Sound, systematic corporate governance is particularly important in view of the extraordinary size of Deutsche Telekom and its key role in the economy. The Group is governed by a system of checks and balances that is designed to ensure the broadly based participation of the shareholders in the governance of the Group. The Group’s supervisory structures are also designed to provide added value and to strengthen the Group’s competitiveness. The Group’s supervisory structures are also designed to provide added value and to strengthen the Group’s competitiveness.

In the 2017 financial year, the Board of Management and Supervisory Board once again carefully examined the corporate governance of Deutsche Telekom AG and the Deutsche Telekom Group as well as the contents of the German Corporate Governance Code. During the reporting period just ended, Deutsche Telekom AG again fulfilled all the requirements of the German Corporate Governance Code. The Supervisory Board of Deutsche Telekom AG therefore issued an unequivocal Declaration of Conformity with the German Corporate Governance Code on December 30, 2017.

Deutsche Telekom AG has implemented a comprehensive compliance management system. According to this system, a compliance program is set up based on a structured risk assessment process performed at least once a year throughout the Group. The compliance management system also includes the Code of Conduct, the Code of Ethics, and various policies. The Code of Conduct defines how employees and management should practice value-based and legally compliant conduct in their daily business activities. The Code of Ethics addresses the members of the Board of Management of Deutsche Telekom AG and persons within the Group who carry special responsibility for financial reporting. It obliges these individuals to comply with the principles of honesty, integrity, transparency, and ethical conduct. The compliance management system in place at Deutsche Telekom AG and other selected national and international companies was certified as being appropriate and effectively implemented by an external auditor in stages from 2016 through 2017 in accordance with IDW audit standard 880 with the focus on anti-corruption.

Corporate governance practices beyond statutory requirements Compliance. Compliance involves the observance of legal require-ments and internal Group rules. There is also a Compliance Committee that supports the Board of Management in further developing the framework for an effective compliance management system. The members of the Compliance Committee are experienced managers in the areas of compliance, legal affairs, security, internal auditing, and human resources. The Chief Compliance Officer, appointed by the Board of Management, chairs the Compliance Committee. A compliance officer has been appointed for each of the operating segments. Individual business units have additional compliance officers and contacts depending on their respective size and risk situation. Clear reporting structures have been implemented throughout the Group. The particular significance attached to compliance is underlined by the decision to pool all compliance activities in the Board of Management department for Data Privacy, Legal Affairs and Compliance.

Working methods of the Board of Management and the Supervisory Board as well as composition and working methods of committees Cooperation between the Supervisory Board and the Board of Management. The Supervisory Board and the Board of Management work closely together for the good of the Company and maintain regular contact. The Board of Management agrees the Company’s strategic alignment with the Supervisory Board and assists it as necessary with respect to implementation with the Supervisory Board at regular intervals. The Supervisory Board of Deutsche Telekom AG holds a minimum of four meetings a year. In 2017 there were nine Supervisory Board meetings and a one-day strategy session. The Board of Management and the Supervisory Board appointed 25 Supervisory Board committee meetings held. The Board of Management keeps the Supervisory Board fully and regularly informed in good time, in particular of corporate strategy, planning, business development, the risk situation, risk management, compliance, innovation focuses, as well as of any deviations of the business development from original plans and of significant business transactions involving the Company and major Group companies. The Board of Management regularly submits written and oral reports. Between meetings, the Board of Management also informs the Supervisory Board of the current business development of the Group and its segments on a monthly basis. The Board of Management reports to the Supervisory Board on individual issues in writing or in discussions. The reporting obligations of the Board of Management have been specified by the Supervisory Board and go beyond statutory requirements. The activities of the Board of Management and the Supervisory Board are specified in separate rules of Procedure. Those that govern the Board of Management provide guidance on its schedule of meetings and the majorities required for resolutions on other issues. The Chairs of the two Boards also exchange information regularly in person.

Schedule of responsibilities and working methods of the Board of Management. The Board of Management normally meets on a weekly basis. As a rule, its resolutions are adopted by simple majority and within the scope of its meetings. As of January 1, 2017, the Board of Management’s schedule of responsibilities states that there are eight Board departments instead of seven: the department of the Chairman of the Board of Management; Finance; Human Resources; Data Privacy, Legal Affairs and Compliance; T-Systems; Germany; Technology and Innovation; and Europe. The Board of Management was extended to include the Technology and Innovation Board department. Europe and Technology continues to exist as the Europe Board department. The members of the Board of Management jointly bear responsibility for the management of the entire Company. They work together in a cooperative manner and continually inform one another of important measures and activities in their departments.

Irrespective of the joint responsibility of all members of the Board of Management, each individual member of the Board of Management is authorized to manage the spheres of responsibility allocated to him or her. Certain matters, particularly those where the law requires the involvement of the entire Board of Management, are subject to approval by the full Board of Management. Furthermore, every Board member can submit matters to the full Board of Management for decision.

As a rule, members of the Board of Management should not be older than 65 years of age (standard age limit). To further the efficient performance of its duties, the Board of Management has established two permanent committees that include people who are not members of the Board of Management. These committees do not have the authority to take decisions that are by law matters to be dealt with by the Board of Management. Working methods of the Supervisory Board. The Supervisory Board appoints the members of the Board of Management and regularly supervises its management of the Company. The Supervisory Board is directly involved in all decisions of fundamental importance to the Company. This involvement is guaranteed through the specification of approval provisions for the Supervisory Board and through the agreement of the strategic alignment of the Company. The work of the Supervisory Board is specified in Rules of Procedure. To clarify the reporting requirements on the part of the Board of Management, the Supervisory Board has drawn up a list of transactions subject to approval. This list forms an integral part of the Rules of Procedure for the Supervisory Board and the Board of Management, respectively. The Supervisory Board is convinced that – in accordance with a recommendation of the German Corporate Governance Code – it has a sufficient number of independent members of the Supervisory Board and the Board of Management to provide impartial advice to and to monitor the Board of Management.

The Supervisory Board and Audit Committee each assess the efficiency of their work every two years, which provides new impetus for the work of the Supervisory Board on a regular basis.

The self-assessment carried out to this end is based on a comprehensive questionnaire followed by intense discussion and consultation on the results by the Supervisory Board and Audit Committee. The Audit Committee’s last assessment was carried out in the 2018 financial year. The Supervisory Board carried out its last efficiency audit in the 2017 financial year. As well as the work of the Supervisory Board as a whole, it also considered the work of all of the Board’s committees.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and provides guidance over its meetings. In addition to the Chairman of the Supervisory Board, there is no other person who maintains regular contact with the Chairman of the Board of Management and the members of the Board of Management as a whole. The Chairman works with the Board of Management on the general strategy, its planning, the development of its business, the situation in terms of risk and risk management, as well as compliance, and is informed of the general business situation and significant events. In this context, the Chairman of the Board of Management in particular informs the Chairman of the Supervisory Board of all events that are significant to the situation, development, and governance of the Company.

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH §§ 289f AND 315d OF THE GERMAN COMMERCIAL CODE
The Supervisory Board has stipulated a quota of 29 percent women (2/7) on the Board of Management, and the Board of Management has set a target of at least 30 percent of women in each case for the two management levels directly below Board level, by the end of 2020.

Information on the diversity concept

Description and objectives.

The aim of the diversity concept for the Supervisory Board and the Board of Management is to ensure in each case that the composition of these bodies takes into account the criteria of background, gender, origin and age (diversity criteria), making them more diverse so that different experience and backgrounds are represented on the Supervisory Board and to contribute to good corporate governance with the help of diversity of opinion and knowledge. The aim of taking the selected criteria into consideration in the composition of these bodies is to work towards creating diversity of expertise and opinions in the bodies. The expertise of diverse bodies is to be promoted with the members' understanding of the current business situation of the Company, while diversity of points of view within the bodies enables the members to consider other perspectives than their own and to better recognize opportunities and risks when making decisions.

Implementation.

The diversity concepts for the Supervisory Board and the Board of Management are implemented through the transfer of the diversity criteria into objectives for composition that the Supervisory Board shall take into account when making decisions on proposals for election to be submitted to the shareholders meeting and/or appointments to the Board of Management.

Targets for the proportion of women. The corporate bodies at Deutsche Telekom AG are also required by law to set targets for the number of women on the Board of Management and at the two management levels below Board level, and to set deadlines for the achievement of these targets, on a regular basis. A report is to be made each year on the achievement of the targets set after the expiry of each deadline for implementation of these.

For the current, second implementation period that began at the start of 2016, the Supervisory Board has set a target of around 29 percent of women (2/7) on the Board of Management, and the Board of Management has set a target of at least 30 percent of women in each case for the two management levels directly below Board level, by the end of 2020.

Objectives for the composition of the Supervisory Board of Deutsche Telekom AG with relevance for diversity

The Supervisory Board has to be composed in such a way that its members as a group possess the knowledge, ability, and expert experience required to properly perform its tasks.

The Supervisory Board supports an appropriate degree of female representation on the Supervisory Board. A minimum of 30 percent of members of the Supervisory Board shall be women.

In view of the Company’s international focus, candidates with an international background are to be given appropriate consideration in future appointments to the Supervisory Board.

The term of office for members of the Supervisory Board shall end no later than the close of the shareholders’ meeting after the Supervisory Board member reaches the age of 75 unless there are special reasons for this not to be the case (standard age limit).

A regular limit of three terms of office shall apply for the length of membership on the Supervisory Board. Appointments by court order that are limited until the next shareholders’ meeting shall not, however, be considered a term of office.

Objectives for the composition of the Board of Management of Deutsche Telekom AG with relevance for diversity

Together with the Board of Management, the Supervisory Board ensures that there is a long-term succession planning for the Board of Management. When making appointments to the Board of Management, the Supervisory Board focuses on outstanding expert qualifications, many years of management experience, and the candidate’s performance to date.

Taking into account the stipulations of the German Corporate Governance Code, the diversity concept shall encompass the following objectives for the composition of the Board of Management:

As a whole, the Board of Management is in particular to have many years of experience in the telecommunications sector, technology, innovation, finance, digitalization, human resources management, and legal and compliance affairs.

The Supervisory Board has stipulated a quota of 29 percent women (2/7) by the end of 2020.

As a rule, members of the Board of Management should not be older than 65 years of age.

In view of the Company’s international focus, at least one member of the Board of Management is to have an international background.

Results achieved in the financial year. The objectives of the diversity concept for the Supervisory Board and the Board of Management were met in the 2017 financial year. The Supervisory Board is successfully implementing the diversity concept by taking the diversity criteria into account when making decisions on proposals for election to be submitted to the shareholders’ meeting and/or appointments to the Board of Management.

The Corporate Governance Report is published in conjunction with the Corporate Governance Statement on Deutsche Telekom AG’s website www.telekom.com/en/investors/investee-value-management/corporate-governance/

Merger decisions are subject to the right of the supervisory board, management board, or shareholders to be informed of the content of the merger agreement. Such decisions may be handled by the supervisory board, management board, or shareholders in accordance with their respective statutory provisions.

For further details on the members of the Supervisory Board and any details they hold on the supervisory board, please see page 235 et seq. of the Annual Report, which is published on Deutsche Telekom AG’s website www.telekom.com/en/investors/investee-value-management/corporate-governance/

In order to perform its tasks more effectively, the Supervisory Board has set up committees that are tasked with preparing subjects and are authorized to take decisions on behalf of the full Supervisory Board insofar as the law allows.

Avoiding conflicts of interest. Board of Management members and Supervisory Board members are obliged to disclose immediately any conflicts of interest to the Supervisory Board. If members of the Board of Management assume functions that are, in the opinion of the Board of Management, incompatible with their work as Supervisory Board members, this is subject to approval by the General Committee of the Supervisory Board.

Working methods and composition of the Board of Management and Supervisory Board committees. The Board of Management has set up two standing committees to perform its tasks more effectively:

Board of Management Assets Committee. This committee advises the Board of Management of Deutsche Telekom AG on matters concerning the economically and strategically optimum allocation of resources, on investment projects, and on measures with key business significance.

Members:  
- Member of the Board of Management, Finance (committee chair)
- Member of the Board of Management, Technology and Innovation
- Chief Technology Officer
- Chief Operating Officer
- Chief Information Officer
- Senior Vice President; Group Controlling
- Senior Vice President; Group Strategy
- Senior Vice President; Group Procurement
- Financial Director of the segments Germany, Europe, Group Headquarters & Group Services Technology and Innovation
- Chief Technology Officer; Germany
- Senior Vice President; Consumers, Germany
- Senior Vice President; Technology (NT/T1); Europe
- Senior Vice President; Strategy Execution Europe

Mergers and Acquisitions (M&A) Committee. This committee takes decisions on the implementation of certain M&A transactions that are below defined value thresholds and monitors integration after the completion of transactions.

Members:  
- Chairman of the Board of Management (committee chair)
- Member of the Board of Management, Finance
- Member of the Board of Management, Human Resources
- Senior Vice President; Group Development
- Senior Vice President; Group Strategy & Transformation

In order to perform its tasks more effectively, the Supervisory Board has eight standing committees. The General Committee deals with personnel matters relating to the Board of Management and prepares the meetings of the Supervisory Board. The Staff Committee deals with general personnel matters not relating to the Board of Management. The Finance Committee mainly deals with complex financial and business management topics within the Company. The Audit Committee performs the tasks required by the German Corporate Governance Code. These include, in particular, monitoring the accounting process, the effectiveness of the internal control system, the risk management system, and the audit of financial statements, compliance, and data privacy. The Technology and Innovation Committee supports and promotes innovation and technological developments at infrastructure and product level and supports the Board of Management with advice on how to tap new growth areas. Furthermore, the Supervisory Board has formed a Nominations Committee, which consists exclusively of shareholders’ representatives. The Nominations Committee is responsible in particular for proposing to the Supervisory Board suitable candidates for the latter to subsequently recommend to the shareholders’ meeting for election. Finally, there is the Remuneration Committee, which was formed in accordance with § 27 (3) of the Codetermination Act (Mitbestimmungsgesetz – MitbestG). In addition, a Committee for U.S. Business was established in May 2014.

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

Corporate governance report. In addition to this Corporate Governance Statement, the Board of Management and the Supervisory Board also jointly report on corporate governance at Deutsche Telekom AG and the Group in a separate report in accordance with the recommendations of Section 3.10 of the German Corporate Governance Code.

Details on minimum percentages for Supervisory Board members by law in § 76 (4) and § 111 (5) AktG

<table>
<thead>
<tr>
<th>Deutsche Telekom AG</th>
<th>Board of Directors</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-executive directors</td>
<td>29.2%</td>
<td>30.0%</td>
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<tr>
<td>Executive directors</td>
<td>22.7%</td>
<td>30.9%</td>
<td></td>
</tr>
</tbody>
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*Following the transition to automated data collection processes in 2014.