the end of the four-year holding period for the personal investment</li> <li>- Matching ratio: 1:1 for each share of the personal investment one share will be transferred as matching share</li> <li>- Limited share price development: at 150 percent of the paid STI. In the event that during the holding period the share price increases by more than 150 percent of the STI relevant for the personal investment, the member of the Board of Management will not participate in any further increase of the share price. In this case the matching ratio is below 1:1</li> </ul>	<ul style="list-style-type: none"> <li>- Acts as incentive for long-term increase in shareholder value</li> <li>- Synchronizes the interests of members of the Board of Management with those of shareholders</li> <li>- Retention effect for the member of the Board of Management</li> </ul>
<b>Variable remuneration arising from the achievement of long-term objectives (LTI)</b>	<ul style="list-style-type: none"> <li>- Type of plan: cash-settled and share-based</li> <li>- Term: 4 years (rolling)</li> <li>- Target parameters: 4 equally weighted targets Return On Capital Employed (ROCE) Earning Per Share (EPS) Customer satisfaction Employee satisfaction</li> <li>- Share-based by mapping as virtual shares during the planned term</li> <li>- Taking into account actual dividend payments</li> <li>- Possible achievement of the targets: 0–150 percent</li> <li>- Maximum disbursement possibilities capped at 200 percent</li> </ul>	<ul style="list-style-type: none"> <li>- Achieving multiple-year corporate targets derived from medium-term planning</li> <li>- Acts as incentive for implementation of the long-term corporate strategy</li> <li>- Taking stakeholders' interests into account</li> <li>- Synchronizes the interests of members of the Board of Management with those of shareholders</li> <li>- Retention effect for the member of the Board of Management</li> </ul>

#### 4.2.1 Annual variable remuneration (short-term-incentive/STI) with assessment period of one year

The economic success of the current financial year shall be reflected within the framework of the STI. Furthermore, the Supervisory Board has decided to support the significance of the sustainability strategy by implementing two ESG targets in the variable remuneration with an assessment period of one year. The Supervisory Board considers it important that 1/3 of the STI of the members of the Board of Management responsible for the operative business is assessed based on the success of the

operating segment for which responsibility is assumed. For members of the Board of Management who do not have any operating responsibility, this measurement takes place on a Group level and, depending on the area of responsibility, includes or excludes U.S. business. The objective of this is to reinforce the cross-area collaboration in the Board of Management team and, at the same time, to align a significant percentage of the annual variable remuneration of members of the Board of Management with responsibility for operating business towards the development of the respective operating segment.

GROUP FINANCIAL TARGETS		+	SEGMENT FINANCIAL TARGETS		+	ESG TARGETS		x	PERFORMANCE FACTOR
1/3 of the target amount			1/3 of the target amount			1/3 of the target amount			Personal strategic target + Value adherence
Service revenues	30%		Service revenues	33%	Reduction in CO <sub>2</sub> emissions	50%			
EBITDA AL (unadjusted)	30%		EBITDA AL (unadjusted)	33%	Reduction of energy consumption	50%			
Free cash flow AL	40%		Indirect costs AL (adjusted)	33%					
0%-150%			0%-150%			0%-150%			0.8-1.2

The suffix AL in the table refers to the respective “after leases” KPI.

## Group financial targets

### Service revenues

Service revenues are the revenues that are generated from customers by services (i.e., revenue from fixed and mobile network voice calls – incoming and outgoing calls – as well as data services) plus roaming revenues, monthly basic charges and visitor revenues, as well as revenues generated from the ICT business. As a result, the service revenues are an important indicator for the successful implementation of the growth strategy of the Group. Starting 2021, they will form a component of the annual variable remuneration with an assessment period of one year. In contrast to this, the focus has so far been on total revenues. The reason for this change is the intended focus on revenue elements with greater value in order to avoid an inappropriate incentivization of the Board of Management to maximize revenues in the short-term through low-margin terminal equipment business and the expansion of revenues being more valuable in the long-term. When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the budget value of the planning leads to a target achievement degree of 100 percent. When defining the target achievement, the Supervisory Board has the opportunity to amend the service revenues in order to, at the same time, take significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning.

### EBITDA AL (unadjusted)

EBITDA AL is the most important KPI when it comes to measuring the operating performance of the Company and reflects the result

of our growth strategy on the customer side (consumers and business customers) as well as the savings for promoting investment. EBITDA AL (earnings before interest, taxes, depreciation and amortization) is calculated by adjusting EBITDA for depreciation of the right-of-use assets and for interest expenses on recognized lease liabilities. As a result of the mandatory first-time application of the IFRS 16 accounting standard since the start of the 2019 financial year, this has been taking place i.a. in order to establish the best possible comparability with the KPIs we previously used (in this case EBITDA). As a result, EBITDA AL plays a particular role in capital market communication and, for this reason, is a principle ratio when it comes to the annual capital market guidance (where, as part of the comparability with other telecommunications companies, EBITDA AL adjusted is reported). When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the budget value of the planning leads to a target achievement degree of 100 percent.

### Free cash flow AL

FCF AL is a further important KPI when it comes to measuring the operating performance of the Company that is directly linked to the financial strategy of the Company (ability to pay a dividend and the ability to reduce liabilities). When determining the free cash flow AL, the FCF (cash generated from operations minus payments for investments) is adjusted for the repayment of lease liabilities. As a result of the mandatory first-time application of the IFRS 16 accounting standard since the start of the 2019 financial year, this has been taking place i.a. in order to establish the best possible comparability with the KPIs we previously used (in this case

FCF). As a consequence, FCF AL plays a particular role in capital market communication and, for this reason, is a principle ratio when it comes to the annual capital market guidance. When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the budget value of the planning leads to a target achievement degree of 100 percent.

To improve comparability of our performance indicators with the EBITDA and free cash flow indicators reported in the financial statements of T-Mobile US in accordance with U.S. GAAP, which continues to differentiate between operating and finance leases, expenses and repayments for finance leases at T-Mobile US will not be taken into account when determining EBITDA AL and free cash flow AL.

When defining the target achievement, the Supervisory Board has the opportunity to amend the unadjusted EBITDA AL and the free cash flow AL in order to, at the same time, take significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning.

### Segment financial targets

#### Service revenue and EBITDA AL (unadjusted)

The models stated above apply to both target parameters. The members of the Board of Management in the Germany, Europe, T-Systems and Group Development & U.S. segments are given the KPIs broken down for the segments as defined in the corporate planning as their set of targets. In doing so, the Supervisory Board wishes to incentivize the operational responsibility for the respective segment by linking it to a significant percentage of the

annual variable remuneration. The segment targets for the Chairman of the Board of Management and the Chief Financial Officer are the Group targets for both objectives, the non-operating members of the Board of Management responsible for HR as well as Technology and Innovation are given the respective Group targets excl. U.S.

#### Indirect costs AL (adjusted, Group-external)

The adjusted indirect costs AL are an important gauge for the operational efficiency of the Company and underline our strategic efforts to make savings in order to support investment in growth. Savings made in terms of indirect costs contribute towards the improvement of the operating performance that is reflected in EBITDA AL and free cash flow AL and, consequently, have a positive impact on the valuation of the Company on the capital market. In terms of the incentivization of the members of the Board of Management with operational responsibility, the focus is placed on the Group-external, adjusted indirect costs AL for the respective segment excl. the U.S.; as things stand, setting targets based on the indirect costs in the case of T-Mobile US is not a wise choice as the U.S. Business – as a growth area – is currently not focused on optimizing costs. In a similar manner to the determination of EBITDA AL, the adjusted indirect costs for the adjusted indirect costs AL are also calculated by adjusting for depreciation of the right-of-use assets and for interest expenses on recognized lease liabilities. The segment target for the Chairman of the Board of Management and the members of the Board of Management for Finance, HR, and Technology & Innovation is the adjusted external indirect costs AL for the Group excl. U.S. as the target and the members of the Board of

Management with operating responsibility for Group Development & U.S., Germany, Europe, and T-Systems are given the segment-specific target respectively.

### Description of the ESG targets

#### Reduction of energy consumption

Climate change and the destruction of the environment are existential threats to the world. In the coming years, it is essential to sustainably decouple the economic growth from the use of resources. Companies must therefore significantly increase their energy and resource efficiency and further restrict their absolute energy consumption. This is necessary because even the production of green electricity has a negative impact on the environment. Not only that, there will also be capacity bottlenecks in the production and distribution of green electricity in the foreseeable future that will render it impossible to fully cover the needs of all market participant with green energy. Consequently, the reduction of the absolute energy consumption and, as a result, a decoupling of economic growth and the use of resources will be pursued. For the information and communications technology industry, the aspect of energy and resource efficiency will become increasingly important and it will be expected that the basic consumption of energy remains at least stable in the medium term or even slightly declines despite the build-out of the telecommunications network.

Deutsche Telekom is also aiming to increasingly decouple its growth from the use of resources. Despite an extensive build-out of the telecommunications networks in the coming years, Deutsche Telekom is aiming to keep its absolute energy consumption stable in the

medium-term. To achieve this, the energy efficiency must be significantly increased in light of a high increase in data volume.

The Supervisory Board therefore considers it important to incentivize the Board of Management to at least ensure that energy consumption that is harmful to the environment is kept at least stable in the medium term. This objective is supported by the introduction of programs and investments in energy-saving measures for all energy sources while, at the same time, implementing optimizations and innovations in terms of the future infrastructure and the use of innovative technology components.

#### Reduction of CO<sub>2</sub> emissions

In addition to reducing the energy consumption when it comes to the actual business model, Deutsche Telekom also fulfills its responsibility in terms of climate and resource conservation by working on various initiatives aimed at reducing CO<sub>2</sub> emissions that are generated within the context of the business activities. Therefore, Deutsche Telekom will switch to using 100 percent green electricity in 2021, thus reducing its CO<sub>2</sub> emissions by almost 90 percent. Furthermore, the focus is now being directed at the utilized fossil fuels. By incentivizing the Board of Management with regard to the target of significantly reducing CO<sub>2</sub> emissions, the Supervisory Board expects to sustainably anchoring the use of 100 percent green electricity, optimizing consumption levels in buildings, and successively switching the Group's vehicle fleet from fossil fuels to emission-free or low-emission engine types.

The Supervisory Board reserves the right to amend the utilized ESG targets in the future if this appears necessary due to updates of the sustainability strategy in order to ensure that

Deutsche Telekom is able to implement its ecological responsibility as well as possible.

In terms of the annual variable remuneration, the Group financial/segment/ESG targets are given an equal weighting and can each have a target achievement of between 0 and 150 percent. Any target achievements for individual targets that exceed 150 percent are not taken into account (as 150 percent is the maximum score) and cannot be used to offset any targets with a poorer target achievement level.

Once the total target achievement of these three targets have been defined, the Supervisory Board will apply a performance factor. The performance factor can be between 0.8 and 1.2. When defining the performance factor, the Supervisory Board assesses the strategic individual targets that were agreed with the respective member of the Board of Management prior to the start of the financial year and also assesses the individual value adherence of the member of the Board of Management. Here, the application of the performance factor acts as a penalty for the member of the Board of Management for everything below 1.0 and acts as a bonus for everything above 1.0.

The strategic targets for the Board of Management may be structured as follows:

**Example overview of potential strategic implementation target**

- Acceleration of the digital transformation
- Further development of the "new normal"
- Implementation of the workforce strategy
- Minimization of legal and regulatory risks
- Efficiency increase by lowering indirect costs
- Ensuring ability to refinance
- Ensuring ability to finance strategic priorities of the Group
- Transformation of the IT business
- Ensuring a value-oriented portfolio management
- Ensuring the resiliency of the supply chain and improvements to the effectiveness of the partnering approach
- Increasing innovation potential in terms of delivery and networks

The value adherence consists of six categories which are used in order to help evaluate actions in line with the Group's Guiding Principles on the basis of a 10-point scale. The categories used to determine value adherence are as follows:

**Value adherence categories**

- Delight our Customers
- Act with respect and integrity
- Team together / Team apart
- I am T – count on me
- Stay curious and grow
- Get things done

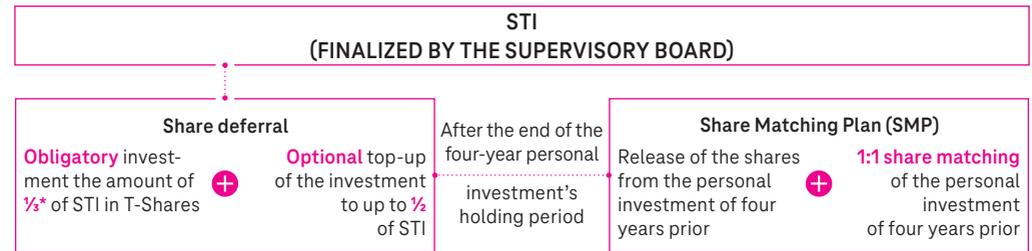
The members of the General Committee discuss their personal impression regarding the performance of each member of the Board of Management in all of the value adherence categories and in relation to the performances of the other members of the Board of Management. With regard to the performances of the ordinary members of the Board of Management, the Chairman of the Board of Management also provides an evaluation of his daily work with his colleagues. At the end of the discussions, the members of the General Committee evaluate each value adherence category on a scale of 1–10 points. Using this evaluation, a mathematical average for all categories is formed which represents the basis of the target achievement for the value adherence. The General Committee then proposes the calculated results to the members of the Supervisory Board for resolution. In the relevant Supervisory Board meeting, the target achievement values as calculated in the General Committee are presented and justified in terms of its content before the target achievement levels are finally defined.

If a top score is achieved in all components of the STI, the highest target achievement level is therefore 180 percent (150 percent x 1.2).

**4.2.2 Obligation to invest/personal investment**

Members of the Board of Management are obligated to invest a sum totaling at least one third of the annual gross STI as determined by the Supervisory Board in Deutsche Telekom AG shares for every year of their appointment. Members of the Board of Management have the option of extending their personal investment to a maximum of 50 percent of the gross STI. The shares are subject to a four-year lock-up period starting from the date of purchase. The shares acquired by the member of the Board of Management for this purpose are held in a spe-

cial blocked security deposit of the administering bank so that it is not possible to access the shares early. Once the four-year retention period has ended, the personal investment made by the member of the Board of Management is automatically transferred into the depositing account of the member of the Board of Management by the administering bank and is then available for the member to use as they see fit. The personal investment made by the member of the Board of Management then qualifies them to participate in the share matching plan.



**4.2.3 Share matching plan (SMP)**

The personal investment made by the member of the Board of Management then allows them to participate in the share matching plan. Once the four-year retention period for the personal investment is over, it is not only the obligation to retain the share that is ended, a free additional share is transferred to the deposit account of member of the Board of Management for each share purchased by way of personal investment. The shares transferred in this manner are available for the member to use as they see fit as soon as they are transferred for the member of the Board of Management. However, the transfer of the shares results in a non-cash benefit for the member of the Board of Management and is taxed as income within the context of the salary statement which follows

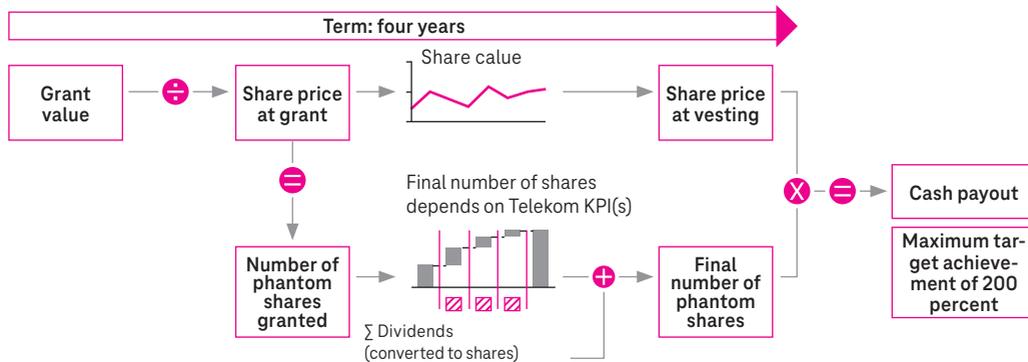
the transfer of the shares. When the matching shares are transferred, the share price development in relation to the equivalent value is capped at 150 percent of the relevant STI in the year of the personal investment. This ensures that, when the matching shares are transferred, the equivalent value of these shares do not amount to more than 150 percent of the relevant STI. If this case should become a reality, the cap would mean that the matching ratio of a share would decrease to the detriment of the member of the Board of Management for each invested share.

#### 4.2.4 Long-term variable remuneration (long-term-incentive/LTI) with a perennial assessment period

Potential payments from the LTI are significantly determined by the strategic success factors derived from the long-term corporate planning in order to ensure that members of the Board of Management orient their actions in particular towards the KPIs that are especially important for the long-term development of the Company. Furthermore, payments from the LTI also depend on the share price development of Deutsche Telekom over the four-year planning period. This ensures that the interests of the shareholders are in line with the interests of the Board of Management. As is the case with the

share matching plan, a further aim of the LTI is to help retain members of the Board of Management at the Company.

All four utilized strategic success factors are given the same weighting and, prior to the plan's start, are given an appropriate ambition level by the Supervisory Board for the entire four-year planning period. Each success factor can earn a target achievement level of between 0 and 150 percent. The impact of the share price development on the amount of the LTI has been capped by the Supervisory Board in such a manner that the maximum payout volume of the LTI cannot exceed 200 percent of the grant value.



The LTI that is exclusively oriented towards the achievement of long-term targets will be issued annually in tranches over a four-year period. The members of the Board of Management participate in the respective tranche to the amount of the grant value as stated in the contract which is converted into phantom shares on the basis of a 100 percent target achievement level at the start of the planning period. During the conversion, the non-weighted averages of the closing prices of the Deutsche Telekom shares in the XETRA trading system of Deutsche Börse during the last ten trad-

ing days before the start or end of the plan are used.

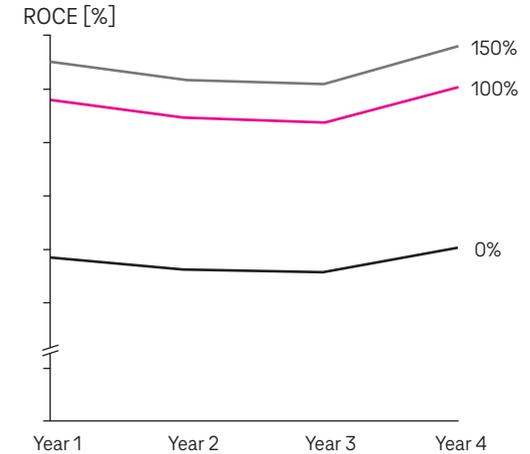
The volume of phantom shares increases over the term of the LTI as a result of the dividends actually paid out by Deutsche Telekom during the planning period. Each dividend payout is converted into phantom shares on the basis of the closing price of the XETRA trading system of Deutsche Börse on the day after the shareholders' meeting and increases the volume of phantom shares held by the members of the Board of Management.

At the end of the planning period, the resulting final number of phantom shares is calculated following the final determination of the target achievement of the strategic success factors from the final plan year by the Supervisory Board. The conversion of the shares into a monetary value is carried out in a similar way to the conversion at the start of the plan. Following the first shareholders' meeting following the end of the planning period, the LTI can be paid out together with the last dividend payout to the members of the Board of Management.

#### Return on capital employed (ROCE)

A central financial performance indicator at the Deutsche Telekom Group is the **Return on Capital Employed (ROCE)**. ROCE is the ratio of operating result after depreciation, amortization and impairment losses plus imputed taxes (net operating profit after taxes (NOPAT)) to the average value of the assets tied up in the course of the year (net operating assets, NOA). The objective of ROCE is to achieve or exceed the return targets imposed on us by providers of debt capital and equity on the basis of capital market requirements. We measure return targets using the weighted average cost of capital (WACC). The indicator measures how efficiently revenue is generated with the capital employed. ROCE is especially informative when taking a long-term view, because it takes into account both the value of the assets that are tied up in the capital-intensive infrastructure, and their utilization. This reveals the crucial advantage of this KPI. It does not focus on the absolute amount of the earnings generated, but rather how much earnings the capital employed generates.

Example of the ambition curve of the ROCE performance parameter in an LTI tranche:



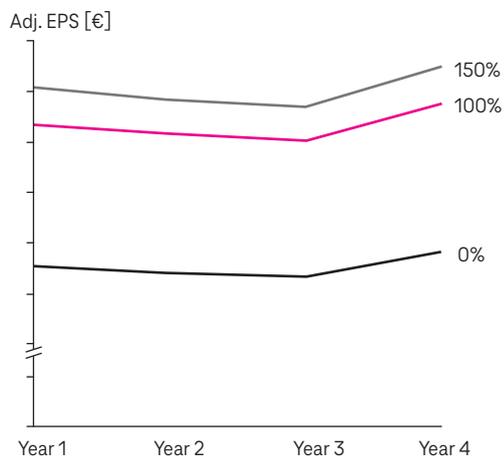
When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the values of the planning (budget as well as following plan years) and the ROCE derived therefrom result in a target achievement degree of at least 100 percent. Positive deviations to the planning values can increase the target achievement for each plan year to a maximum of 150 percent and negative deviations can reduce it to 0 percent. When deriving the target achievement, the Supervisory Board has the option of adjusting the ROCE for significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning in order to ensure that the Board of Management does not make decision that could lead to the maximization of ROCE but do not correspond to the long-term interests of the Company.

#### Adjusted earnings per share (EPS)

A further significant performance indicator at Deutsche Telekom is the adjusted earnings per

share (adjusted EPS). The earnings per share are calculated as the adjusted net profit in relation to the adjusted, weighted average number of ordinary shares outstanding. As the net profit takes all income and expenses as well as the minority interests from the current period into consideration, the earnings per share are a very good gage to determine the level of the dividend (currently anchored in the Group's financial strategy). When defining the ambition level, the Supervisory Board uses the prepared medium-term planning of Deutsche Telekom. Reaching the values of the planning (budget as well as following plan years) results in a target achievement degree of at least 100 percent. When defining the target achievement, the Supervisory Board has the opportunity to amend the adjusted earnings per share in order to, at the same time, reflect significant and extraordinary effects that were not taken into account at all or were considered differently in the corporate planning.

Example of the ambition curve of the EPS performance parameter in an LTI tranche:



### Customer loyalty/satisfaction (TRI\*M)

At Deutsche Telekom, the **customer loyalty/satisfaction** is determined with the help of the globally recognized TRI\*M method. The results of systematic surveys from an external service provider are expressed by an indicator known as the TRI\*M index. This index combines questions on customer satisfaction, the likelihood of recommendation to others, the further willingness of use, and the competitive advantage and, consequently, covers the decisive aspects for the evaluation of customer loyalty and, as a result, offers a greater added value compared to other determination methods that, in some instances, only measure customer loyalty via a single category. In doing so, the TRI\*M indexes calculated for all the included operating entities are aggregated as an approximation of the respective entities' percentage of total revenue to create an TRI\*M Group value. When preparing the ambition level, the Supervisory Board takes the individual competitive situation of the individual units involved into consideration. In principle, the target is to also become the leader in terms of customer loyalty in the markets. With regard to the consolidated units, there are companies that are already the leaders in the markets in terms of perceived customer loyalty so that maintaining this competitive advantage already represents the economically required ambition level. In other markets, the Group companies are significantly behind the market leaders so that the Supervisory Board expects increases with regard to customer loyalty in order to achieve the desired level. The total target achievement of the customer loyalty/satisfaction success factor is determined from the average of the results from the four plan years.

### Employee satisfaction

The most important feedback instruments across the Group (excluding T-Mobile US) for assessing employee satisfaction include regular employee surveys and the pulse surveys carried out twice a year. To this end, an "engagement index" – determined from the results of the most recent employee survey – is measured as an employee performance indicator at Deutsche Telekom. From the regularly used set of questions, the Supervisory Board selected some of the questions that it believes are of particular significance when it comes to evaluating employee satisfaction. For these questions, the Supervisory Board analyzes the development of the response behavior from the past and defines target levels that it considers to be worthwhile for future survey results. For each plan year,

	Target value year 01	Result year 01	Determination of the total target achievement	
Question 1	60	60	Target achievement year 01	120%
Question 2	68	70	Target achievement year 02	90%
Question 3	55	57	Target achievement year 03	100%
Question 4	54	61	Target achievement year 04	130%
Question 5	72	71		
Average	62	64		
Target achievement year 01		120%	Total target achievement	110%

The Supervisory Board considers it important that the response behavior of the employees remains free from opportunities to interfere, i.e., by managers. Therefore, the Supervisory Board does not publish questions it believes to be particularly relevant – either internally or externally – that it has made part of the employee satisfaction success parameter within the framework of the LTI.

### 4.2.5 Bonus for extraordinary performance

The Supervisory Board reserves the right to, in exceptional circumstances, grant a member

the Supervisory Board consequently generates an ambition level as an average value of the relevant questions whereby all questions are given the same weighting. When deriving the target achievements, the Supervisory Board calculated the average of the relevant questions from the current survey results from the relevant year and compares them to the determined target values at the start of the plan. Every over achievement or under achievement in terms of the plan value by a value of one percentage point increases/decreases the final target achievement by ten percentage points respectively. The total target achievement of the customer satisfaction success factor is calculated from the average of the results from all four tranches. An example of the method used for target achievement is provided below:

of the Board of Management a bonus for extraordinary performance for services that are particularly beneficial to the Company.

The Supervisory Board will only make use of this opportunity provided that it contributes to supporting the business strategy and the long-term development of the Company. The bonus is a one-off payment and does not constitute a legal claim for the future.

## 5. Components no longer present in the compensation system

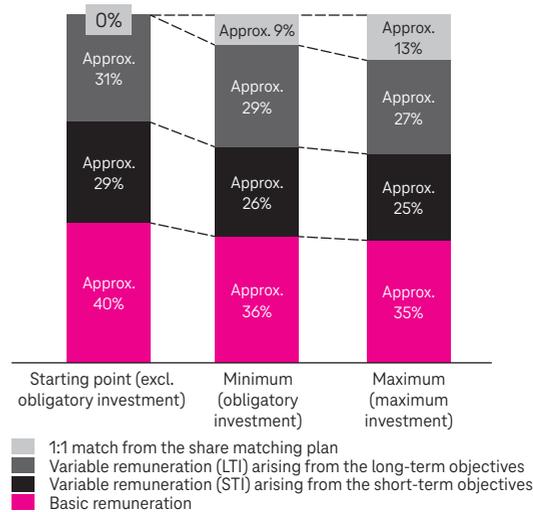
### Board of Management pension

With the introduction of the new Board of Management compensation system, the Supervisory Board has decided to no longer commit to granting a company pension scheme for newly appointed members of the Board of Management. As a result, the financing of a pension plan is the sole responsibility of the respective member of the Board of Management. This decision means that, in the future, the individual biometric risks and the interest rate risks to finance the pension commitment for the Company will not apply. A special rule applies for the pension plans that are already in place for the members of the Board of Management who were already on the Board of Management at Deutsche Telekom before this new system was introduced. Please see the explanations under “12. Temporary deviations from the compensation system” for further information.

## 6. Compensation structure

The relation of the variable remuneration elements to each other at Deutsche Telekom is, in accordance with the regulatory provisions, primarily oriented towards the achievement of long-term targets. This focus ensures that the compensation structure is oriented towards a sustainable and long-term development of the Company and the compensation of the members of the Board of Management contributes towards supporting the Company strategy and the long-term development of the Company. The extent to which the long-term

component exceeds the short-term portion is, among other things, determined by the investment behavior of the members of the Board of Management. The following illustration shows the relation of the remuneration components based on the contractually agreed target values to one another. The non-variable components are exclusively presented using the basic remuneration and do not include remuneration in kind or other fringe benefits.



In the first column, the remuneration relation is calculated excluding the consequences regarding the members of the Board of Management obligation to invest and the share matching plan. When reviewing the system, the recruitments of new members of the Board of Management, and the monetary-based graduation of the individual members of the Board of Management, the Supervisory Board is guided by this form of presentation. The presentation in the second column shows the relation in consideration of the obligatory investment and

the share matching plan and the third column illustrates the relation in the event of maximum investment.

The existing relation of the remuneration components to each other also ensures that the variable remuneration components are primarily invested in Company shares or are based on shares. The Board of Management compensation system at Deutsche Telekom includes both variants. The share matching plan with the existing prior obligation to invest is based on real Deutsche Telekom shares. The phantom share plan takes into consideration the share price performance on the basis of virtual shares that are converted to cash sums at the start and end of the plan. Based on this, the following relations with respect to the proportion of long-term compared to short-term remuneration as well as share-based compared to non-share-based remuneration of the members of the Board of Management are calculated.

Taking into consideration the minimum investment	Long-term	:	Short-term
	Share-based	:	Non-share-based
	73	:	27

Taking into consideration the maximum investment	Long-term	:	Short-term
	Share-based	:	Non-share-based
	81	:	19

In both investment versions, the share of the long-term targets significantly exceeds the share of the short-term targets. The same applies to the share-based components compared to the non-share-based components within the variable remuneration components.

Mr. Höttges is in a different situation as a result of the deviations concerning the compensation system on account of his pension agreement.

## 7. Limitation of the variable remuneration components and the total compensation (caps)

When defining the target parameters relevant for the variable remuneration components, the Supervisory Board ensures that they are challenging and that they offer a balanced risk and opportunity profile without tempting the members of the Board of Management to take inappropriate risks. All of the variable remuneration components for the compensation of the Board of Management are capped in terms of monetary value.

Remuneration component	Cap	Structure
Annual variable remuneration (STI) with an assessment period of one year	180%	- Maximum of 150% for each KPI used - Through the application of the performance factor, maximum total target achievement of 180% of the STI target value
Share matching plan (SMP)	150%	- Share price performance of the shares to be transferred is capped at a maximum value of 150% of the STI in the year of the investment
Long-term variable remuneration (LTI) with an assessment period of several years	200%	- Maximum of 150% for each KPI used - While taking the share price development of the phantom shares into account, the total target achievement is capped at 200%.

The maximum threshold level for the total compensation defined in accordance with § 87a (1), sentence 2, no. 1 AktG for ordinary members of the Board of Management is EUR 5,300,000 and EUR 8,500,000 for the Chairman of the Board of Management. The maximum threshold level for the total compensation comprises all of the remuneration components as presented below:

Elements of the maximum total compensation threshold	
<b>Fixed compensation elements</b>	- Basic remuneration - Remuneration in kind - Other fringe benefits
<b>Variable compensation elements</b>	- Annual variable compensation (STI) - Share matching plan (SMP) - Long-term variable compensation (LTI) - Extraordinary performance-based remuneration

## 8. Clawback rules for variable remuneration components

In accordance with § 87 (2) AktG, the Supervisory Board is authorized to reduce the remuneration for the future to an appropriate level or to amend the structure of the total compensation as well as the structure of the remuneration components in order to ensure an appropriate level of compensation. In doing so, the position of the Company and that of its affiliated companies must be taken into consideration.

In addition to the relevant statutory provisions which stipulate that the Supervisory Board shall – in the event of a breach of duty by members of the Board of Management – minimize the financial damage to the Company and, where necessary, make claims for damages against the members of the Board of Management, the following clawback rule applies for the members of the Board of Management of Deutsche Telekom: The Supervisory Board has the right to reclaim payments made to the members of the Board of Management from the STI and LTI if it is found that the payment was carried out wrongfully, entirely or in part, because the Supervisory Board had received information regarding the decision determining the level of target achievement which was evidently incomplete or incorrect. The reimbursement claims expire three years after the erroneous definition of the target achievement was made.

## 9. Share ownership guideline – SOG

In order to harmonize the interests of the Board of Management and the sharehold-

ers of Deutsche Telekom as well as to reinforce a sustainable development, the obligations to purchase and retain shares (share ownership guideline) are a significant element of the compensation system for the Board of Management. Members of the Board of Management are obligated to invest a third of the gross amount of the annual variable remuneration as stipulated by the Supervisory Board (STI) in Deutsche Telekom shares (deferral). Members of the Board of Management also have the option of extending their obligatory personal investment to a maximum of 50 percent of the gross STI. The shares purchased in this way will be held in a separate blocked security deposit at the bank responsible for the administration for exactly four years so that the shares cannot be sold early. After this four-year period, the member of the Board of Management receives the shares from the personal investment transferred to a deposit account for her/his free disposal. Within the context of the share matching plan and provided that the member of the Board of Management is still in the role at the Company, the member of the Board of Management receives one share free of charge from Deutsche Telekom for each released share from the personal investment for her/his free disposal. Structuring this share deferral in combination with the share matching plan ensures that the members of the Board of Management establish and maintain a significant amount of shares within the four year rolling lock-up period during their appointment with which they are also participating in the long-term development of the Company – both positively and negatively. In this way, the requirements from the German Corporate Governance Code (GCGC) and all stipulations from the AktG concerning the alignment of compensation towards a sustainable compa-

ny development are met. The member of the Board of Management is given the duration of initial appointment to build up their number of shares. The equivalent value of one annual basic remuneration must be demonstrably held in Deutsche Telekom shares no later than at the time of the payment of the third STI.

The following table illustrates an example of how the personal investments and transfers from the share matching plan respectively develop for an investment of one-third (first table) or half (second table) over a period of eight years (three years for the initial appointment and a reappointment for five years). The calculations assume that, for the period in

question, the STI always remains the same at EUR 1,000,000, that no shares are sold during the eight year period, that the share price remains the same for the entire period, and that the member of the Board of Management receives a basic remuneration of EUR 1,000,000.

Therefore, making an annual obligatory investment amounting to one-third of the STI results in achieving an equivalent value of an annual basic compensation in Deutsche Telekom shares in year 4. Making the maximum investment totaling 50 percent of the annual STI will result in reaching the equivalent value of one annual basic compensation in shares after three years.

### Example of the development of the share volume when obligatory investment is made

	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08
STI	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Obligatory investment ⅓ of the STI in €		333,333	333,333	333,333	333,333	333,333	333,333	333,333
Transfer of matching shares in €						333,333	333,333	333,333
Value of obligatory investment and matching shares per year in €		333,333	333,333	333,333	333,333	666,667	666,667	666,667
Accumulated value over time in €		333,333	666,667	1,000,000	1,333,333	2,000,000	2,666,667	3,333,333
Equivalent value of a basic remuneration in %				100%	133%	200%	267%	333%

### Example of the development of the share volume when the maximum investment is made

	Year 01	Year 02	Year 03	Year 04	Year 05	Year 06	Year 07	Year 08
STI	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Maximum investment ½ of the STI in €		500,000	500,000	500,000	500,000	500,000	500,000	500,000
Transfer of matching shares in €						500,000	500,000	500,000
Value of obligatory investment and matching shares in €		500,000	500,000	500,000	500,000	1,000,000	1,000,000	1,000,000
Accumulated value over time in €		500,000	1,000,000	1,500,000	2,000,000	3,000,000	4,000,000	5,000,000
Equivalent value of a basic remuneration in %				100%	150%	200%	300%	500%

In both scenarios, the earliest point in which some of the shares from the personal investment and the received matching shares can be sold is in year 06.

Within the context of the new compensation system, the Supervisory Board can introduce additional share ownership guidelines that go beyond the rules as described here.

## **10. Commitments in connection with the termination of the Board of Management membership**

### **10.1 Severance payments**

The existing rules concerning the payout of a severance payment if the membership on the Board of Management is terminated early at the instigation of the Company do not exceed the value of two annual remunerations (severance cap) and do not total more than the remaining term of the service contract. If compensation is paid for the period of prohibition of competition due to an existing post-contractual prohibition of competition, it is ensured that these compensation payments are set off against the volume of the severance entitlement.

### **10.2 Processing of the remuneration components upon termination**

In the event of termination, the existing remuneration components are significantly defined by the primary reason for the termination. Essentially, the member of the Board of Management will continue to receive the monthly basic remuneration and the ongoing fringe benefits until the point of termination. This also applies to the entitlement to participate in the variable remuneration that is calculated on the basis of the achievement of short-term incentives (STI). The STI is paid out in the same way and at the same time as for the still-active members of the Board of Management in accordance with the respective rules of the Company. The concrete reason for the termination is decisive with regard to the further participation in the variable remuneration calculated based on the achievement of long-term incentives (LTI) and the share matching

plan. Depending on the reason for the termination, the plans may be completely forfeited or the members may be able to continue participating on a full or pro-rata basis. It is ensured that, when outstanding variable compensation components are paid, no deviations from the agreed targets and comparison parameters or from the due dates or holding period as defined in the contract occur.

### **10.3 Post-contractual prohibitions of competition**

Board of Management member service contracts generally stipulate a post-contractual prohibition of competition. Pursuant to these provisions, members of the Board of Management are prohibited from rendering services to or on behalf of a competitor for the duration of one year following their departure. To this end, the members of the Board of Management are paid a compensation for the period of prohibition of competition. The sum is 50 percent of the most recent basic remuneration and 50 percent from the most recent variable I (STI) assuming a target achievement of 100 percent. Compensation to be paid for the period of prohibition of competition will be set off against the total of a potential severance payment. In the event of an upcoming contract termination, Deutsche Telekom AG has the right to cancel the post-contractual prohibition of competition provided that appropriate notice is observed. If the agreed deadline is observed, the member of the Board of Management would not receive a compensation payment.

### **10.4 Incapacity for work**

Temporary incapacities for work as a result of an uninterrupted period of illness-related ab-

sence up to a period of one month have no impact on the continued payment of the contractually agreed remuneration components. In the event of longer absences due to illness, the basic remuneration will be paid for a maximum of six months and, with regard to variable remuneration components, participation is only permitted on the basis of a pro-rata calculation. Service contracts for the Board of Management will end automatically at the end of the month in which a permanent incapacity for work is determined for the member of the Board of Management in question. In such a case, there is no entitlement to a severance payment.

### **10.5 Change of control clauses**

The service contracts for the Board of Management at Deutsche Telekom AG contain no commitments in relation to the early termination of the employment contract of the member of the Board of Management due to a change of control.

## **11. Board-related payments**

### **11.1. Group-internal boards**

It is expected that members of the Board of Management assume certain Group-internal Supervisory Board or Advisory Council seats within the context of the responsibilities as regulated in the schedule of responsibilities. Wherever legally possible, the members of the Management Board will forgo the compensation payable for such seats. If this is not possible or if the acceptance of the compensation results in an economic advantage for Deutsche Telekom, the compensation payable

can be accepted but, in such a case, it will be offset against the payable basic remuneration so that, ultimately, the member of the Board of Management has no economic advantage.

### **11.2 Group-external boards**

External secondary occupations always require an explicit pre-approval from the Supervisory Board. In every case, the Supervisory Board very closely examines the expected time associated with such a seat on a board and the advantages that such a seat will bring for Deutsche Telekom AG and will also bring for the personal development of the member of the Board of Management. Furthermore, the Supervisory Board also ensures that no member of the Board of Management assumes more than two seats on the Supervisory Board of non-group listed companies or similar roles and that no role is taken as Chair of the Supervisory Board of a non-group listed company. If a seat on the supervisory board of a non-group company is assumed, the Supervisory Board will always decide whether or to what extent the compensation for this seat will be offset against the compensation of the Board of Management.

## **12. Temporary deviations from the compensation system**

### **12.1 General temporary deviations**

In special justified exceptional cases, it is possible to temporarily deviate from individual components of the compensation system as described here if this is necessary for Deutsche Telekom's long-term wellbeing and is appropriate to maintain the incentive effect of

the compensation of the Board of Management. The compensation of the Board of Management will continue to be oriented towards the sustainable and long-term development of the Company and shall not overwhelm the financial capacity of the Company. Such a justified exceptional case could include unusual and far-reaching changes to the economic situation which make it impossible for the originally defined target criteria to be achieved, thus nullifying the incentive effect of the compensation system of the Board of Management if they or their concrete impacts for the Supervisory Board were not foreseeable at the time at which the targets were defined. However, general unfavorable market developments explicitly do not qualify as a justified exceptional case. The Supervisory Board at Deutsche Telekom AG must adopt a resolution for such a temporary deviation. Temporary deviations may occur within the context of the obligatory personal investment if, at the time of the obligation to purchase, information relevant in terms of insider trading policy is available that would make the trading of shares with Deutsche Telekom impossible. In such a case, the period to accumulate shares within the framework of the share ownership guide could also become affected. This guide would also need to be amended. In exceptional cases, temporary deviations may also have to take place within the framework of the STI or LTI performance criteria.

The Supervisory Board plans to switch all of the currently appointed members of the Board of Management to the new compensation system for the Board of Management. However, the Supervisory Board is also aware that amendments to the German Stock Corporation Act as well as the 2020 version of the

German Corporate Governance Code contain rules pertaining to the protection of existing conditions that allow members of the Board of Management to be left in the current compensation system if they do not agree to the switch. If this occurs, the Supervisory Board will respect the rules pertaining to the protection of existing conditions and will only implement the transfer to the new compensation system in the event of a reappointment.

## **12.2 Chairman of the Board of Management deviations**

With regard to the current members of the Board of Management, only Mr. Höttges has a defined benefit pension plan in the form of a lifelong pension payment. Due to the longstanding nature of this commitment and the pension entitlement gained through this commitment, any replacement of this commitment would result in significant costs that cannot be in the interests of Deutsche Telekom. The Supervisory Board has therefore resolved to continue the company pension plan for Mr. Höttges without change for the current appointment. The details of the existing company pension plan of Mr. Höttges will therefore be presented here.

The company pension plan of Mr. Höttges is directly linked to his annual basic remuneration. Up until 2018, Mr. Höttges received a defined percentage of the most recent basic remuneration prior to the qualifying event as a company pension scheme for each completed year of service. The pension commitment may be in the form of a life-long retirement pension upon reaching the age of 62 or in the form of an early retirement pension upon reaching the age of 60. Opting for the early retirement

pension scheme is connected with actuarial deductions. The company pension is calculated by multiplying a basic percentage rate of 5 percent by the number of years of service as a member of the Board of Management. After ten years of service, Mr. Höttges had attained the maximum pension level of 50 percent of the last fixed annual remuneration. Following Mr. Höttges' reappointment and the adjustment to his basic remuneration, the Supervisory Board decided to dynamically increase his pension entitlements accrued up to December 31, 2018 by 2.4 percent per year. The primary measurement base for calculation for the dynamization was the basic remuneration valid up to December 31, 2018. Future increases in his remuneration will thus not lead to higher pension payments. The pension payments to be made upon retirement increase dynamically, at a rate of 1 percent per year. In addition, the pension agreement includes arrangements for pensions for surviving dependents in the form of entitlements for widows and orphans. In specifically provided exceptional cases, entitlement to a widow's pension is ruled out. The standard criteria for eligibility in the pension commitments are in line with market conditions. In the event of a permanent incapacity for work (invalidity), the beneficiary is also entitled to the pension credit accrued.

The Supervisory Board believes that the presented compensation system of the Board of Management corresponds to the national and international standards of good and responsible corporate governance. All of the recommendations of the German Corporate Governance Code (2020 version) and the requirements of the German Stock Corporation Act are met. The success parameters relevant in terms of the compensation of the Board of

Management are in line with the strategy and objective of Deutsche Telekom meaning that the compensation of the Board of Management contributes towards a sustainable development of the Company.

# Compensation of Supervisory Board members (item 10 of the agenda)

## 1. Objectives of Supervisory Board compensation and relevance to the Company strategy

The key duties of the Supervisory Board include monitoring the Board of Management's activities to manage the business. Supervisor Board compensation must be structured to ensure the independence of the Supervisory Board required for its monitoring duties. Supervisory Board compensation at Deutsche Telekom AG consists exclusively of fixed remuneration components and attendance fees. The amount of remuneration paid to individual Supervisory Board members depends exclusively on the duties assumed on the Supervisory Board and/or its committees, as well as the scope of participation in its meetings. As such, the structure of Supervisory Board compensation at Deutsche Telekom AG represents a counterbalance to the primarily performance-based Board of Management compensation at Deutsche Telekom AG. This approach strengthens the independence of the Supervisory Board and thus the long-term development of Deutsche Telekom AG. Although Supervisory Board compensation is not directly linked with the success of the Company's strategy, it still contributes to the successful implementation of the Company's strategy.

## 2. Determination of and process to review Supervisory Board compensation

The compensation of Supervisory Board members, which is subject to the compensa-

tion system described here, is regulated in § 13 of the Deutsche Telekom AG Articles of Incorporation. This is as follows:

### “§ 13 Remuneration

- (1) In addition to reimbursement for cash expenses and value-added tax paid on remuneration and expenses, the members of the Supervisory Board shall receive fixed annual remuneration of EUR 70,000.
- (2) The Chairman of the Supervisory Board shall receive EUR 70,000 in addition to the remuneration stated in (1) hereof, and the Deputy Chairman EUR 35,000.
- (3) Members of the Supervisory Board also receive compensation as follows for activities on Supervisory Board committees:
  - (a) The Chairman of the Audit Committee EUR 80,000, all other Audit Committee members EUR 40,000,
  - (b) The Chairman of the General Committee EUR 70,000, all other General Committee members EUR 30,000,
  - (c) The Chairman of the Nomination Committee EUR 25,000, all other Nomination Committee members EUR 12,500,

(d) The Chairman of another committee EUR 40,000, all other members of a committee EUR 25,000. Chairpersonship and membership of the Mediation Committee are not remunerated.

- (4) Further, members of the Supervisory Board shall receive an attendance fee amounting to EUR 1,000.00 for each meeting of the Supervisory Board or its committees attended by them.
- (5) Members of the Supervisory Board who are on the Supervisory Board for only part of the financial year in question shall receive one twelfth of the remuneration for every month of membership or part thereof. The same shall apply to the increase in remuneration for the Supervisory Board Chairman and Deputy Chairman pursuant to (2) hereof and to the increase in remuneration for Supervisory Board committee membership or chairmanship pursuant to (3) hereof.
- (6) The remuneration pursuant to (1) hereof and the attendance fee shall fall due at the end of the shareholders' meeting to which the consolidated financial statements for the financial year in question are presented or which decides on its approval.”

The Supervisory Board reviews on an ad hoc basis the appropriateness of the components, amount, and structure of its compensation. The Supervisory Board is supported by the General Committee in these efforts. To this end, the General Committee evaluates Supervisory Board remuneration at similar companies, particularly those also represented in the DAX index; compares them with the compensation of the Supervisory Board at Deutsche

Telekom AG with regard to components, amount, and structure of said remuneration; and reports the results to the Supervisory Board. Based on this analysis and taking into account the importance and effort required by the work on the Supervisory Board and its committees, the Supervisory Board then decides whether changes to its remuneration are necessary. The last change to Supervisory Board remuneration in 2016 was also made in accordance with this process, on the initiative of the Supervisory Board.

Due to the particular nature of the Supervisory Board compensation, which is granted for activities that are fundamentally different from the activities of employees of Deutsche Telekom AG and the Deutsche Telekom Group, a “vertical comparison” with employee compensation is not relevant to the review and determination of the compensation. Accordingly, the definition of a group of employees who must be included in such a comparison is unnecessary.

Since the amendment of the German Stock Corporation Act through the Act Implementing the Second Shareholders' Rights Directive (ARUG II) § 113 (3) sentence 1 AktG provides that the shareholders' meeting must resolve on the compensation of Supervisory Board members every four years; a resolution that confirms the compensation is permitted. In preparation for this resolution, the Supervisory Board will perform an analysis of its compensation at least every four years in future. The Supervisory Board and Board of Management will submit the compensation of the Supervisory Board members for resolution at least every four years. In the event there are grounds for changing the compensation of

the Supervisory Board members, the Board of Management and Supervisory Board will also submit a proposal for a corresponding amendment of § 13 of the Deutsche Telekom AG Articles of Incorporation in this context. This may also provide that the Supervisory Board compensation be determined according to the changed provision in the Articles of Incorporation for the entire financial year in which the change to the Articles of Incorporation is entered in the commercial register. Should the shareholders' meeting fail to reach the necessary majority for a resolution, a reviewed Supervisory Board compensation must be submitted at the next ordinary shareholders' meeting at the latest.

It is only natural that the members of the Supervisory Board be involved in the structuring of the compensation and underlying compensation system that is applicable to them. The resulting conflict of interest is offset, however, by the fact that the final decision on the structure of the compensation and the underlying compensation system is assigned by force of law to the shareholders' meeting, which is presented a resolution proposal by both the Supervisory Board and the Board of Management.

### **3. Compensation-related transactions, term of appointment, age limit**

The remuneration entitlements of individual Supervisory Board members result from the cooperative legal relationship established between the Company and the Supervisory Board member through their election to the Supervisory Board and their acceptance, and which is structured by the Articles of Incorporation and possibly a resolution on Supervisory Board compensation by the shareholders' meeting. Accordingly, no agreements on Su-

pervisory Board compensation exist between Deutsche Telekom AG and the Supervisory Board members.

The term of appointment of Supervisory Board members is regulated by § 9 (2) of the Deutsche Telekom AG Articles of Incorporation as follows:

“The members of the Supervisory Board shall be elected for the period ending with the shareholders' meeting that approves the actions of the Supervisory Board for the fourth financial year following commencement of tenure of office. The financial year in which tenure of office commences shall not be counted. The shareholders' meeting may determine, for members representing shareholders, a shorter tenure of office at the time of their election. A successor to a member representing shareholders who has resigned prior to expiry of his/her tenure of office shall be elected for the remainder of the retired member's tenure of office, unless the successor's tenure of office is otherwise determined by the shareholders' meeting.”

The Supervisory Board has decided to normally define the term of office for nominations of members representing shareholders as the period ending with the shareholders' meeting that approves the actions of the Supervisory Board for the third financial year following commencement of term of office. The financial year in which term of office commences shall not be counted.

The removal of Supervisory Board members is possible according to the requirements of the statutory provisions applicable at the time. Members of the Supervisory Board may resign

from their office pursuant to § 9 (4) of the Deutsche Telekom AG Articles of Incorporation by written notice to the Chairman of the Supervisory Board or to the Board of Management, giving notice of four weeks. This shall be without prejudice to the right to resignation for good cause.

Members of the Supervisory Board who are on the Supervisory Board for only part of the financial year in question shall receive one twelfth of the remuneration for every month of membership or part thereof. The same shall apply to the increase in remuneration for the Supervisory Board Chairman and Deputy Chairman and to the increase in remuneration for Supervisory Board committee membership or chairmanship. Aside from this, there is no further remuneration in case of retirement from the Supervisory Board.

### **4. Components, amount, and structure of Supervisory Board remuneration**

According to the provisions defined in the Articles of Incorporation, each member of the Supervisory Board receives fixed annual basic remuneration in the amount of EUR 70,000.00. The Chairman of the Supervisory Board and the Deputy Chairman receive increased basic remuneration for the increased organizational and administrative efforts associated with their activities and for their responsibility for the successful, efficient collaboration of the overall Board. The increase amounts to EUR 70,000.00 for the Chairman and EUR 35,000.00 for the Deputy Chairman.

Additional compensation is paid for membership of committees of the Supervisory Board in light of the importance of committee work and the increased preparation and work required. The amounts differ between individual com-

mittees. Accordingly, the Chairman of the Audit Committee receives EUR 80,000.00, each other member of the Audit committee receives EUR 40,000.00, the Chairman of the General Committee receives EUR 70,000.00, each other member of the General Committee receives EUR 30,000.00, the Chairman of the Nomination Committee receives EUR 25,000.00, and each other member of the Nomination Committee receives EUR 12,500.00. For all other committees with the exception of the Mediation Committee, the respective committee chairman receives EUR 40,000.00 and each other committee member receives EUR 25,000.00. Chairpersonship and membership of the Mediation Committee are not remunerated.

To take proper account of the time required by meeting attendance in Supervisory Board remuneration, members of the Supervisory Board also receive an attendance fee of EUR 1,000.00 for each meeting of the Supervisory Board and its committees that they attend.

The remuneration and the attendance fee shall fall due at the end of the shareholders' meeting to which the consolidated financial statements for the financial year in question are presented or which decides on its approval.

In the interest of the Company, the Supervisory Board members are covered by a directors and officers (D&O) liability insurance policy. The Company shall pay the premiums.

The Company shall reimburse all Supervisory Board members for their expenses and for the value-added tax on their remuneration. The Company shall also support the members of the Supervisory Board, within reason, with their induction and with further education and training measures.

# Right to attend, voting rights and voting by proxy

## Conditions for attendance and exercising voting rights

Under § 16 (1) of the Articles of Incorporation, shareholders are entitled to attend the shareholders' meeting (which in the present case can only be exercised for shareholders by the Company-appointed proxies) and to exercise their voting rights if they have been entered in the shareholders' register and have registered for attendance by

## midnight on Monday, March 29, 2021, (CEST) at the latest,

with such registration being addressed to the Company at:

**DTAG Hauptversammlung 2021  
c/o ADEUS Aktienregister-Service-GmbH  
20683 Hamburg, Germany**

or by e-mail to [hv-service@telekom.de](mailto:hv-service@telekom.de)

or by using the password-protected **Internet Dialog** in accordance with the procedure provided for this purpose on the website

[www.telekom.com/hv-service](http://www.telekom.com/hv-service).

The registration must be received by the above date in order to be deemed to have been made on time. If the password-protected Internet Dialog is used, the requirements and conditions stated under "Using the password-protected Internet Dialog" shall be observed.

In accordance with § 67 (2) sentence 1 of the German Stock Corporation Act (AktG), only those parties shall be deemed to be shareholders of the Company in their relationship with same who have been entered as such in the shareholders' register. As such, with regard to the exercise of rights arising from a share, particularly the question as to whether the conditions for attendance and exercising voting rights at shareholders' meetings are met, the Company shall consider those individuals who are recorded in the shareholders' register to be shareholders. Accordingly, the right to attend (which in the present case can only be exercised for shareholders by the Company-appointed proxies) and voting rights also require the shareholder to have a current entry on the shareholders' register on the day of the shareholders' meeting. The number of shares registered in the shareholders' register on the day of the shareholders' meeting shall be material in determining the number of voting rights which a shareholder may exercise. For administrative reasons, however, no transfers may be carried out in the shareholders' register in the period from Tuesday, March 30, 2021 (inclusive), until the day of the shareholders' meeting, i.e., Thursday, April 1, 2021 (inclusive). The status of entries in the shareholders' register on the day of the shareholders' meeting is thus identical to the status of entries following the last transfer on Monday, March 29, 2021 (referred to as the technical record date).

Intermediaries, shareholders' associations, and proxy advisors within the meaning of § 134a (1) no. 3, (2), no. 3 AktG and other persons with the status of intermediaries according to § 135 (8) AktG, may only exercise voting rights pertaining to registered shares which they do not own but in respect of which they are entered in the shareholders' register as the bearer if they have been granted appropriate authorization. For more details of this authorization, please consult § 135 AktG.

In accordance with § 67a (4) AktG, an intermediary is a person who performs services relating to the holding or managing of securities or the maintenance of securities accounts for shareholders or other persons, where these services concern the shares of a company whose registered office is located in a European Union member state or any other country which is a signatory to the Agreement on the European Economic Area. In particular, banks within the meaning of Article 4 (1) no. 1 of the Capital Adequacy Directive (Regulation (EU) No. 575/2013) can be intermediaries.

## Particularities of the virtual shareholders' meeting

On the basis of a resolution by the Board of Management with the approval of the Supervisory Board pursuant to § 1 (2) sentence 1 and (6) sentence 1 GesRueCOVBekG, the shareholders' meeting will be held on April 1, 2021 without the physical presence of the shareholders or their proxies in the form of a virtual shareholders' meeting. There is neither an entitlement to nor the possibility for shareholders and their proxies (with the exception of the Company-appointed proxies) to attend the shareholders' meeting in person.

Audio and video of the entire meeting will be broadcast to the public at large and can be accessed via the following link:

[www.telekom.com/hv](http://www.telekom.com/hv)

In addition, shareholders may also follow the shareholders' meeting live, in person or by proxy, even if the "Conditions for attendance and exercising voting rights" are not met.

Insofar as the requirements stated under "Conditions for attendance and exercising voting rights" are fulfilled, shareholders can also

- Exercise their voting rights personally by way of postal/online vote, or via an authorized proxy by way of postal/online vote. Postal/online votes can be cast by using the password-protected Internet Dialog in accordance with the procedure provided for this purpose on the website

[www.telekom.com/hv-service](http://www.telekom.com/hv-service)

up to the start of voting on the day of the shareholders' meeting;

- Have their voting rights exercised by the Company-appointed proxies in line with the voting instructions issued. Proxy authorizations can be granted and voting instructions issued to the Company-appointed proxies by using the password-protected Internet Dialog in accordance with the procedure provided for this purpose on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)) up to the start of voting on the day of the shareholders' meeting;

- Raise questions themselves or via an authorized proxy. Questions must be submitted by using the password-protected Internet Dialog in accordance with the procedure provided for this purpose on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)) by no later than midnight on Tuesday, March 30, 2021, (CEST).

In derogation of § 245 no. 1 AktG, shareholders who have exercised their voting rights themselves or via an authorized proxy can object to a resolution of the shareholders' meeting without the need to attend the meeting in person or via a proxy. Objections can be raised by using the password-protected Internet Dialog in accordance with the procedure provided for this purpose on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)) from the beginning until the end of the shareholders' meeting.

Furthermore, provided that the prerequisites described under "Conditions for attendance and exercising voting rights" have been met, shareholders may retrieve information from the list of participants and attendees using the password-protected Internet Dialog at the website listed above ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)), either themselves or through a proxy.

#### **Using the password-protected Internet Dialog**

- **Optional for registration and voting and for the receipt of confirmations concerning receipt of electronically submitted votes and vote counts**

The password-protected Internet Dialog can be used for the aforementioned registration. It is also available for optional use

in the postal/online voting and proxy voting procedures, both of which are described below. Confirmations of receipt of votes submitted by means of electronic communications in accordance with § 118 (2) sentence 2 in conjunction with (1) sentence 3 AktG, as well as confirmations concerning the counting of votes in accordance with § 129 (5) AktG, can be generated using the password-protected Internet Dialog.

- **Mandatory for questions and any objections, and for the retrieval of information from the list of participants and attendees**

In order to make use of the option to raise questions described above in the section entitled "Details of the virtual shareholders' meeting," the shareholder must use the password-protected Internet Dialog. The same applies to the option described above in the section entitled "Details of the virtual shareholders' meeting" giving shareholders, in derogation of § 245 no. 1 AktG, the option to object to a resolution of the shareholders' meeting without the need to attend the meeting in person, as well as to the possibility described above to view the list of participants and attendees during the shareholders' meeting.

An online password is required in addition to the shareholder number in order to use the password-protected Internet Dialog. Shareholders who have already registered to receive their invitation to the shareholders' meeting by e-mail or De-Mail may also use the online password they selected on registration for this purpose. All other shareholders will receive an online password together with their invitation to the shareholders' meeting, provided they were registered as shareholders

in the shareholders' register at the start of the day on March 11, 2021 or, after that date, have been entered by the start of the day on Monday, March 22, 2021. Shareholders who have been entered in the shareholders' register after this date will be sent the online password on request. The password-protected Internet Dialog will be available from March 3, 2021, onwards. It comprises a predefined interaction sequence covering standard situations. Further information on the registration procedure using the password-protected Internet Dialog is available on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)).

Use of the password-protected Internet Dialog by a proxy requires that the proxy receive the necessary access credentials beforehand. Provided that the prerequisites described under "Conditions for attendance and exercising voting rights" have been met, after the proper granting of authorization using the password-protected Internet Dialog, or after receipt of a proper authorization form or after orderly confirmation of granting of authorization, the proxy will be sent specific access credentials to use the password-protected Internet Dialog at the address or e-mail address used for registration, provided that the Company has been notified of the necessary postal address of the proxy. To ensure that the proxy receives its specific access credentials in due time, the authorization and, if necessary, confirmation of same to the Company should be carried out as early as possible.

Intermediaries, shareholders' associations, and proxy advisors within the meaning of § 134a (1) no. 3, (2), no. 3 AktG and other persons with the status of intermediaries according to § 135 (8) AktG will be given access to

the password-protected Internet Dialog irrespective of the individual proxy authorizations granted to them.

#### **Postal/online voting**

Insofar as the requirements stated under "Conditions for attendance and exercising voting rights" are fulfilled, shareholders can choose to cast their vote by post/online without attending the shareholders' meeting. Postal /online votes can only be cast in respect of resolutions proposed by the Company's administrative bodies and published by the Company prior to the shareholders' meeting, but including any proposal by the Board of Management and Supervisory Board on the appropriation of net income that is adjusted in line with the published proposal, and in respect of resolutions proposed by shareholders that were published by the Company prior to the shareholders' meeting on the basis of a minority request pursuant to § 122 (2) AktG, as a counter-motion pursuant to § 126 (1) AktG or as a nomination pursuant to § 127 AktG. For technical reasons, postal/online votes should be cast using the forms provided by the Company for this specific purpose (including electronic forms).

Postal/online votes which are cast using channels other than the password-protected Internet dialog must be received by the Company in text form (§ 126b German Civil Code – BGB) by mid-night on Monday, March 29, 2021, (CEST) via the postal address or email address given for registration purposes. Changes and revocations are possible this way after this date, but must be received up until the start of voting at the latest. Postal/online votes can be cast, changed, or withdrawn by using the password-protected Internet Dialog

in accordance with the procedure provided for this purpose (subject to the requirements and conditions stated under “Using the password-protected Internet Dialog”) on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)) up until the start of voting on the day of the shareholders’ meeting.

### Voting by proxy

Insofar as the requirements stated under “Conditions for attendance and exercising voting rights” are fulfilled, shareholders have the possibility to vote by proxy, for example through an intermediary, a shareholders’ association, or a proxy advisor within the meaning of § 134a (1), no. 3, (2) no. 3 AktG, or through the Company-appointed proxies. It is possible to appoint a proxy during the registration process, but a proxy may also be appointed prior to and after registration. Proxies may be appointed by way of the shareholder making a declaration either to the relevant proxy or to the Company. In principle, i.e., insofar as neither the law, nor the relevant shareholder, nor the proxy provides for restrictions or other qualifications, the proxy may exercise the voting right in the same way as the shareholder himself could. The same applies to the granting of (sub-) authorization. Proxies (with the exception of the Company-appointed proxies) may also only cast their vote by post/online (as described under “Online/postal voting” above). Provided the prerequisites described under “Using the password-protected Internet Dialog” are met, proxies will be sent specific access credentials for using the password-protected Internet Dialog.

Neither any provision of law nor the Articles of Incorporation nor any other requirements specified by the Company demand that specific forms are used in order to grant proxy

authorization. In the interests of smooth processing, however, we ask that the forms provided are always used when granting proxy authorizations by way of a declaration to the Company. Shareholders will be sent forms with their invitation which they can use to grant proxy authorization during the registration process. Shareholders will receive a registration form as well as a voting and instruction form which can be used in the context of a) to c) below to grant authorization and, if applicable, issue voting instructions. The password-protected Internet Dialog includes (electronic) forms which can be used in the context of a) to c) below to appoint a proxy and, as necessary, issue instructions either at the time of registration or – in the situations covered there – to grant authorization and, if necessary, issue instructions at a later stage. Proxies who satisfy the prerequisites described under “Using the password-protected Internet Dialog” and are sent specific access credentials for using the password-protected Internet Dialog will also receive a form that can be used to grant (sub-) authorization and, if applicable, issue voting instructions in the framework of a) to c) below. A form is also available on the internet that can be used for granting authorization and, as necessary, issuing instructions (see “Further information and notes on the shareholders’ meeting”).

Shareholders wishing to make use of the opportunity to vote by proxy should in particular note the following:

a) If the appointment of a proxy does not fall within the scope of application of § 135 AktG, (i.e., if the proxy appointed is not an intermediary, shareholders’ association, proxy advisor within the meaning of § 134a

(1) no. 3, (2), no. 3 AktG, or other person who has the status of an intermediary according to § 135 (8) AktG and the appointment of the proxy does not fall within the scope of application of § 135 AktG on any other grounds), the following applies: The granting of authorization, its revocation and evidence of authorization must be supplied to the Company in text form in accordance with § 134 (3) sentence 3 AktG (§ 126b of the German Civil Code (*Bürgerliches Gesetzbuch* – BGB)). Pursuant to § 134 (3) sentence 3 AktG in conjunction with § 16 (2) sentence 2 of the Articles of Incorporation, the authorization may also be granted or revoked via the password-protected Internet Dialog using the procedure provided for this purpose (subject to the requirements and conditions stated under “Using the password-protected Internet Dialog”) at the address stated above ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)). However, the password-protected Internet Dialog cannot be used to provide evidence of the proxy authorization to the Company. The password-protected Internet Dialog comprises a predefined interaction sequence covering standard situations. Pursuant to § 16 (2) sentence 3 of the Articles of Incorporation, any other forms of granting or revoking authorization or providing evidence of proxy authorization to the Company which are permitted directly by law are unaffected. The special provisions set out in c) below apply where authorization is granted to Company-appointed proxies.

b) If the appointment of a proxy falls within the scope of application of § 135 AktG, (i.e., if the proxy appointed is an intermediary, shareholders’ association, proxy advisor within the meaning of § 134a (1), no. 3, (2)

no. 3 AktG, or other person who has the status of an intermediary according to § 135 (8) AktG, or the appointment of the proxy otherwise falls within the scope of application of § 135 AktG), text form is not required pursuant to § 134 (3) sentence 3 AktG, nor do the Articles of Incorporation contain special provisions governing such a case. Intermediaries, shareholders’ associations, proxy advisors within the meaning of § 134a (1), no. 3, (2) no. 3 AktG, as well as other persons who have the status of intermediaries according to § 135 (8) AktG, may therefore provide forms with which they can be appointed proxy and such forms need only comply with the statutory provisions that apply to the granting of such authorization, in particular those contained in § 135 AktG. Reference is hereby made to the special procedure pursuant to § 135 (1) sentence 5 AktG. Shareholders will have the opportunity to grant authorization and, if desired, issue instructions to an intermediary, shareholders’ association, or proxy advisor within the meaning of § 134a (1), no. 3, (2) no. 3 AktG via the password-protected Internet Dialog that is accessible on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)), provided that the relevant intermediary, shareholders’ association, or proxy advisor participates in such a service. The information stated under “Using the password-protected Internet Dialog” also applies for the use of the password-protected Internet Dialog with regard to this service.

c) The information contained in a) above also applies if authorization is granted to a Company-appointed proxy, subject to the following special provisions: If authoriza-

tion is granted to a Company-appointed proxy, such proxy will only exercise the corresponding voting right if express instructions have been issued. The proxies appointed by the Company will only take account of instructions in respect of resolutions proposed by the Company's administrative bodies which have been published by the Company prior to the shareholders' meeting, including any proposal by the Board of Management and Supervisory Board on the appropriation of net income that is adjusted in line with the published proposal, and in respect of resolutions proposed by shareholders which have been published by the Company prior to the shareholders' meeting on the basis of a minority request pursuant to § 122 (2) AktG or as a counter-motion pursuant to § 126 (1) AktG or a nomination pursuant to § 127 AktG. In particular, the Company-appointed proxies are not there to ask questions or submit motions during the shareholders' meeting. For administrative reasons, the forms provided by the Company for granting authorizations and issuing instructions to Company-appointed proxies (including electronic forms, see above) should be used for this purpose.

The granting of authorization and issuing instructions to Company-appointed proxies using channels other than the password-protected Internet Dialog must be received by the Company in text form (§ 126b German Civil Code – BGB) by midnight on Monday, March 29, 2021, (CEST) via the postal address or email address given for registration purposes. Changes and revocations are possible this way after this date, but must be received up until the

start of voting at the latest. Authorization can be granted, changed, or revoked and voting instructions issued, changed, or revoked vis-à-vis Company-appointed proxies by using the password-protected Internet Dialog in accordance with the procedure provided for this purpose (subject to the requirements and conditions stated under "Using the password-protected Internet Dialog") on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)) up until the start of voting on the day of the shareholders' meeting

d) If authorization is granted by way of a declaration to the Company, no additional evidence of authorization is required. If, however, authorization is granted by way of declaration to the proxy, the Company may demand to see evidence of the authorization, unless otherwise provided for under § 135 AktG (this applies to the case described in b) above). Pursuant to § 134 (3) sentence 4 AktG, evidence of granting proxy authorization can be submitted to the Company electronically via e-mail using the address [hv-service@telekom.de](mailto:hv-service@telekom.de). The following document formats (without prejudice to the possibility of forwarding an existing e-mail) are supported: .doc and .docx, .txt, and .pdf. The Company can only link the evidence of proxy authorization sent by e-mail to a specific registration application if the document evidencing such authorization or the corresponding e-mail states either the name, date of birth and address of the relevant shareholder or the corresponding shareholder number. The above does not affect the fact that declarations relating to proxy authorizations (granting, revocation), if made to the

Company, and any evidence to be provided to the Company may in particular be sent to the postal address given above. However, the password-protected Internet Dialog cannot be used to provide evidence of the proxy authorization to the Company.

- e) If the shareholder appoints more than one proxy, the Company is entitled under § 134 (3) sentence 2 AktG to refuse one or more of them.
- f) The prerequisites for use of the password-protected Internet Dialog by a proxy are described under "Using the password-protected Internet Dialog" above.

# Information on shareholder' rights pursuant to § 122 (2), § 126 (1), § 127 and § 131 (1) AktG

## Requests for additional agenda items pursuant to § 122 (2) AktG

Under § 122 (2) AktG, shareholders collectively holding at least one twentieth of the capital stock or at least EUR 500,000 in total (the latter corresponding to 195,313 shares) may request that additional items be added to the agenda and published. Each new item must be accompanied by a corresponding statement of reasons or a draft resolution. Requests shall be submitted to the Company's Board of Management in written form (pursuant to § 122 (2) in conjunction with (1) sentence 1 AktG) to arrive by Monday, March 1, 2021, midnight (Central European Time – CET) at the latest. They should be sent to the following address: Deutsche Telekom AG, Vorstand, Postfach 29, 53009 Bonn, Germany. In order to avoid delays caused by mail transit times, please use the above address for any requests for additional agenda items and also send them ahead either by fax to +49 (0)228 181-88259 or by e-mail to hv-service@telekom.de.

Pursuant to § 122 (2) in conjunction with (1) sentence 3 AktG, applicants must provide evidence of having held the shares for at least 90 days prior to the date of receipt of the request and of continuing to hold the shares up to the date on which the Board of Management takes a decision relating to the application. The date of receipt of the request is not included when calculating the shareholding period.

Transferal from a Sunday, a Saturday, or a public holiday to a preceding or subsequent workday is not possible. §§ 187 through 193 of the German Civil Code shall not apply. Certain third-party shareholding periods shall be taken into account in accordance with § 70 AktG.

Any additions to the agenda that require publication and were not published with the notice of convocation will be published in the German Federal Gazette (*Bundesanzeiger*) as soon as they have been received by the Company and, with this announcement at the latest, will be forwarded to those media services which can be expected to publish the information across the entire European Union. They will additionally be made available at

[www.telekom.com/hv](http://www.telekom.com/hv)

and disclosed to the shareholders in accordance with § 125 AktG directly following their announcement.

## Counter-motions and nominations pursuant to § 126 (1) and § 127 AktG

Given that the shareholders' meeting on April 1, 2021 will take place as a virtual shareholders' meeting with no possibility for shareholders to attend in person, shareholders cannot file counter-motions at the place of the shareholders' meeting; neither are the Company-appointed proxies able to fulfill this role.

The same goes for shareholder nominations. Pursuant to § 1 (2) sentence 3 GesRuaCOVBekG, in the version valid at the time of the shareholders' meeting, however, motions and nominations from shareholders that must be made available pursuant to § 126 and/or § 127 AktG are considered submitted during the meeting if the shareholder who submits the motion or nomination has been properly legitimated and registered for the shareholders' meeting; that is, if the prerequisites described under "Conditions for attendance and exercising voting rights" have been met. The right of the person chairing the meeting to hold a vote on the management's proposals first within the voting process shall remain unaffected. Should the management's proposals be accepted with the necessary majority, there shall be no need to handle counter-motions or (alternative) nominations.

Counter-motions within the meaning of § 126 AktG and nominations within the meaning of § 127 AktG, together with the shareholder's name, a corresponding reason (which is, at least, not required in the case of nominations), and any response by the Company's administrative bodies, as well as, in the case of nominations by a shareholder for the election of Supervisory Board members, the details pursuant to § 127 sentence 4 AktG, shall be published on the following website:

[www.telekom.com/hv](http://www.telekom.com/hv)

provided that they are received by the Company by

**midnight on Wednesday, March 17, 2021, (CET) at the latest,**

and are addressed to

**Gegenanträge zur Hauptversammlung DTAG  
Postfach 19 29, 53009 Bonn, Germany**

or sent by fax to **+49 (0)228 181-88259**

or by e-mail to: [gegenantraege@telekom.de](mailto:gegenantraege@telekom.de)

and providing all other conditions triggering the Company's obligation to publish such information under § 126 and/or § 127 AktG have been met.

## Shareholder's right to request information pursuant to § 131 (1) AktG

Pursuant to § 131 (1) AktG, the Board of Management must provide any shareholder making a corresponding demand at the shareholders' meeting with information relating to the Company's affairs, including its legal and business relations to an affiliate, the financial position of the Group and any other companies included in the consolidated financial statements, provided such information is necessary in order to make an informed judgment in respect of an agenda item and the Board of Management does not have the right to refuse such information.

Given that the shareholders' meeting on April 1, 2021 will take place as a virtual shareholders' meeting with no possibility for shareholders to attend in person, shareholders cannot request such information at the place of the shareholders' meeting; neither are the Company-appointed proxies able to fulfill this role. As such, the special regulation under § 1 (2) sentence 1 no. 3 and sentence 2 GesRuaCOVBekG applies to the virtual shareholders' meeting. Pursuant to § 1 (2) sentence 1

no. 3 GesRuaCOVBekG in the version valid at the time of the shareholders' meeting, shareholders must have the right to raise questions via an electronic communication channel. Pursuant to § 1 (2) sentence 2 GesRuaCOVBekG, in the version valid at the time of the shareholders' meeting, the Board of Management will decide at its due and free discretion how it answers questions; in accordance with § 1 (2) sentence 2 GesRuaCOVBekG in the version valid at the time of the shareholders' meeting, the Board of Management may also stipulate that questions submitted electronically shall be received no later than one day before the shareholders' meeting. In accordance with § 1 (6) sentence 1 GesRuaCOVBekG, decisions made by the Board of Management in accordance with § 1 (2) GesRuaCOVBekG require approval of the Supervisory Board.

In the present case, shareholders can, insofar as the conditions stated under "Conditions for attendance and exercising voting rights" are met, submit questions personally or via an authorized proxy. Questions must be submitted by

**midnight on Tuesday, March 30, 2021, (CEST) at the latest,**

using the password-protected Internet Dialog in accordance with the procedure provided for this purpose (subject to the requirements and conditions stated under "Using the password-protected Internet Dialog") on the aforementioned website ([www.telekom.com/hv-service](http://www.telekom.com/hv-service)). This requirement is based on a decision made by the Board of Management, with the approval of the Supervisory Board, pursuant to § 1 (2) sentence 2

and § 1 (6) sentence 1 GesRuaCOVBekG. The Board of Management also reserves the right, with the approval of the Supervisory Board in accordance with § 1 (2) sentence 2 and (6) sentence 1 GesRuaCOVBekG, to issue guidelines as to how it will answer the questions submitted in advance.

Only questions submitted in the German will be considered. When questions are answered during the shareholders' meeting, the name of the person asking the question may only be disclosed insofar as they consented to this when submitting their question. Once consent has been given, it can be withdrawn at any time, in particular by sending an e-mail to [hv-service@telekom.de](mailto:hv-service@telekom.de).

#### **Further information**

Further information on the shareholders' rights pursuant to § 122 (2), § 126 (1), § 127, and § 131 (1) AktG (as well as the particularities resulting from § 1 (2) GesRuaCOVBekG in the version valid at the time of the shareholders' meeting), in particular information relating to additional requirements above and beyond compliance with relevant deadlines, is available on the following website:

**[www.telekom.com/hv](http://www.telekom.com/hv)**.

# Further details and information relating to the shareholders' meeting

## Information for bearers of ADRs

Bearers of American Depositary Receipts (ADRs) can get additional information through Deutsche Bank Trust Company Americas, c/o American Stock Transfer & Trust Company, LLC, 15th Avenue, Brooklyn, NY 11219, USA, e-mail [db@astfinancial.com](mailto:db@astfinancial.com), phone +1 (866) 282-3744.

## Documents relating to the shareholders' meeting, website with information on the shareholders' meeting.

In accordance with § 124a AktG, all information is available at the website

[www.telekom.com/hv](http://www.telekom.com/hv).

Specifically, this includes the content of the notice of convocation, together with an explanation of why no resolution is to be passed on agenda item 1, the documents to be made available at the shareholders' meeting, the total number of shares and voting rights existing at the time the convocation notice was issued, a form for granting proxy and for issuing instructions (if any), as well as for postal/online voting, and any requests for additional agenda items within the meaning of § 122 (2) AktG.

The aforementioned website also contains all further information that shareholders must be notified of or provided with prior to the shareholders' meeting.

The established voting results, including the information pursuant to § 130 (2) sentence 2 AktG, will also be published there after the shareholders' meeting. Furthermore, the website also contains information on the receipt of electronic confirmation of receipt of a vote submitted by means of electronic communications in accordance with § 118 (2) sentence 2 in conjunction with (1) sentence 3 AktG, as well as on a confirmation concerning the counting of votes, which voters may request within one month after the day of the shareholders' meeting pursuant to § 129 (5) AktG.

On February 26, 2021, the notice of convocation, together with the full agenda and the resolution proposals of the Board of Management and the Supervisory Board, was published in the German Federal Gazette and also forwarded for publication to media services which can be expected to publish the information across the entire European Union.

## Public broadcast of the shareholders' meeting

Based on a corresponding resolution by the Board of Management, an audio/video transmission of the shareholders' meeting will be available publicly. All shareholders and the interested public may follow the shareholders' meeting live on the following website:

[www.telekom.com/hv](http://www.telekom.com/hv).

Comments by the Board of Management and Supervisory Board will also be available on the same website after the shareholders' meeting, provided that they do not relate to questions from individual shareholders. Some of these comments will also be published on other media (Twitter, Facebook and YouTube).

## Total number of shares and voting rights

The total number of shares issued, each of which carries one voting right, existing at the time of the notice of convocation of the shareholders' meeting is 4,761,458,596 (calculated in accordance with § 49 (1) sentence 1 no. 1 2nd option of the German Securities Trading Act).

## Notes on data privacy for shareholders and their representatives

As controller within the meaning of Article 4 (7) of the General Data Protection Regulation (GDPR), Deutsche Telekom AG processes personal data of the shareholders recorded in the Company's shareholders' register (shareholders) and, where applicable, the statutory or legal representatives of shareholders in conjunction with the shareholders' meeting. The personal data processed include surname, first name, title, address and other contact information, data regarding shares, administrative data, and data concerning the exercise of shareholders' rights, including voting rights. The personal data shall be provided by the shareholder or their representative. Alternatively, Deutsche Telekom AG shall receive it from the custodian bank of the shareholder (usually forwarded via Clearstream Banking AG).

The purpose of processing the data is to enable the shareholders to exercise their rights in

conjunction with the shareholders' meeting and to comply with the statutory provisions associated with the shareholders' meeting. The legal basis for processing is the German Stock Corporation Act (*Aktiengesetz - AktG*), in particular § 118 et seq. AktG, as well as GesRua-COVBeKG, in particular § 1 (2) GesRua-COVBeKG, each in conjunction with Art. 6 (1)(c) GDPR. In addition, § 67e (1) AktG describes an explicit standard for consent and purpose under which companies may process personal data of shareholders for the purposes of identification, communication with shareholders, exercising shareholder rights, maintenance of the shareholders' register, and for cooperation with shareholders. The personal data shall also be processed for capacity planning as well as other organizational planning for the current and future shareholders' meetings. To this extent, the legal basis for processing is Article 6 (1)(f) GDPR. Guaranteeing the smooth running of the shareholders' meeting constitutes a legitimate interest in this respect.

To prepare and execute the shareholders' meeting, Deutsche Telekom AG shall commission service providers (for the preparation and transmission of the notification in accordance with § 125 AktG, recording and technical processing of the registration for the shareholders' meeting, authorizations and the exercise of shareholders' rights, the technical processing of the meeting in general, and the provision of legal advice) who shall only be provided with the personal data by Deutsche Telekom AG which are required to carry out the commissioned service. If authorized by the shareholder or their representative, the Company-appointed proxy shall only receive the personal data required to cast the vote in accordance with the instructions.

Requests for additional agenda items as well as counter-motions and nominations shall be made accessible as described in the invitation under “Information on shareholders’ rights pursuant to § 122 (2), § 126 (1), § 127, and § 131 (1) AktG” and, where relevant, put to the vote at the shareholders’ meeting. With respect to questions submitted in line with the procedure described under “Details of the virtual shareholders’ meeting” and “Information on shareholders’ rights pursuant to § 122 (2), § 126 (1), § 127 and § 131 (1) AktG,” the name of the person asking the question may be disclosed at the shareholders’ meeting in the context of providing an answer insofar as they consented to this when submitting their question. Consent can be withdrawn at any time, preferably by sending an e-mail to hv-service@telekom.de.

Deutsche Telekom AG shall erase or anonymize the personal data of shareholders three years after the day of the shareholders’ meeting at the latest unless legal rules prescribe a longer retention period, for instance if required by the German Stock Corporation Act, the German Securities Trading Act, the German Commercial Code and the German Fiscal Code, or on the basis of the legitimate prevailing interest of the company, namely to establish, exercise, or defend legal claims. Should Deutsche Telekom AG become aware that a shareholder is no longer a shareholder of the Company, it will only store that shareholder’s personal data for a maximum of twelve months pursuant to § 67e (2) AktG, subject to other legal regulations such as the German Stock Corporation Act, the German Securities Trading Act, the German Commercial Code, and the Fiscal Code; a longer retention period will only be applied to the extent necessary for legal proceedings.

Contact information of the Company as the controller within the meaning of Art. 4 (7) GDPR: Deutsche Telekom AG, Friedrich-Ebert-Allee 140, 53113 Bonn.

Contact information of the Global Data Privacy Officer at Deutsche Telekom AG: Dr. Claus D. Ulmer, Friedrich-Ebert-Allee 140, 53113 Bonn, e-mail: aktienregister@telekom.de.

For further information on data privacy, especially regarding the processing of shareholder data in connection with the management of the shareholders’ register, please refer to the following website:

[www.telekom.com/hv](http://www.telekom.com/hv).

**Bonn, February 2021**

**Deutsche Telekom AG  
The Board of Management**

**Deutsche Telekom AG**

Supervisory Board: Prof. Dr. Ulrich Lehner (Chairman)

Board of Management: Timotheus Höttges (Chairman),  
Adel Al-Saleh, Birgit Bohle, Srinivasan Gopalan, Dr. Christian P. Illek,  
Thorsten Langheim, Dominique Leroy, Claudia Nemat

Commercial Register: Local court Bonn HRB 6794

Registered Office: Bonn